



The ultimate
guide to
modern award
compliance
roubler.

Underpayment scandals and wage theft

Wage theft has been making the headlines for more than a year now, and has become a highly problematic issue for businesses across Australia.

Many of the biggest names – including Coles, 7-Eleven, and George Calombaris' restaurant empire – have been hit by underpayment scandals due to the misinterpretation of awards and agreements.

The impact on affected businesses is significant, with backpay and hefty fines adding up to millions, not to mention the damage to an employer's reputation.

It's become such a concern that the Australian government has been exploring the possible criminalisation of wage theft, which could potentially land employers in prison for underpaying staff.

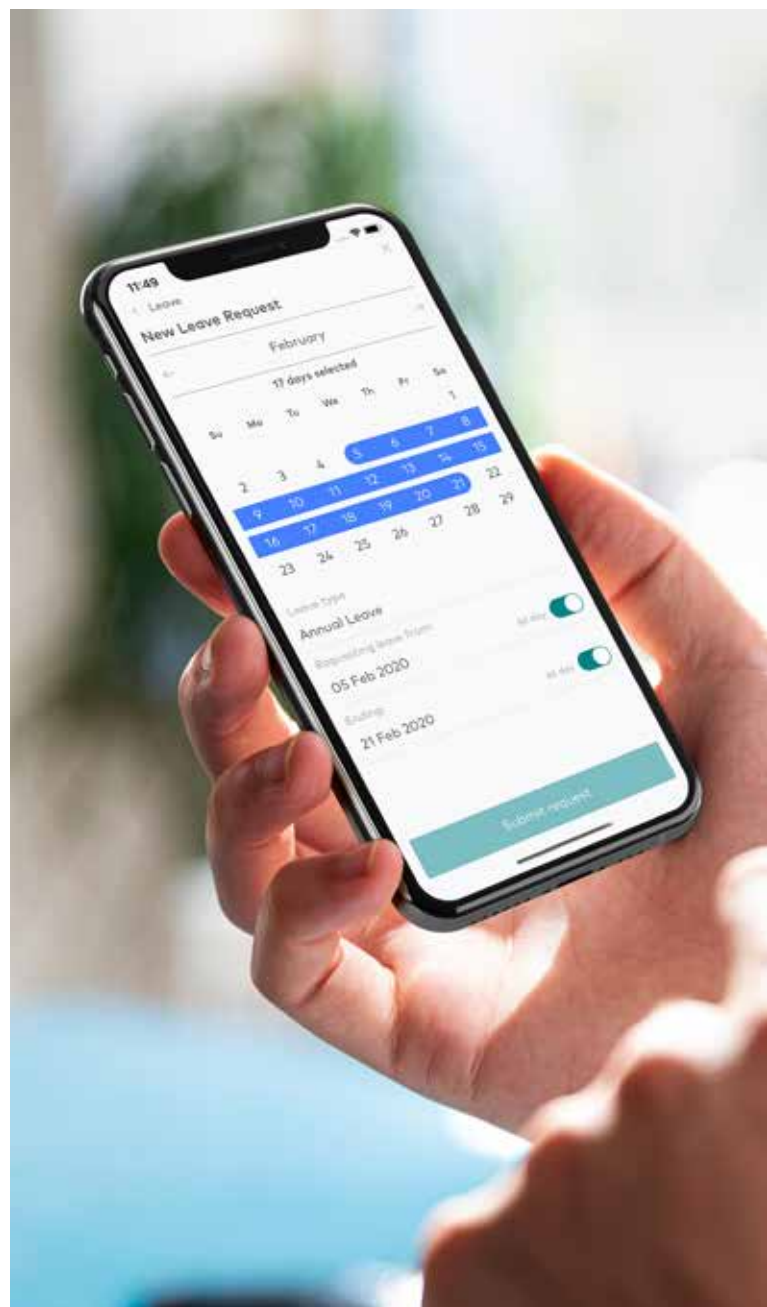
Unfortunately, the complexity of the modern award system makes it difficult for businesses to stay on top of the rules and regulations, to ensure they don't make mistakes that result in unpaid wages.

With even the major players seemingly unable to cope, small- to medium-sized business owners are understandably concerned.

The truth is, without the right systems in place, employers of all sizes are exposing themselves to substantial risk when it comes to award compliance.

So, how can businesses avoid the pitfalls of the modern award system and ensure their staff are paid in accordance with their entitlements?

By understanding where others have gone wrong and implementing the right systems and processes, it's easy to avoid becoming another headline.



Big brands hitting the headlines

The past 12 months have seen some of the biggest brands in Australia being caught out for unpaid wages. The repercussions aren't just significant, they are also long lasting, with some taking many months or even years to sort through backpay and ensure staff are compensated.

\$300m

Woolworths

In October last year it was revealed that Woolworths underpaid staff by approximately \$300 million over nine years, and the Fair Work Ombudsman stated that Woolworths 'admitted to breaching Australia's workplace laws on a massive scale'. An investigation is underway to return the money owed to approximately 5700 staff, most of whom are department and store managers.

\$6.1m

Bunnings

Hardware chain Bunnings was recently caught up in a row about unpaid superannuation, when a 'payroll error' resulted in an underpayment to more than 40,000 team members to the tune of \$6.1 million. Bunnings has since refunded its employees and say they are 'confident' the issue will not happen again.

\$10m

Michael Hill

Last year Michael Hill admitted to underpaying staff between \$10 million and \$25 million over the last six financial years. The jewellery retailer came under fire from the Fair Work Ombudsman and is now facing potential fines of \$63,000 per contravention should the matter end up in court.

The potential pitfalls of modern awards

The Fair Work Commission sets rules around workers' pay in modern awards, outlining minimum pay and working conditions based on industry, role and type of employer.

These awards are designed to ensure employees get paid appropriately for the work they do. In practice, however, implementing them can be a complex process, and one that is fraught with risk.

Understanding where others have gone wrong is key to ensuring you avoid the same mistakes. Here we explore some of the leading reasons businesses are inadvertently being caught out underpaying staff.

Awards don't align with industry norms

One of the biggest challenges for many businesses is that modern awards are not always structured in line with well-established industry norms.

For example, many businesses treat permanent part-time employees a similar way to casuals, by assigning them different shifts each week to cover demand, a practice that doesn't align with the award.

The modern award system sets clear rules around the rostering requirements for each type of employee, and permanent part-time staff should have the same set shifts each week.

It's easy to make genuine mistakes

The sheer complexity of the modern award system makes compliance an inherently difficult process. With 120 different awards Australia-wide, employers can set out with the very best of intentions but still find themselves underpaying their staff.

Any manual data entry – from the moment an employee arrives at work through to the moment their pay is released – can create significant issues and leave employers wide open to human error.

Payroll and workforce management systems that are not properly integrated or are not designed to work together can further complicate the problem, resulting in figures that don't quite add up.

Payroll teams aren't well equipped

The ultimate responsibility for ensuring compliance often falls to busy payroll teams, who often do not have the time or expertise to comprehensively understand the intricacies of modern awards.

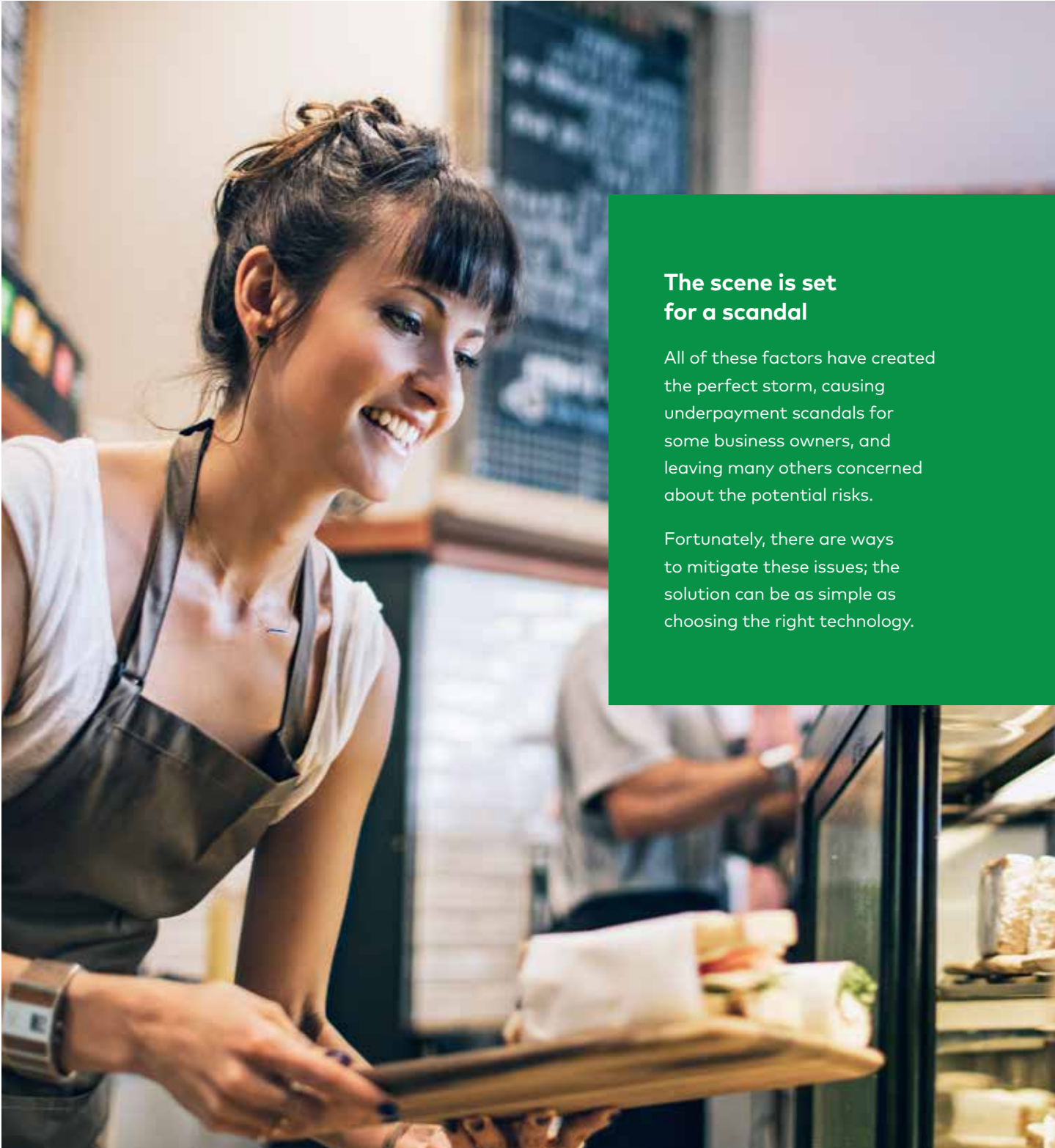
On any given day, payroll specialists are likely to be dealing with multiple awards, enterprise agreements, leave entitlements, loadings, terminations and payroll tax, often across multiple states.

Add to this list other complicating factors such as current industrial relations issues and superannuation requirements, and a perfect storm has been created where errors are bound to happen sooner or later.

Store managers are at risk

In-store, managers are also expected to know the rules and understand the regulatory implications of the rosters they are creating for their teams.

This responsibility regularly falls to junior employees who lack the time or experience to intimately familiarise themselves with such complex legislation.



The scene is set for a scandal

All of these factors have created the perfect storm, causing underpayment scandals for some business owners, and leaving many others concerned about the potential risks.

Fortunately, there are ways to mitigate these issues; the solution can be as simple as choosing the right technology.

Common compliance mistakes and how to avoid them



Treating permanent part time employees as casuals

The issue: Permanent part-time employees being given different shifts and different times each week.

The solution: Ensure all permanent part-time employees have the same set shifts each week. Using the right software will make this easy.



Not keeping records of shift changes

The issue: Permanent part-time employees must be asked in writing to change shifts. Unless they have agreed in writing, they may be entitled to overtime.

The solution: Let your team manage their shifts via a mobile app which will keep a digital record when they agree to changes in shifts.



Leaving award interpretation entirely up to the payroll team

The issue: Award interpretation is complex, the rules are constantly changing, and payroll experts often struggle to stay on top of all the details.

The solution: Relieve the pressure on your payroll team by automating your payroll compliance.



Expecting store managers to be compliance experts

The issue: Store managers who create rosters are not aware of legal requirements under the award.

The solution: Use a system that will alert the person creating the roster to any issues, such as shifts that are over a person's maximum hours for the week.



Using paper time sheets

The issue: Paper records can easily be lost, handwriting is often difficult to read, and manual data entry creates enormous opportunities for error.

The solution: Use a digital clocking device to reduce the number of errors and make calculating pay faster and more efficient.



Not understanding employees' superannuation entitlements

The issue: Not taking into account benefits such as bonuses or leave loading when calculating super.

The solution: Automation is the answer here. If your payroll rules are set up correctly, you'll never be at risk of underpaying superannuation.

Resources

Not sure where to turn when it comes to ensuring your business is compliant? These resources can help.

Fair Work

www.fairwork.gov.au

For all the latest on legislation and awards. Their 24/7 support line to help businesses understand the modern award system and how it applies to their employees.

The Association of Payroll Specialists (TAPS)

www.payroll.com.au

Keep up to date with the latest payroll news. You can also use their helpline if you've got a pressing technical issue with your payroll.

National Retail Association (NRA)

www.nra.net.au

Provides a helpful award calculator along with news and insights about applications of the modern award system. You can also subscribe to updates on their website.

What you need to know about annualised salaries

With the rules set to change for annualised salaries on 1 March, businesses across the retail and hospitality industries need to understand the impact on their business – and quickly.

These changes are a reflection of the Fair Work Commission's recent focus on ensuring that employees on annualised salaries are appropriately compensated. Here's what you need to know.

What are annualised salaries?

Annualised salaries are built into many modern awards, which means employers can pay their staff a fixed annual wage that incorporates other entitlements such as allowances and overtime.

What's changing?

Many industries will be directly impacted by changes to their awards on 1 March.

Although the retail, hospitality and restaurant awards are not changing at this stage, these industries will remain under scrutiny.

Businesses will need to comply with the expectations set by the Fair Work Commission, and review their existing pay calculation methods to ensure employees are paid correctly.

Why is this important?

Over the past 12 months many business owners across retail and hospitality have been caught up in pay disputes, where salaried staff have not been paid in line with the award.

This is largely due to the fact that many businesses do not have a comprehensive understanding of employees' entitlements.

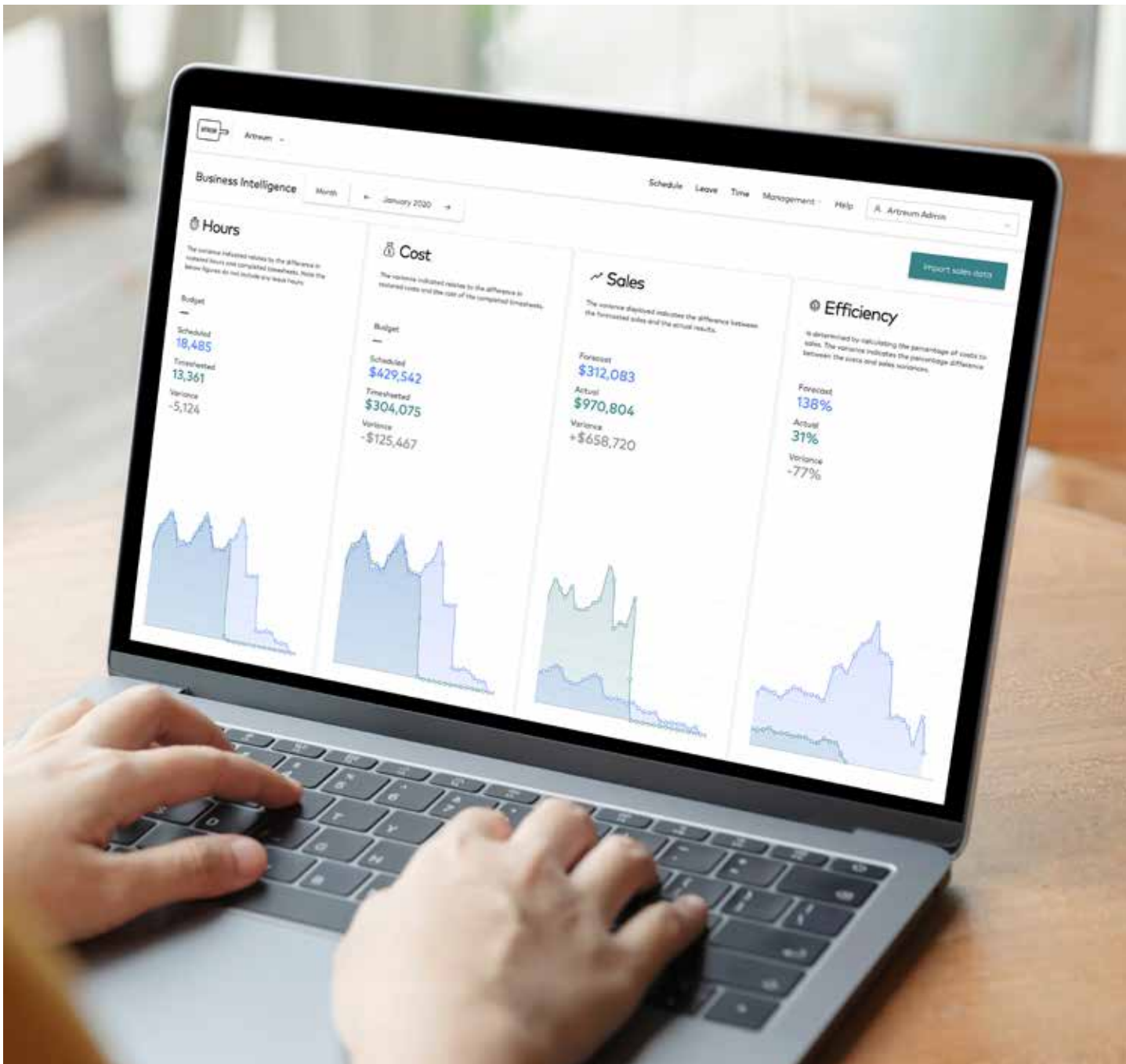
What action is needed?

Business owners need to understand whether or not their annualised salary arrangements are in accordance with the terms of the modern award.

Salaried employees are generally covered by an award, and their annualised salary must not put them at a disadvantage.

Businesses should check which award classification applies to salaried staff, and use this as a guide to determine the appropriate level of pay.

Tracking the hours worked by salaried staff – via time sheets or clocking in and out – is also recommended to create visibility for future audits.



Find out more

Want to learn more about how Roubler can help your business stay compliant?

Call us on 1300 833 137
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www.roubler.com