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Award Interpretation eBook

A guide to award interpretation in Australia



Unlock success in compliance and simplify payroll management for your organisation



Awards play a crucial role in ensuring that workers in Australia receive fair, equitable pay and working conditions across a wide range of organisations. However, the intricacies of award interpretation can be difficult for employers to navigate, and there are significant consequences when organisations do not meet their award obligations correctly.

What is an award?

Australian awards are legally binding documents that stipulate minimum pay rates, working conditions, and other entitlements for employees based on industry, occupation and type of employer. Awards are created and maintained by the Fair Work Commission, and their ultimate aim is to ensure that Australian workers are not exploited.

Staff across most industries, and across different work types – from full to part-time, to casual, are covered by an award for the hours they work. Check the Fair Work website for guidance on which awards apply to your employees.

What do awards usually cover?

Awards cover important matters relevant to employee rights and compensation, such as:

- Public holiday entitlements
- Annual leave entitlements
- Base salary for hours worked
- Paid/unpaid break entitlements
- Sick/bereavement leave
- Benefits and allowances
- Maternity leave
- Superannuation entitlements
- Overtime pay rates



Award interpretation is the process of calculating the correct pay, leave, superannuation and other benefits that each worker is entitled to under the relevant award. Correct interpretation ensures that staff are provided with the full extent of their entitlements.



Understanding the importance of accurate award interpretation

Compliance with awards is a legal requirement in Australia. Non-compliance can incur severe consequences, including:

Major financial and legal penalties

In states where wage theft is a crime, employers can incur $1.1m in fines (on top of backpay to underpaid staff, resulting in significant cashflow pressure). Under proposed new federal wage theft legislation, organisations who deliberately underpay workers could be jailed for up to 10 years and fined $7.8 million. Much larger fines could be imposed on organisations who engage in large-scale underpayment of their staff.

Reputational damage

Award breaches are often widely publicised in the Australian media; the resulting reputational damage can affect an organisation for many years after reparations are made.

Damage to staff morale

Systemic underpayment can cause high staff turnover, decreased workplace motivation, absenteeism and high stress for employees. Reputational damage can also make it difficult to attract new talent.

Staying informed about award updates, communicating with staff effectively, seeking expert advice when needed, and leveraging technology to implement fair and transparent compensation practices are all essential steps to successfully navigate the complexities of award interpretation.

The potential pitfalls of award interpretation

Organisations rarely breach awards intentionally. Usually, breaches occur when employers do not understand their obligations, or do not have the correct administrative procedures in place to ensure compliance.

It’s easy to make mistakes

Why?

The award system is complex

With 120+ different awards Australia-wide, and with awards hugely varied by sector, it can be difficult for organisations to pinpoint which awards are relevant to them. Additionally, awards are not always structured in line with well-established industry norms. For example, many organisations timesheet their permanent part-time employees the same way as their casual staff; however, many industries are subject to awards with clear differences between the rostering requirements for each type of staff member.

Relying on manual data entry or incorrectly utilised tech exposes organisations to significant risk

Any manual data entry – from rostering, to clocking in, through to the moment paychecks are released – is vulnerable to human error, and paper records can be easily lost or damaged. Furthermore, many organisations that have switched to technology for payroll and workforce management are using systems that are not designed to work together; these often produce figures that don’t quite add up.

Staff often aren’t well-equipped

- **Payroll teams**
  Busy payroll teams often do not have the time or expertise to keep across the ever-evolving intricacies of awards, and are often navigating obligations across multiple states. It is possible to relieve the pressure on your payroll team by automating elements of your payroll compliance.
- **Store / site managers**
  Store managers who create rosters often lack the time or experience to familiarise themselves with all legal requirements under their relevant awards. Ideally, they would be managing rosters via a system that alerts them to any overscheduling issues or other non-compliance events.



Awards are often changing

Awards in Australia are frequently updated, due to several factors:

Annual wage reviews by the Fair Work Commission

These reviews are usually focused on adjusting minimum wages in line with inflation, the cost of living and the economic climate. The changes resulting from these reviews usually take effect annually on 1 July.

Legislative changes

Changes to federal or state legislation, such as the Closing Loopholes Bill and the updated Superannuation Guarantee, can also trigger changes to awards.

Employer/employee applications

Employers or employees can apply to the Fair Work Commission to have an award exempted or updated. This could be to reflect changes to industry standards, or to address specific issues that are not covered by the award.

Additional reviews by the Fair Work Commission

The Fair Work Commission often initiates reviews of awards to assess their efficacy in meeting the needs of employers and employees. These reviews can result in changes to award conditions.

Changes to awards usually take some time to come into effect, as they need to be reviewed, drafted, and published by the Fair Work Commission. It is both a legal requirement and moral obligation for employers and employees to stay up-to-date with any changes to relevant awards, and to ensure that they are complying with the latest award conditions.

Case studies

Recent high-profile cases of award non-compliance

Some of the biggest brands in Australia have been involved in major scandals due to award non-compliance in the past few years.

Even in the instances that have been deemed unintentional, repercussions have been significant, expensive and reputationally damaging. Understanding where these organisations have gone wrong helps to shed light on how others can avoid the same mistakes.

$300m

In 2023, a supermarket chain 'admitted to breaching Australia's workplace laws on a massive scale', underpaying staff by approximately $300m since 2010. Reparations to over 5,700 staff are now underway.

$173m

Franchisees of a convenience store chain were found to have 'deliberately falsified records to disguise the underpayment of wages' along with other unlawful employment practices. Employees have been refunded $173m in underpaid wages, interest and superannuation, and the franchise has since implemented payroll improvements to ensure compliance going forward.

$6.1m

A hardware franchise has recently refunded more than 40,000 workers after 'payroll errors' resulted in incorrect superannuation payments.

$400m + in penalties

A mining company admitted to payroll errors that deducted leave entitlements across ~30,000 workers. Reparations came to more than $400m.

$21.3m

A utilities organisation self-reported their 'incorrect and unintentional' underpayment of ~1500 workers by $21.3m over a 7-year period. They noted the "complex interpretation of Enterprise Agreements, the award and employment contracts, and their application into rostering and timesheet-keeping processes, systems and practices." Affected employees have been paid out, with interest added.

$16m + penalties

The Fair Work Ombudsman has recently urged the Federal Court to impose the maximum penalty on a major bank for knowingly underpaying over 7400 employees over a decade, despite repeated internal warnings.

Note that smaller organisations are also subject to the pitfalls of award non-compliance.

Fortunately, there are solutions and best practices to ensure your organisation meets all of its obligations, and becomes more efficient in the process.

How to ensure correct, compliant award interpretation

Here's how organisations can avoid the pitfalls of the award system, maintain a solid track record of award compliance and ensure their staff are treated fairly.

- **Keep accurate timesheets and employee records**
  Maintain detailed records of hours worked, including start and finish times, break durations and overtime. Ideally, records should be digitised and backed up, automated where possible, and accessible to all levels of management and the payroll team via a centralised database.

- **Regularly review awards and legislative updates for your industry**
  Stay informed about any changes and ensure that your payroll processes reflect the latest award requirements. In addition, regularly review your employment contracts and policies, and ensure your staff are still classified under the correct awards.

- **Communicate with your employees**
  Transparent communication across your entire team is crucial to award interpretation. Provide clear explanations of how awards affect the pay, breaks, superannuation, benefits and leave entitlements of your employees, including penalty rates and overtime policies. Regular training sessions for HR and payroll staff, along with any staff who manage rostering, will help to mitigate risk and ensure your workforce management processes are as efficient and compliant as possible.

- **Ask the experts**
  When in doubt, consult with legal and HR experts, or people management solution experts to make informed decisions.

- **Invest in purpose-built technology to simplify award interpretation**
  Leveraging an advanced workforce management platform, which includes time and attendance software with award interpretation capabilities, can help avoid situations of underpayment and non-compliance, and increase efficiency organisation-wide.



Set the benchmark in award interpretation with our Time & Attendance platform

We have designed our people management solution to help organisations of all sizes streamline their workforce schedules, track time, record absences and automate repetitive tasks.

OneAdvanced Time & Attendance is fully customisable, responsive to legislative updates and provides real-time insights to simultaneously reduce costs, ensure compliance and improve productivity.

Key workforce management capabilities

- Automated time tracking
- Industry-specific award interpretation
- Automated legislative adjustments
- Absence management
- People planning & costing
- Staff capacity & overscheduling alerts
- World-class data analytics
- Real-time reporting
- Skills and resource mapping
- Optimisation and automation
- Payroll integration
- Employee self-service

24/7
Access to view, update and amend time and clocking data

7.5k
Customers trust our solution globally

40+
Years experience of workforce management solutions

About OneAdvanced

At OneAdvanced, we are at the forefront of innovation in the realm of workforce management solutions. Our dedication to delivering exceptional service and our in-depth understanding of industry dynamics have positioned us as a trusted provider for businesses looking to transform the way they operate.

Our cutting-edge solutions include employee tracking, ESS, scheduling, dynamic auto rostering, time & attendance, terminals, award interpretation, cloud hosting, and more, saving you time and reducing costs.

Our team envisions a future where efficiency and success are paramount for every Australian organisation. We leverage our innovative technologies and our passion for delivering top-tier service to help our clients thrive.

Join us on our mission to Power the World of Work, one service at a time, and discover how OneAdvanced is making work processes more efficient, compliant, and productive.

With in-country support and implementation, you can stay compliant, streamline payroll operations, and focus on driving your organisation's success by getting in touch with the team today!