Fair Work Commission

Multiple modern award coverage and the utility of majority clauses

EY Sweeney Ref No. 25732 - May 2016
Report disclaimer

Our Report may be relied upon by the Fair Work Commission for the purpose set out in the scope section only pursuant to the terms of the work order dated 4 March 2016. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

Publically available disclaimer

The summary of findings contained in this report are based on the findings of the report prepared at the request of the Fair Work Commission solely for the purposes of this research, and is not appropriate for use for other purposes.
This summary is provided for information purposes only in order to inform the Award Flexibility Common Issue to the 4 yearly review of modern awards and should not be taken as providing specific advice on any issue, nor may this summary be relied upon by any party other than the Fair Work Commission and its parties. In carrying out our work and preparing this report, Ernst & Young has worked solely on the instructions and information of the Fair Work Commission, and has not taken into account the interests or individual circumstances of any party other than the Fair Work Commission. Ernst & Young does not accept any responsibility for use of the information contained in this summary and makes no guarantee nor accept any legal liability whatsoever arising from or connected to the accuracy, reliability, currency or completeness of any material contained herein. Ernst & Young expressly disclaims all liability for any costs, loss, damage, injury or other consequence which may arise directly or indirectly form use of, or reliance on, this report.
A report prepared for the Fair Work Commission.

The contents of this paper are the responsibility of the authors and the research has been conducted without the involvement of members of the Fair Work Commission.

ISBN 978-0-9945358-5-6

© Commonwealth of Australia 2016

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, all other rights are reserved. Requests and inquiries concerning reproduction and rights should be addressed to:

Diana Lloyd, Manager, Media and Communications

GPO Box 1994

Melbourne VIC 3001

Phone: 03 8656 4848

Email: communications@fwc.gov.au
Table of contents

Definitions .................................................................................................................................................. 5
Abbreviations ........................................................................................................................................... 6
Introduction ............................................................................................................................................... 7
Methodology: qualitative research ........................................................................................................... 9
Research Objectives ............................................................................................................................... 19
Research findings ..................................................................................................................................... 20

1. Understanding modern awards and the modern award system ....................................................... 21
2. Multiple modern award coverage and attitudes ............................................................................... 26
3. Multiple modern award coverage management strategies .............................................................. 28
4. Utility of majority clauses ................................................................................................................. 31
5. Conclusion ......................................................................................................................................... 40
Definitions

**Award-reliant organisation** – an enterprise with employees who have their pay rate set at exactly the applicable award rate.

**Award-based organisation** – an enterprise with employees who receive a pay rate that is set, influenced or guided in some way by the applicable rate of pay in the award. Award-based pay setting arrangements include award rates and agreements to pay over award rates of pay.

**Employee** – an employee is a national system employee covered by the national workplace relations system because they are employed by a constitutional corporation, the Commonwealth or a state reference employer, in certain designated industries or in a territory.

**Employee organisation** – means an organisation of employees.

**Employer** – an employer is a national system employer covered by the national workplace relations system because they are a constitutional corporation, the Commonwealth or a state reference employer, in certain designated industries or in a territory.

**Employer organisation** – means an organisation of employers.

**Enterprise agreement** – a legally enforceable agreement that covers the employment conditions of a group of employees and their employer. Enterprise agreements can be single or multi-enterprise agreements and must meet a number of requirements of the *Fair Work Act 2009* (Cth) (Fair Work Act) before they can be approved by the Commission.

**Individual arrangement** – a wage-setting practice where an award or enterprise agreement does not play a role in determining the wage rate or entitlements of employees, subject to the minimum standards provided by the relevant modern award and the statutory National Employment Standards (NES) being met.

**Majority Clause** – a clause which prescribes that where workers covered by a particular award in an individual establishment are in the minority, the conditions of employment prescribed in the award covering the majority of employees in that establishment apply.1

**Modern awards** – an award created by the Commission. Modern awards came into effect on 1 January 2010 and include terms that complement the NES. The Commission must ensure that, together with the NES, modern awards provide a fair and relevant minimum safety net. Modern awards are expressed to cover entire industries and/or occupations.

**Multiple modern award coverage** – an employer whose enterprise is covered by two or more modern awards and employees who work for an enterprise that is covered by two or more modern awards.

---

## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
</tr>
<tr>
<td>AIRC</td>
<td>Australian Industrial Relations Commission</td>
</tr>
<tr>
<td>Clerks Award</td>
<td>Clerks - Private Sector Award 2010</td>
</tr>
<tr>
<td>Commission</td>
<td>Fair Work Commission</td>
</tr>
<tr>
<td>Fair Work Act</td>
<td>Fair Work Act 2009 (Cth)</td>
</tr>
<tr>
<td>FWO</td>
<td>Fair Work Ombudsman</td>
</tr>
<tr>
<td>Manufacturing Award</td>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
</tr>
<tr>
<td>NES</td>
<td>National Employment Standards</td>
</tr>
<tr>
<td>Retail Award</td>
<td>General Retail Industry Award 2010</td>
</tr>
<tr>
<td>Review</td>
<td>4 yearly review of modern awards</td>
</tr>
</tbody>
</table>
Introduction

Section 156 of the Fair Work Act requires the Commission to review all modern awards every four years. In October 2015 Justice Iain Ross AO, President of the Commission, issued a Statement indicating that the Commission intended to engage an external research provider to conduct research into the issues faced by employers who are subject to coverage by multiple modern awards and the utility of majority clauses.² The research is to inform the Award Flexibility Common Issue to the 4 yearly review of modern awards (Review). No identified research exploring these issues had been previously undertaken.

Wright and Buchanan (2013) found that approximately 24 per cent of all non-public award-reliant organisations used two or more modern awards to set the pay for their employees.³ Wright and Buchanan (2013) also found that almost half (49 per cent) of all large (200+ employees) non-public organisations used more than one modern award to set the pay of their employees, 27 per cent of medium non-public organisations (20-199 employees) and around 17 per cent of small (5-19 employees) non-public organisations used more than one modern award.⁴ In initiating this research, the Commission noted that multiple award coverage has the potential to create complexity for businesses.⁵

In contributing to the Review the Fair Work Ombudsman (FWO) provided examples of cases which raised issues related to the potential complexity of multiple modern award coverage within workplaces.⁶ One example provided by FWO was of a small to medium sized business which operated a service station, a fast food outlet and a retail fishing tackle shop. FWO conducted an audit and found that the business was required to pay staff under three separate awards each specifying different conditions and entitlements for staff, but had not complied with these obligations in relation to at least 19 employees. The Commission noted that:

‘If a majority clause had been included in the relevant awards, it may have reduced the regulatory burden on the employer by harmonising the conditions (depending on the terms of the majority clause) to which the employees were entitled. Such a reduction in complexity may have led to increased compliance.’⁷

Majority clauses are one means by which award flexibility and efficiency may be increased by reducing the impact of multiple modern award coverage on employers. In National Wage Case April 1991,⁸ a Full Bench of the Australian Industrial Relations Commission (AIRC) provided the following description of a majority clause:

‘A majority clause is one which prescribes that where workers covered by a particular award in an individual establishment are in the minority, the conditions of employment prescribed in the award covering the majority of employees in that establishment shall apply.’⁹

A consultation process on the initial research scope, following the release of the October 2015 Statement, was undertaken with interested parties. The Statement sought feedback on the scope of the proposed research, which was subsequently revised, and after further comments were received, the research scope was confirmed in a Statement issued in December 2015:¹⁰

---

² [2015] FWC 6958 at para. 3.
⁵ [2015] FWC 6958 at para. 4.
¹⁰ [2015] FWC 8323.
The research involves seeking the perceptions of employers and employees in small to large enterprises to explore:

- perceived nature and impact (positive or negative) of multiple modern award coverage on businesses and employees;
- understanding of which awards apply to workplaces covered by multiple modern awards and how that understanding may be improved;
- strategies currently used to ameliorate the effect of multiple modern award coverage including (but not limited to):
  - whether or not the employers or employees have sought advice about whether the strategies adopted at their workplace comply with workplace laws;
  - whether or not the employers or employees were aware of the potential sources of advice as to these matters;
  - what (if any) other strategies were considered by employers or employees and why they were rejected;
  - user testing of majority clauses through hypothetical scenarios;
  - anticipated effects of applying majority clauses to specific workplaces; and
  - perceptions of the utility of majority clauses to overcome issues (if any) associated with multiple modern award coverage.

Information from employee and employer representatives will also be gathered to further inform the collection of information from employers and employees. The research will also seek to include a range of industries where multiple modern award coverage applies including, where possible, residential construction, maintenance, professional, clerical and commercial sales sectors, and labour hire and group training providers.\(^{11}\)

\(^{11}\) [2015] FWC 8323, Attachment A at paras 2–3.
Methodology: qualitative research

This study analysed views and behaviours in relation to multiple modern award coverage and tested the utility of majority clauses. This research used a mix of focus groups and in-depth interviews. Each methodological approach allowed for the open exploration of the topic and elicited a range of opinions and experiences to provide insights into the knowledge, associated practices and perceptions of multiple modern award coverage and the utility of majority clauses.

A series of focus groups and in-depth interviews were conducted in Sydney and Melbourne from 18 March to 15 April 2016. The interviews and focus groups for employees and employers were conducted separately.

Four focus groups were conducted as part of this research: two with employers and two with employees. The focus groups ensured a well-rounded cross-section of participant knowledge, needs and behaviours were collected in regards to multiple modern award coverage and the utility of majority clauses. The focus groups allowed participants to build on each other’s ideas and views and to challenge the sentiments shared so that individual and broader group perspectives could be distinguished.

Australian employees, employers and representatives of employee and employer organisations took part in the in-depth interviews. These discussions allowed for a detailed exploration of individual perspectives on issues related to multiple modern award coverage and perceptions of the utility of majority clauses. This approach allowed for trust and rapport to develop between the researcher and participant, leading to more nuanced, participant-specific and subjective insights to be collected.

All employers recruited were invited to participate in either focus groups or in-depth interviews. All employees recruited were invited to participate in focus groups. In-depth interviews at the workplace were generally offered as an alternative option when employees indicated an interest in participating, but they could not attend a focus group due to time or location constraints. Generally, these employee interviews occurred on the same day as, but on separate occasions to, the employer interview. However, depending on employee availability, there were some cases where employee interviews occurred after the employer in-depth interview. Throughout the research, only employees that had a similar role, or were at the same level of management were interviewed together. This avoided any potential bias in their responses.

Linked recruitment process

This research used a multi-stage approach to recruit Australian employers and their employees. Employers were sourced from a list of Australian enterprises purchased from a specialist list provider. Employers were contacted by EY Sweeney’s internal recruitment team and at a later stage an external recruitment agency was used to increase the number of calls made to potential participants. Potential participants were asked a number of questions to ensure they met the required criteria to participate in this study, including:

- Employing 5 or more employees;
- Using two or more modern awards to set, guide or influence the wages and entitlements of their employees;
- Having no more than 50 per cent of employees covered by an enterprise agreement;
- Agreeing to provide the contact details of employees to participate in the employee component of the study.

If the employer qualified for the study, a time was organised for them to either attend a focus group or participate in an in-depth interview. Employers were also asked to provide the contact details of employees who had agreed to participate in the research. These employees were then contacted by the
same internal recruitment team, screened on a range of criteria and, if eligible, scheduled to participate in a focus group. If an employee could not be scheduled to attend a focus group, but the employer was to participate in an in-depth interview, the option to conduct an in-depth interview with the employee at the workplace during the same visit was offered. This linked recruitment strategy was used because it provided the most reliable method to identify whether an employee worked for an employer covered by multiple modern awards. The contact details of representatives from employee and employer organisations were provided by the Commission. Telephone interviews with these representatives were scheduled by EY Sweeney.

Pre-interview and focus-group tasks

Due to the complexities associated with multiple modern award coverage and its impact on employers and employees, pre-interview and focus group tasks were developed and distributed to all employers and employees who took part in the study. These short activities were sent via email to employers and employees as an interactive pdf and took approximately 15 minutes to complete.

The tasks aimed to encourage employers and employees to consider the modern award system and the implications of multiple modern award coverage before their involvement in the in-depth interview or focus group. The tasks provided participants with the opportunity to consider these issues in more detail and refer to information resources to inform their views. It allowed for more considered contributions beyond reflexive responses elicited in the research setting. The tasks also provided the opportunity to collect business characteristics data that was used to analyse the research findings.

While employer and employee tasks consisted of different questions, the following information was collected from both groups:

- **About them...** their role, business details, length of service
- **Modern awards...** awareness of modern awards applicable to them, knowledge of modern awards employees of the business are covered by
- **Learning...** how they learnt about modern awards, sources of information, information gaps
- **Multiple modern award coverage...** whether employees in the workplace had different terms and conditions of employment, business impacts of using multiple modern awards

All respondents were paid a cash incentive for completing their assigned pre-interview and focus group tasks.

Sample

To ensure the research considered a range of characteristics, the sample was divided on the basis of:

- **Cohort type...** four key participant types made up the sample: employers, employees, and employer and employee organisations. Each participant type expressed different levels of knowledge, perceptions and behaviours towards multiple modern awards coverage and majority clauses.
- **Size of enterprise...** in line with the Australian Bureau of Statistics definition, the employee/employer sample was split into three enterprise sizes: 5-19 employees (small), 20-199 employees (medium), and 200 or more employees (large).
- **Geographical location...** The sample was further split into two key geographical locations: Sydney and Melbourne. Furthermore, fieldwork was conducted across multiple locations within and around Sydney and Melbourne, ensuring both city and suburban based enterprises were involved in the study.

A breakdown of participants that took part in the research is found in Table 1.1.
Table 1.1) Business size and location of participants

<table>
<thead>
<tr>
<th>Employers</th>
<th>Employees</th>
<th>Employee and employer organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target number of interviews</strong></td>
<td><strong>30</strong></td>
<td><strong>30</strong></td>
</tr>
<tr>
<td><strong>Location/business size</strong></td>
<td><strong>Completed Interviews</strong></td>
<td><strong>Location/business size</strong></td>
</tr>
<tr>
<td>Melbourne small</td>
<td>7</td>
<td>Melbourne small</td>
</tr>
<tr>
<td>Melbourne medium</td>
<td>6</td>
<td>Melbourne medium</td>
</tr>
<tr>
<td>Melbourne large</td>
<td>4</td>
<td>Melbourne large</td>
</tr>
<tr>
<td>Sydney small</td>
<td>7</td>
<td>Sydney small</td>
</tr>
<tr>
<td>Sydney medium</td>
<td>2</td>
<td>Sydney medium</td>
</tr>
<tr>
<td>Sydney large</td>
<td>1</td>
<td>Sydney large</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>27</strong></td>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

The recruitment process sought to recruit 30 employers and 30 employees. During the recruitment period, a number of obstacles were encountered including participants failing to attend, low incidence rates of multiple modern award coverage, and time and location barriers. Despite initially contacting almost 1,700 Australian enterprises using internal recruitment arrangements, the target number of employers and employees was not achieved. Table 1.2 provides a breakdown of call outcomes throughout the recruitment period made to Australian enterprises.

Table 1.2) EY Sweeney recruitment calls to Australian enterprises to recruit employers and employees

<table>
<thead>
<tr>
<th>Location/business size</th>
<th>Total businesses contacted</th>
<th>Declined (not interested)</th>
<th>Quota fail (screener terminated)</th>
<th>Left massage/call back</th>
<th>Unable to be contacted</th>
<th>Total employers recruited</th>
<th>Total employees recruited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney small</td>
<td>503</td>
<td>133</td>
<td>64</td>
<td>152</td>
<td>147</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Sydney medium</td>
<td>297</td>
<td>25</td>
<td>152</td>
<td>112</td>
<td>6</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sydney large</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Melbourne small</td>
<td>596</td>
<td>90</td>
<td>132</td>
<td>316</td>
<td>51</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Melbourne medium</td>
<td>138</td>
<td>14</td>
<td>32</td>
<td>63</td>
<td>23</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Melbourne large</td>
<td>159</td>
<td>6</td>
<td>15</td>
<td>31</td>
<td>103</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1694</strong></td>
<td><strong>268</strong></td>
<td><strong>395</strong></td>
<td><strong>674</strong></td>
<td><strong>330</strong></td>
<td><strong>27</strong></td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>

1 These include sample records that were incorrect, disconnected number or businesses no longer in operation.

12 To qualify for the study, employers needed to be aware that the business was covered by two or more modern awards.
Barriers to recruitment were identified early in the recruitment period. Strategies to improve the recruitment rate included:

1. Purchasing an additional sample from a second sample provider;
2. Changing the location of the employee focus groups from a city location to a suburban location to make it easier for employees to attend;
3. Undertaking employee interviews at their workplace during working hours to make it easier for employees to participate;
4. Revised the recruitment screeners to relax some of the conditions that employers were required to meet to participate; and
5. Using an external recruitment agency to assist with recruitment.

The external recruitment agency contacted over 5,000 additional Australian employers. As a result of these contacts, only four successfully passed the screening process, with none providing their details for participation in the study. These outcomes illustrate the difficulties in finding and recruiting suitable and willing participants for the study.

Modern awards and industries of participating employers

A requirement of this research was multiple modern award coverage. Multiple modern award coverage was defined as an employer whose enterprise is covered by two or more modern awards and employees who work for an enterprise that is covered by two or more modern awards.

The multiple modern awards that covered the business could be used to set, guide or influence the wages and entitlements of the employees. Tables 1.3, 1.4 and 1.5 provide a breakdown of the number of modern awards that were reportedly used by the participating employers, the main awards used and the industry that the business operated in.

Table 1.3) Modern awards used by participating employers to set, guide or influence the wages and entitlements of their employees

<table>
<thead>
<tr>
<th>Modern award</th>
<th>Number of participating employers that used this modern award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architects Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Children's Services Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Clerks - Private Sector Award 2010</td>
<td>19</td>
</tr>
<tr>
<td>Commercial Sales Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Educational Services (Schools) General Staff Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Educational Services (Teachers) Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Electrical, Electronic and Communications Contracting Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>General Retail Industry Award 2010</td>
<td>5</td>
</tr>
<tr>
<td>Health Professionals and Support Services Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Horse and Greyhound Training Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Hospitality Industry (General) Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Journalists, Published Media Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>13</td>
</tr>
<tr>
<td>Plumbing and Fire Sprinklers Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Professional Employees Award 2010</td>
<td>5</td>
</tr>
<tr>
<td>Real Estate Industry Award 2010</td>
<td>2</td>
</tr>
</tbody>
</table>
Table 1.3 indicates that the Clerks - Private Sector Award 2010 (Clerks Award) was the most commonly used award across all businesses. More than 70 per cent of employers (19 out of 27) indicated that they used this modern award (in addition to one or more other awards). This award was used at larger enterprises that had a dedicated administrative function and by some small enterprises for a small number of employees.

However, despite more than 70 per cent of employers indicating that they used the Clerks Award, the Manufacturing and Associated Industries and Occupations Award 2010 (Manufacturing Award) was the most common award to cover the majority of employees among the enterprises in the study (19 per cent). This was followed by the General Retail Industry Award 2010 (Retail Award).

Table 1.4) Modern awards used by participating employers to set, guide or influence the wages and entitlements of the majority of their employees

<table>
<thead>
<tr>
<th>Majority modern award</th>
<th>Number of participating employers that used this modern award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architects Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Children's Services Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Clerks - Private Sector Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Commercial Sales Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Electrical, Electronic and Communications Contracting Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>General Retail Industry Award 2010</td>
<td>4</td>
</tr>
<tr>
<td>Health Professionals and Support Services Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Horse and Greyhound Training Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Journalists, Published Media Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>5</td>
</tr>
<tr>
<td>Professional Employees Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Real Estate Industry Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Storage Services and Wholesale Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Timber Industry Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 1.5 provides details of the main industries that the 27 recruited employers operated within. While this information was available on the sample, it was confirmed during the recruitment phase of the research. If employers suggested that they operated across multiple industries, they were asked to consider the industry that best reflected their core business activity. The number of modern awards
used by each of the recruited enterprises is displayed in Table 1.6. Approximately half of the businesses that participated in the study used only two modern awards.

Table 1.5) Main industry that participating employers operated within

<table>
<thead>
<tr>
<th>Main industry (industry when the majority of revenue was derived from in the last 12 months)</th>
<th>Number of participating employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Recreation</td>
<td>2</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>2</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6</td>
</tr>
<tr>
<td>Other Services</td>
<td>2</td>
</tr>
<tr>
<td>Professional Services</td>
<td>1</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>4</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>

Table 1.6) Number of multiple modern awards participating employers were covered by

<table>
<thead>
<tr>
<th>Number of awards</th>
<th>Number of participating employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 modern awards</td>
<td>13</td>
</tr>
<tr>
<td>3 modern awards</td>
<td>7</td>
</tr>
<tr>
<td>4 modern awards</td>
<td>6</td>
</tr>
<tr>
<td>5 modern awards</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>

Table 1.7 provides additional details of each of the participating 27 employers. This table provides the main industry of each participating employer, the modern award used to set, guide or influence the wages of the majority of their employees as well as the names of the other modern awards used for the remaining employees.

Table 1.7) Number multiple modern awards participating employers were covered by

<table>
<thead>
<tr>
<th>Modern award used to cover the majority of employees</th>
<th>Other modern awards used</th>
<th>Main Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer 1</td>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>• Plumbing and Fire Sprinklers Award 2010  • Manufacturing and Associated Industries and Occupations Award 2010</td>
</tr>
<tr>
<td>Employer 2</td>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>• Manufacturing and Associated Industries and Occupations Award 2010  • Storage Services and Wholesale Award 2010</td>
</tr>
<tr>
<td>Employer 3</td>
<td>Electrical, Electronic and Communications Contracting Award 2010</td>
<td>• Electrical, Electronic and Communications Contracting Award 2010  • Manufacturing and Associated Industries and Occupations Award 2010  • Clerks - Private Sector Award 2010  • Professional Employees Award 2010</td>
</tr>
<tr>
<td>Employer</td>
<td>Modern award used to cover the majority of employees</td>
<td>Other modern awards used</td>
</tr>
<tr>
<td>-----------</td>
<td>------------------------------------------------------</td>
<td>------------------------</td>
</tr>
</tbody>
</table>
| Employer 4 | Timber Industry Award 2010                          | • Timber Industry Award 2010  
• Clerks - Private Sector Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010  
• Don't know | Manufacturing |
| Employer 5 | Real Estate Industry Award 2010                     | • General Retail Industry Award 2010  
• Real Estate Industry Award 2010 | Retail Trade |
| Employer 6 | Children’s Services Award 2010                      | • Children’s Services Award 2010  
• Educational Services (Teachers) Award 2010  
• Educational Services (Schools) General Staff Award 2010 | Health Care and Social Assistance |
| Employer 7 | Commercial Sales Award 2010                         | • Clerks - Private Sector Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010  
• Commercial Sales Award 2010 | Manufacturing |
| Employer 8 | Architects Award 2010                               | • Clerks - Private Sector Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010  
• Architects Award 2010  
• Professional Employees Award 2010 | Professional Services |
| Employer 9 | Clerks - Private Sector Award 2010                   | • Clerks - Private Sector Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010  
• Storage Services and Wholesale Award 2010  
• Commercial Sales Award 2010 | Wholesale Trade |
| Employer 10 | Manufacturing and Associated Industries and Occupations Award 2010 | • Clerks - Private Sector Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010 | Manufacturing |
| Employer 11 | General Retail Industry Award 2010                  | • Clerks - Private Sector Award 2010  
• General Retail Industry Award 2010  
• Timber Industry Award 2010  
• Road Transport and Distribution Award 2010  
• Commercial Sales Award 2010 | Wholesale Trade |
| Employer 12 | Storage Services and Wholesale Award 2010            | • Storage Services and Wholesale Award 2010  
• Clerks - Private Sector Award 2010 | Wholesale Trade |
| Employer 13 | Health Professionals and Support Services Award 2010 | • Health Professionals and Support Services Award 2010  
• Social, Community, Home Care and Disability Services Industry Award 2010  
• Hospitality Industry (General) Award 2010  
• Road Transport and Distribution Award 2010 | Health Care and Social Assistance |
| Employer 14 | General Retail Industry Award 2010                  | • General Retail Industry Award 2010  
• Clerks - Private Sector Award 2010  
• Storage Services and Wholesale Award 2010 | Retail Trade |
| Employer 15 | General Retail Industry Award 2010                  | • Clerks - Private Sector Award 2010  
• General Retail Industry Award 2010  
• Manufacturing and Associated Industries and Occupations Award 2010 | Construction |
| Employer 16 | Horse and Greyhound Training Award 2010             | • Horse and Greyhound Training Award 2010  
• Clerks - Private Sector Award 2010 | Other |
<table>
<thead>
<tr>
<th>Employer 17</th>
<th>Don't know</th>
<th>Other modern awards used</th>
<th>Main Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer 18</td>
<td>Children's Services Award 2010</td>
<td>• Educational Services (Teachers) Award 2010 • Children's Services Award 2010</td>
<td>Health Care and Social Assistance</td>
</tr>
<tr>
<td>Employer 19</td>
<td>Children's Services Award 2010</td>
<td>• Children's Services Award 2010 • Educational Services (Teachers) Award 2010</td>
<td>Health Care and Social Assistance</td>
</tr>
<tr>
<td>Employer 20</td>
<td>Professional Employees Award 2010</td>
<td>• Professional Employees Award 2010 • Manufacturing and Associated Industries and Occupations Award 2010 • Clerks - Private Sector Award 2010 • Don't know</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Employer 21</td>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>• Clerks - Private Sector Award 2010 • Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>Retail Trade</td>
</tr>
<tr>
<td>Employer 22</td>
<td>Real Estate Industry Award 2010</td>
<td>• Real Estate Industry Award 2010 • Clerks - Private Sector Award 2010</td>
<td>Real Estate</td>
</tr>
<tr>
<td>Employer 23</td>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>• Clerks - Private Sector Award 2010 • Manufacturing and Associated Industries and Occupations Award 2010 • Professional Employees Award 2010</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Employer 24</td>
<td>Journalists, Published Media Award 2010</td>
<td>• Clerks - Private Sector Award 2010 • Journalists, Published Media Award 2010</td>
<td>Arts and Recreation</td>
</tr>
<tr>
<td>Employer 25</td>
<td>General Retail Industry Award 2010</td>
<td>• General Retail Industry Award 2010 • Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>Retail Trade</td>
</tr>
<tr>
<td>Employer 26</td>
<td>Professional Employees Award 2010</td>
<td>• Clerks - Private Sector Award 2010 • Professional Employees Award 2010 • Don't know</td>
<td>Professional, Scientific and Technical Services</td>
</tr>
<tr>
<td>Employer 27</td>
<td>Journalists, Published Media Award 2010</td>
<td>• Clerks - Private Sector Award 2010 • Journalists, Published Media Award 2010</td>
<td>Arts And Recreation</td>
</tr>
</tbody>
</table>
The 19 participating employees were recruited via their employers who also participated in the research. Table 1.8 provides details of the modern awards used to set, influence or guide the wages of the participating employees, while Table 1.9 illustrates the industries represented by the employee participants.

Table 1.8) Modern awards used to set, guide or influence the wages and entitlements of participating employees

<table>
<thead>
<tr>
<th>Modern award name for employee participants</th>
<th>Number of participating employees covered by each modern award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Services Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Clerks - Private Sector Award 2010</td>
<td>3</td>
</tr>
<tr>
<td>Commercial Sales Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>Educational Services (Teachers) Award 2010</td>
<td>1</td>
</tr>
<tr>
<td>General Retail Industry Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Hospitality Industry (General) Award 2010</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing and Associated Industries and Occupations Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Storage Services and Wholesale Award 2010</td>
<td>2</td>
</tr>
<tr>
<td>Timber Industry Award 2010</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>

Table 1.9) Industries represented by participating employees

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of employees in industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>5</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>1</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>1</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>1</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>
The detailed report
# Research objectives

The objective of this research was:

> To understand the impact of multiple modern award coverage and the perceived utility of majority clauses on Australian enterprises in order to inform the Fair Work Commission as part of its 4 yearly review of modern awards.

Specifically, the research addressed the following...

<table>
<thead>
<tr>
<th>Perceptions and impact of multiple modern award coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Understand the overall attitudes toward multiple modern award coverage and perceived impacts</td>
</tr>
<tr>
<td>▶ Identify the nature and impacts of multiple modern award coverage on Australian enterprises and employees</td>
</tr>
<tr>
<td>▶ Examine awareness and understanding of multiple modern award coverage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies to manage impacts of multiple modern award coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Explore the range of strategies currently used to manage the impacts of multiple modern award coverage</td>
</tr>
<tr>
<td>▶ Explore the range of strategies considered but not used and strategies that have been rejected/abandoned</td>
</tr>
<tr>
<td>▶ Explore sources of advice and other information available to confirm strategies comply with current laws</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assess the relevance and utility of majority clauses</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Understand the overall perceptions, appeal and relevance of the majority clause concept</td>
</tr>
<tr>
<td>▶ Identify the expected effects of applying a majority clause - the perceived benefits and the perceived barriers and challenges examined through the use of hypothetical scenarios</td>
</tr>
<tr>
<td>▶ Examine the perceived utility of a majority clause to overcome challenges associated with multiple modern award coverage at the enterprise level</td>
</tr>
<tr>
<td>▶ Examine the perceived challenges and limitations of applying a majority clause at the enterprise level</td>
</tr>
</tbody>
</table>
Research findings

Constraint
Focus group discussions and in-depth interviews evolve creative ideas and generate hypotheses. They are not necessarily representative and are not intended to be a precise and definitive reflection of what happens in enterprises. This report should be interpreted with that constraint in mind.
1. Understanding modern awards and the modern award system

1.1. General attitudes to the modern award system

Employers

Employers that participated in the research were generally knowledgeable about the modern award system. Some employers expressed a view that the modern award system was simpler to navigate and use than the pre-modern award system.

“Is a vast improvement on what we previously had...it has streamlined a number of the awards”
(Employer, large business – Arts and recreation)

Some employers recalled using 12 or more awards for their business in the pre-modern award system. The requirement to use many awards was time consuming, stressful and had the potential to increase the risk of non-compliance.

“I used to have to look at 12 different awards, thankfully now I only have to refer to three”
(Employer, medium business – Manufacturing)

“It’s the whole tracking of changes and governences....it much more streamlined”
(Employer, large business – Arts and recreation)

Both employers and employer organisations participating in the research considered the modern award system as better than the pre-modern award system. This was best illustrated by the view that the modern award system contains wage rates and conditions that reflect the different roles and requirements undertaken by employees and employers in specific industries.

Both employers and employer organisations agreed that the modern award system is meeting its objective of providing a fair and relevant safety net and a suitable living wage for employees.

“The modern award system was a vast improvement from the previous system. The modern award system sets a safety net for minimum living conditions, ensuring a living wage for all employees in Australia”
(Employer, large business – Construction)

Employer and employee organisations also noted that the modern award system provided a clear professional development pathway for employees covered by occupational modern awards.

Despite expressing a broadly favourable view of the modern award system, participating employers maintained that there were still a number of areas that could be improved. While being relatively confident that they are using modern awards correctly, employers felt that the Commission should focus on making modern awards easier to use. Specifically, making the language easier to understand, as well as providing information about conditions and entitlements relevant to their business, has the potential to reduce the time required to use and understand the content of modern awards and to increase the level of confidence employers had in ensuring they were doing the right thing.

“It's easy to find the right award and right pay rate, but when you're kind of crunching those numbers on a pay period or a leave period, it does get a little complicated...we're fumbling our way through at present.”
(Employer, small business – Other Services)
Many employers also commented that greater flexibility in terms of hours of work, penalty rates and leave entitlements could improve the modern award system for them.

**Employees**

When compared to employers, employees had lower levels of knowledge about the modern award system. While the majority of employees were aware that there was a system in place to provide minimum wages and a set of minimum conditions, many could not confidently explain how the modern award system operates to provide that safety net.

“*I don’t really know much about the awards. I pretty much just look at my payslip and see how much I have been paid. I don’t know what else is out there*”

(Employee, small business - Health Care and Social Assistance)

“I think we are on an award, you have to be on an award legally, but what that specific award is, I have no idea”

(Employee, medium business - Transport, Postal and Warehousing)

Older employees tended to be more aware and knowledgeable about the modern award system, with many comparing it to the previous systems. Those employees that were able to provide some information, tended to be aware and knowledgeable about the modern award that covers them, in their current role.

“As far as I know, it [classification levels] is judged by the age and the experience of the person and also what qualifications they have”

(Employee, small business - Manufacturing)

In some cases, an employee's primary experience actively interacting with the modern award system was prompted by commencing a new job or role, or if they had a concern that they were being underpaid or not receiving their correct or full entitlements. If employees thought they were receiving their correct wages, conditions and entitlements, then they had no reason to review their applicable modern award.

Participating employees' low levels of involvement with the modern award system was also reflected in their perceptions of workplace conditions, entitlements and their conceptualisation of pay. For them, the key aspect of any remuneration package was the “end-of-week” pay. It was difficult for employees to separate wages rates, entitlements and conditions. For this reason, employees' discussions regarding the modern award system and majority clauses tended to focus on pay.

1.2. **Sources of information and confidence using modern awards**

**Small and medium sized employers**

There was a difference between how small, medium and large sized businesses accessed information about the content of modern awards and compliance information.

Small and medium sized employers suggested that they used a number of resources external to the business when trying to clarify or collect information about the content of modern awards and their obligations. The majority of participating employers were members or subscribers to an employer or industry association (e.g. the Australian Chamber of Commerce and Industry, the Australian Industry Group, the Victorian Employers' Chamber of Commerce and Industry, the National Retail Association and the Timber Trade Industry Association, were referred to by participants). These organisations tended to be the first resource used by many employers who had a question about taking on a new employee or if they were considering revising employees' wage rates or conditions.

Employer organisations were viewed as an important resource as they could provide relevant information that was timely and easy to understand and reduced the burden on the employer to find the information themselves. Often employer organisations would be consulted when employers were
unsure which modern award applied to a new employee (i.e. providing reassurances) or if they had questions about the implications of adjustments to minimum rates of pay or the content of modern awards by the Commission. These employers explained that looking up information themselves in the modern award could be time consuming and stressful and that it took them away from the key activities of managing their business.

“If I had to go to my books and decide this is what I have to pay this person and this is what I have to pay this person it would be a nightmare. I don’t have a team of 30 people in the office to do this type of work for me. It is me, my business partner and our wives...I'm not a business man, I'm a tradesman”
(Employer, small business - Electricity, Gas, Water and Waste Services)

Employers sought support from these organisations around the time the Commission makes its annual wage review decision. While many small and medium sized employers were aware of the role of the Commission, the consequences of its orders were often unknown or a source of confusion. It was under these circumstances that employers would seek information and advice from their relevant organisation. Participating employers saw employer organisations as a reliable source of support and accurate information. A number of employers, however, indicated there were some instances where they had double-checked some aspects of the advice provided by employer organisations with information on the Commission's or FWO’s websites or helpline.

Small to medium sized employers also accessed information from the Commission's or FWO's websites if they felt their query was relatively straightforward or low risk. Some employers suggested that the Commission's website had improved over the years. On most occasions, relevant information was easy to find and the website was found to be easy to use and navigate.

“The website is quite easy to navigate and the information is presented in a very easy type of sound way.”
(Employer, small business - Manufacturing)

Some employers requested that specific information contained in all modern awards be presented in a consolidated or easily searchable way to reduce the time required to find the information, such as minimum wage rates.

“Sometimes you just want a wage page”
(Employer, small business - Electricity, Gas, Water and Waste Services)

While improvements had been made to the usability and design of the website, the perceived frequency of updates to modern awards and changes to employer’s obligations and responsibilities continued to be a source of concern for those employers who relied on their own research to remain compliant.

“The difficulty comes from not knowing that things have changed, that's probably where the biggest anxiety is, something's changed and no one's told us or we haven't followed it up and we don't know something changed.”
(Employer, small business - Manufacturing)

If the information sought was not found via the website or the information was too difficult to interpret, these employers would generally tend to contact the Commission's or FWO's helpline to request assistance or seek clarification. Feedback shared about interactions with staff at both the Commission and FWO was positive. These employers had found staff to be very helpful and able to provide the required information.

Large employers

In contrast, larger employers were able to rely on internal resources to deal with the majority of queries or concerns they had. Often specialist personnel such as Human Resource managers, payroll officers or Workplace Relations managers had the capability to identify and interpret modern awards.
“I have been doing this for a long time now so I know what needs to be done”
(Employer, large business – Construction)

Should a need arise for these specialist personnel to visit the Commission’s or FWO’s website; they were very confident that they would be able to find the relevant information and interpret it without additional assistance.

Employer organisations were also an important resource for large employers. Employer organisations would provide regular communication on updates across a broad range of workplace relations matters, as well as advice on how to manage potential issues such as new employment contracts or changes to entitlements or wage rates.

Employees

Some employees had experience in seeking information or advice on a range of workplace relations matters. The most common areas of enquiry were related to wage rates and entitlements to overtime and personal/sick leave.

A key source of information regarding wages and other entitlements was the Commission’s and FWO’s websites. In most cases, employees were unable to indicate if the website they consulted was the Commission’s or FWO’s website. Most employees were not familiar with the difference between the two agencies and did not distinguish their different roles and responsibilities.

“I don’t know, I can’t remember where I checked. It would’ve been a government website.”
(Employee, small business – Retail Trade)

“I have checked routinely on the department of employment and workplace relations website and wage net, I think, for my own information but also for others in my past training capacity to make sure others were informed.”
(Employee, large business – Transport, Postal and Warehousing)

Once the relevant information was found, employees then tended to have difficulties understanding or interpreting the modern award.

Most employees indicated that they would only call the relevant helplines if they were concerned that they were not being paid correctly, including if they believed they were incorrectly classified, or if they were not receiving all of their entitlements. Otherwise, they preferred to try to interpret the modern award on their own. Employees that felt that they had a good relationship with their employer would not hesitate to directly approach their employer, Human Resource manager or Payroll manager about any queries.

“I have no problem going up to the manager and asking her about my pay. It’s a confronting thing to do but she is pretty good about that stuff”
(Employee, medium business – Accommodation and Food Services)

Employees that felt they did not have a good relationship with their employer were hesitant to approach them regarding any queries or concerns. A conversation about wages and entitlements could be viewed as uncomfortable and intimidating, especially if they were a relatively new employee or junior staff member.

“A lot the time people are just accepting or too afraid to ask because they don’t want to put the employer offside”
(Employee, small business – Manufacturing)

Some employees had referred to online forums and social networking websites to gain an understanding of what else is happening in their industry in regards to average wage levels, workloads and industry changes. However, employees acknowledged that these were not the most accurate
sources of information, as often wages, entitlements and conditions may depend on other characteristics of the business.

A common sentiment among employees was that they did not discuss wages and entitlements with co-workers. This type of conversation was largely seen as inappropriate or could be contractually prohibited by employers. Many employees felt that raising this topic of conversation was intrusive and was considered it none of their business to know what their colleagues were getting paid. However, there were a few examples of open discussion of pay, conditions and entitlements to emerge from this research. Most notably, an employee, employed on a casual basis in a workplace with irregular numbers of staff and a high staff turnover, stated that employees in the workplace discussed wages and entitlements.

“I work for a small company and people discuss their pay quite openly... people will ask each other,”
(Employee, small business – Accommodation and Food Services)

Employees recognised that there are likely to be differences in wage rates across the business according to the applicable modern award, tenure, education levels and responsibilities according to different roles, titles and expertise. Employees also acknowledged that even within the same role, tenure and experience could result in different wage rates. However, there was concern about payment of different wage rates without any identifiable reason and this would be a circumstance where employees felt that a conversation among colleagues about wages was appropriate. If employees felt there was pay inequity among co-workers, systematic underpayment or lack of appropriate entitlements at the workplace then they may raise this topic of conversation with co-workers before considering raising it with their employer.
2. Multiple modern award coverage and attitudes

2.1. Awareness and impact of multiple modern award coverage

Employers

Administrative burden was seen to be the main challenge in managing multiple modern awards. While not perceived to be a significant issue, many employers would have preferred to refer to fewer modern awards, ideally just one, to set the wages and determine the classification levels of their employees. Employers subject to multiple modern award coverage stated that they are required to refer to multiple sources when drafting an employment contract for new employees, ensuring that the correct modern award was being applied, as well as the current wage rates and classification levels. This process was considered unnecessarily complex and time consuming. However, despite this perception, the majority of the employers saw this as a minor inconvenience. These issues were a generally accepted outcome of running a business that has a range of operations and consequently different employee groups that have different entitlements.

“It isn’t that bad. There is a bit of work to do when we have a new staff member come on board but other than that it doesn’t take too much of my time”

(Employer, small business - Manufacturing)

“I wouldn’t say I have too many challenges in this area [multiple modern award coverage]...I have been in this area for some time now and I am used to it”

(Employer, medium business - Wholesale trade)

Regardless of the number of modern awards used, employers indicated that the impact of multiple modern award coverage had been minimised by their development of various strategies. This is particularly evident in the setting of wage rates between employees covered by different awards (see section 3 for a detailed discussion of specific strategies).

While many enterprises developed their own strategies to deal with varying wage rates and entitlements, enterprises were not as confident in dealing with differences in classification levels between modern awards. This is particularly evident in enterprises where certain employees may undertake roles that perform two or more functions covered by different modern awards.

“We might have a forklift driver employed under the timber industry award, but yet find their role under the transport workers award as well. Then you have to look at equivalences between those things. We’d make the call on a practical basis. So if they are largely just working in the yard and nothing else, so in other words, forklift plus general yard work, then we’d regard them in the timber industry.”

(Employer, medium business - Wholesale trade)

Employers expressed concern that the differing classification levels and resulting wage rates may lead to questions being raised by employees regarding appropriate remuneration. Employers felt this potential source of error left them vulnerable to non-compliance that may result in litigation or at the very least, discontentment from employees.

Employees

Overall, employees did not perceive a large impact arising from working for an employer covered by multiple modern awards. Participating employees did not express many concerns about the differences between wage rates and entitlements as a result of multiple modern award coverage. Employees were aware that there was a system in place to provide fair and equitable wage rates and
entitlements. There was a general belief that employees’ wages may differ as a result of age, experience, tenure, roles and education level.

Some employees expressed concerns regarding differences between groups of employees, especially in the areas of penalty rates and leave entitlements. These employees were of the opinion that there were no issues in getting the same penalty rates among employees with similar roles. However, if the roles varied significantly, even within the same enterprise, the view of some employees was that those entitlements should differ accordingly.

“If someone in dispatch is getting the same penalty rates as me that’s fine, but if the accountants and the others who sit in the office do then that’s not right. They get paid more for what they do and don’t need penalties.”

(Employee, medium business – Transport, Postal and Warehousing)

Employee and employer organisations

When asked about the impact of multiple modern award coverage on employers, employer organisations suggested that most employers were accustomed to using multiple modern awards to determine the wages, conditions and entitlements of their employees. Each employer had their own way of managing this, but saw this as a means to an end of running their business in their industry rather than something that needed a solution.

“There would be plenty of employers out there, through lack of understanding or otherwise, say ‘this much money a year in exchange / substitution for all of your award entitlements’... there would be misinformation or misunderstanding out there, in relation to multiple modern awards.”

(Employee organisation)

Employee organisations suggested that most of their members were aware of the fact that there were different wage rates that applied to different groups of employees. The type of role or industry largely determined the applicable modern award, where minimum wage rates and entitlements were designed based on what was considered fair and representative. Employee organisations were unaware of any systematic discontent from their members with how employers manage multiple modern award coverage, although they conceded that this might not always be the case.

“Things have improved on that front, because associations and government, through the Fair Work Ombudsman, has been focused on creating a modern award system and making people aware of the system, and providing tools from the Fair Work Ombudsman that help businesses figure out what they need to do.”

(Employee organisation)
3. Multiple modern award coverage management strategies

3.1. Overall management strategies

Employers did not see multiple modern award coverage as a significant burden on the operations of the business and they found ways of managing it. Many employers had been involved in the industry or had owned their business for a number of years and considered the varying wage rates and entitlements as a normal part of their business and industry. To manage multiple modern award coverage and to ensure that the correct rates and entitlements were being observed, there were two broad strategies that employers chose to pursue – following the award exactly or paying slightly above the award – supported by investment in specific payroll / HR software.

Pay exactly at the applicable award rate

Employers that chose to pay their employees the exact rates that were set out in the applicable modern awards indicated that the main burden of referring to multiple modern awards was ensuring that the right rates were being paid. Employers that chose to pay their employees at the exact rate tended to have the internal resources available to manage any differences (i.e. dedicated HR or payroll functions) or were well educated in the modern award system and confident in how to use it.

To manage the use of multiple modern awards, these employers or dedicated HR / payroll would:

- have the modern awards printed and stored in a location that was readily accessible from their desk. These employers would then mark and highlight the relevant sections to avoid having to re-read the entire document saving time and effort;
- bookmark the hyperlinks for relevant modern awards from the Commission’s or FWO’s websites;
- create an Excel spreadsheet with formulas linked to the different wages rates and classifications of their employees; or
- use resources and information from various industry or employer organisations, including wage calculators and online or telephone helpline services, to ensure the correct wage rates and classification levels were being applied.

Pay slightly above the applicable award rate

To reduce the number of awards that needed to be referenced, a proportion of participating employers decided to pay their employees a wage rate that was either slightly above the modern award rate or at the highest wage rate that applied to a majority of employees in the organisation, which was set according to the applicable rate in the modern award. Employers stated that this strategy removed the need to reference multiple modern awards when referring to wage rates, reduced the perceived administrative burden when changes were required, such as after annual wage reviews, and also provided employers with a perception that the risk of non-compliance was minimised.

This strategy was used by employers where the workforce was made up of employees that undertook a similar role, or the differences between the applicable modern awards was too large as to add significant wage cost increases to the business.

“I would base it [wages and conditions] on what is required by law, I’d keep them separate, unless it is a small amount of difference and then I’d put them all in one bag”.

(Employer, small business - Retail trade)

A separate group of employers used a variation of this strategy as a result of having some employees that had a significantly different role (i.e. clerical employees when compared to manufacturing and storage employees). Often the rates and entitlements between these modern awards were quite
different. As a result, these employers tended to adopt a hybrid of the previous strategy where employees of similar roles and modern award rates were paid the highest applicable rate, while employees who were in a different role or function would be paid at the exact rate as set out in their applicable modern award or via an individual agreement.

**Use of payroll software**

The use of specific payroll software was common across all participating employers. Many suggested that this software was essential to the management of the business as it provided an easier method to calculate wages. Payroll software was capable of calculating wages and leave entitlements for groups of employees with differing wages rates and entitlements, thereby reducing administrative tasks. This software calculated wages based upon pre-determined rates and hours worked should there be some employees that received rates that were above the applicable rates.

“We use an automated payroll system that has key dates”
(Employer, small business - Health Care and Social Assistance)

“There is not a lot of overtime, but when there is we have timesheets online that automatically calculate who is required to be paid what amount…it is very easy and straightforward”
(Employer, medium business - Manufacturing)

While employers valued this software, there were a number of drawbacks:

- the software needs to be manually updated with new rates when the Commission varies pay rates (e.g. following an annual wage review);
- the software did not have the flexibility to input variable rates for tasks completed in different areas of the business;
- initial investment in the software could be costly for a small business.

### 3.2. Balancing additional costs versus efficiency

The overall theme of deciding which strategies to adopt when using multiple modern awards was to reduce the administrative burden while minimising the risk of non-compliance. Employers were interested in strategies that would save time, while not increasing the risk of non-compliance, as the financial and reputational consequences were perceived to be severe. The decision about which strategy to adopt was dependent on a number of trade-offs.

For those employers that had decided to pay their employees a slightly higher wage, the increase in overall wage costs was tempered by the minimisation of the risk of non-compliance and the reduction in administrative burden. The added benefit of this strategy was that employees were more likely to be satisfied with their remuneration, leading to a higher employer retention rate.

Employers that chose to use the exact rates as set out in the applicable multiple modern awards were prepared to take on the added administrative tasks, or allocate that function to a dedicated team of payroll or human resource specialist personnel within the business. These employers suggested that the wage rates and entitlements in these modern awards were fair and the use of multiple modern awards was something they were used to. The management of multiple reference points for wages and entitlements were effectively undertaken by specialists in the business who knew the system well enough to ensure compliance, ensuring wage rates were paid at the minimum rate.

### 3.3. Confidence in strategy

Regardless of the strategy used by employers to manage multiple modern award coverage, employers expressed confidence in their choice and the ability of the business to effectively manage the
challenges arising from this. Often employers had previous experience in dealing with multiple modern awards or had specialist employees to manage payroll. These employers also invested in software that could assist with any administrative burden that accompanied the use of multiple wage rates and sets of entitlements.

Despite being confident in their choice of strategy, assurances were still sought by employers. This was especially so when changes were made by the Commission to minimum wages or entitlements. Considering the impact of these variations across multiple modern awards was something that created a higher level of anxiety. Employers were acutely aware of the financial and reputational consequences of non-compliance. Any variations to wage rates and entitlements would be actioned promptly with employers often seeking information from their industry association or the websites of the Commission or FWO regarding the appropriate changes. Employers that paid their employees a little more than the applicable modern award rate were less concerned about these changes, as they saw that extra payment as a “buffer” between compliance and non-compliance.
4. Utility of majority clauses

4.1. Initial impressions

To stimulate discussion of majority clauses, participants were given the following definition of a majority clause:

“A majority clause is a provision in a modern award that would allow the conditions of employment applying to the majority of employees in the enterprise to apply to the minority of employees in the enterprise.”

It was clarified to participants that if most employees were covered by one modern award, it would have the effect of bringing the remainder of employees under those conditions, and may include harmonising conditions such as hours of work, overtime, rostering arrangements, allowances and break times. Participants were also told that the majority clause would not affect the base minimum rate of pay to which they are entitled under their respective modern awards.

Participating employers welcomed any initiative that would reduce administrative burden and ensure compliance with current workplace relations laws. Initial impressions of majority clauses were positive and supportive. Many employers saw this as the next step in modern award simplification.

“Any action the Fair Work Commission takes to simplify the coverage of multiple modern awards would be greatly appreciated by small and medium sized businesses”

(Employer, large business - Arts and recreation)

Participating employees found the concept of a majority clause more difficult to understand. Employees did not generally disaggregate conditions, entitlements and pay from their weekly or fortnightly pay packet and because of this they tended to find the majority clause confusing.

Some employees who considered themselves to be in the majority at their workplace shared the same initial support for majority clauses as employers as they did not expect themselves to be negatively affected. These employees suggested that the clause promoted fairness in the workplace, and that all employees would be treated fairly and receive equal pay, conditions and entitlements. In contrast, some employees had reservations from the outset. The key concern for these employees was the impact on the workplace culture and that they were also undecided if it would result in a fairer outcome than under the current operation of modern awards (see section 4.3 for a detailed discussion).

While initially supporting the general idea of a majority clause, upon further explanation and discussions, employers and employees noted that there were a number of potential issues with majority clauses that would need to be addressed before implementation. It is apparent from the discussions that employees and employers considered the trade-offs between their current position and potential position under a majority clause, with employees mediating their understanding through their perceived future weekly or fortnightly remuneration. Employer and employee organisations had reservations regarding the clause from the outset. The views of employers, employees and employee and employer organisations are discussed in more detail below.

4.2. Potential issues for employers

Managing employee reactions

Employers raised the potential negative impact on workplace culture and the potential for some employees to feel that they might be worse off under a majority clause. Specifically, employers considered the following when presented with the choice of whether they would introduce a majority clause:
1. To maintain workplace harmony, did they need to consider a level of compensation for employees who may lose some of their conditions and entitlements?

2. What would be the level of compensation required for employees that might lose some of their entitlements and conditions?

3. Would this compensation be additional wages or additional leave arrangements?

4. Should these arrangements be made for existing employees or just for new employees?

5. Would the cost savings of having the conditions and entitlements set under the one modern award outweigh the potential loss of staff if they felt they were worse off under the majority clause?

If separate arrangements between existing and new employees were created employers felt this would create an additional level of complication. Having different workplace arrangements for employees based on tenure was considered a backward step and negated any possible benefit a majority clause might provide.

**Employee sentiment and staff turnover**

There was a fear from employers that negative employee sentiment as a result of a majority clause may also lead to some employees considering changing employers or leaving the industry altogether. This view was supported by some employees.

“At the end of the day, it is up to the employer and the relationship they have with their staff. If they take on the majority award that gives lesser conditions [to employees covered by the minority award], then that is a conversation that they’re going to have to have with their employees. And presumably, most employees with answer with their feet if they get told by their employer that there are going to cut conditions because they can….employees will leave or there will be industrial trouble.”

(Employer, large business – Construction)

Employers noted that there was general acceptance among their employees that different groups are paid different rates and have access to slightly different entitlements. However, employers worried that providing minority employees, who may have a very different role to the majority of employees (e.g. clerical staff compared to manufacturing staff), with access to entitlements such as hours that attract penalty rates or additional leave, may cause some discontentment with the majority group of employees. This concern stemmed from the belief that the penalties and other entitlements that are in the modern award covering the majority of employees (e.g. Manufacturing Award) have been included in the award to reflect their acquired skills, levels of education and requirements to undertake their role.

While base wage rates would not be changed under a majority clause, to separate wages from the related conditions and entitlements as set out in the applicable modern award was perceived to be counterintuitive. There was an understanding from some employers, employer and employee organisations that specific wage rates work in tandem with conditions and entitlements to accurately reflect the roles and requirements of undertaking work in a specific industry or occupation. Should other employees benefit from the specific conditions in the modern award covering the majority, this may lead the majority of employees to feel that there is nothing that rewards the unique aspects of their job.

The inverse was also mentioned from employees who may be in a minority in the workplace, such as specialist employees who may lose perceived superior entitlements if included with the majority of employees. An example of this is in the childcare and early childhood learning industry where there is a legal requirement to have a certain number of qualified teachers on staff. These employees perceive that they are entitled to receive better entitlements and leave arrangements under their award (Educational Services (Teachers) Award 2010), for example eight weeks of recreational leave, than the majority of staff who are covered by the Children Services Award 2010. To be covered by the modern
award applying to the majority of employees in this case would, in the employees’ view, devalue their university-level qualifications or role within the sector.

“If the conditions were not different why would anyone want to go to? Why would I put myself in so much debt (university fees) for no benefit?”

(Employee, small business - Health Care and Social Assistance)

Employers were concerned that, should a majority clause apply, these specialist employees may elect to leave their role if they were to lose their superior leave entitlements and work where they would be in the majority. The consequences for the employer may be significant as if they were unable to find a replacement teacher, then they would lose one of the key requirements for operating their business and may be forced to close. To avoid losing these specialist employees, employers felt they would be forced to pay well above the applicable modern award to compensate for the loss of entitlements. This may have cost implications without guaranteeing that the employee would stay.

Any loss of staff, regardless of the staff being in the minority or majority, would have negative consequences for the business. This included the initial cost of recruitment, training and the time taken for the new employee to achieve a 100 per cent efficiency level. Employers were concerned that even after the training and investment in new employees, there would be no guarantee that they would remain, especially if the employee perceived that they would be better off at another workplace where they were part of the employee majority. To ensure these employees do not leave, employers would need to consider various retention strategies, such as increased wages or leave entitlements. This would result in additional costs to the business.

Preliminary administrative burden

Initial support for majority clauses was diminished when employers considered how it could be implemented in their businesses. Many employers suggested that the sheer administrative task of rewriting employee contracts would be similar to the implementation of modern awards in 2010.

These employers would be required to redraft employment contracts for all employees that were in the minority. This may require input from the Commission or FWO to ensure compliance, as well as discussions with employee and employer organisations. Once drafted, employers recommended that each applicable employee be invited to have a face-to-face conversation to discuss the new contract and raise any concerns. There was a suggestion that the entire process would take a long time, be administratively burdensome and increase the risk of non-compliance.

“All contracts would need to change to reflect the award that they are underpinned by and major correspondence to the sales team to explain what that all means by the way of their overall package…everyone is obvious worried about their pay check All contracts would need to be reviewed by Ai Group…..would be a least a fortnight of work without interruptions.”

(Employer, medium business - Manufacturing)

The perception of initial administrative burden also extended to the need to reclassify minority employees using classification systems that were designed for specific groups of employees. Specific occupation-based modern awards, such as the Manufacturing Award have classification structures in place that take into consideration education levels, tenure and required skills. These are vastly different from the requirements to undertake a role that would normally be covered by the Clerks Award. They hence have a number of different rostering arrangements, overtime and leave provisions, ordinary hours of work and allowances which are relevant and specific to the employees covered by the relevant award. Any change, including in access to these entitlements and conditions, would require significant communication from both the employer and relevant government agencies to reassure the minority employees that they would not be worse off under a majority clause.
Dealing with the impact of changes in employee numbers

Small business employers suggested that some consideration needed to be given to a situation where the minority of employees became the majority (e.g. through slight variations of business operations or staff turnover). There was concern that for all the effort and costs associated with the initial implementation of a majority clause that it would have to be redone if staff numbers changed, in circumstances where the minority became the majority.

“As in if someone's got six retail staff and five or even six food and beverage and then they employ one or two more people for food and beverage, and then it's no longer a majority for one side and then it flips to the other side, how does that affect us as business owners?”

(Employer, small business - Retail Trade)

Employers were concerned that the regular changing of the applicable modern award would be confusing for both employees and employers, adding to any potential concern regarding wages and entitlements.

Clear communications

There was a concern that a change to the modern award system without proper and comprehensive communication from the Commission would lead employees to suspect that they were going to be worse off under the new clause. This would result, at best, in a large number of employees complaining, or at worst higher levels of staff turnover. This would be especially true for the minority employees who stood to lose certain conditions and entitlements, as they may seek to be employed at a business where they are able to retain these applicable entitlements.

Employers would be looking to the Commission or FWO to undertake a significant amount of communications in regards to majority clauses. Some employees and employers suggested that the Commission should visit workplaces to explain the concept of the majority clause, why it is being implemented and provide reassurances that no employees will be worse off. Employers felt employees would be suspicious of any changes without discussion and information from an official source. This would also serve to reduce the required work employers would have to undertake to educate and reassure their employees.

“More chance of you trusting someone out of Fair Work than someone who is here on the floor and thinks they know what they are talking about!”

(Employee, small business - Health Care and Social Assistance)

“We would need support from the Fair Work Commission to assist and provide resources to answer any concerns and queries from employees”

(Employer, large business - Arts and recreation)

Regardless of the level of communication from official government bodies such as the Commission or FWO, large employers were concerned about the level of communication and consultation that would be required to ensure employees were well informed and reassured that they would not be worse off. These employers suggested that should a majority clause be introduced in an award by which they were covered, the communication process would require multiple layers, each requiring significant time and resources. A typical communication plan may involve:

1. Overall firm-wide communication;
2. Specific communication and content for different groups of employees, especially for groups whose conditions would be derived from the majority modern award;
3. Specific communications for employees of different tenure or who may be impacted by changes;
4. Individual communications for employees that had concerns.
Solution for a problem that may not exist

Generally employers welcomed any initiative from the Commission to reduce administrative burden and make the workplace relations system easier to use. However, there was a feeling among employers that a majority clause would not be the answer.

The perceived need for a majority clause, as presented to employers, was minimal. Participating employers who used multiple modern awards to set, guide or influence the wages of their employees already had in place a system or strategy to manage this. Overall, these employers were confident in their strategy to cope with multiple modern award coverage as they had been in place for a number of years. Multiple modern award coverage was considered a necessary aspect of operating within specific industries. While majority clauses appeared to be a valid idea, the situation for employers and their employees was more complicated than simply providing the same entitlements and conditions for all employees.

“It is a good idea. But in regards to this business, it won’t have a big effect as we already do something similar, if not better”
(Employer, small business - Manufacturing)

“The Fair Work Commission has a habit to use a sledgehammer to crack peanuts”
(Employer, large business - Construction)

“It is easy to understand, but for this businesses I don’t know. We are not that complicated and I don’t know if we would need it. If we were operating with lots of different shift times and break times and things like that than I think this would be perfect”
(Employer, medium business - Wholesale trade)

4.3. Potential issues for employees

Not recognising roles, skills and education levels

Despite initial support for a majority clause, many employees recognised that employees are entitled to be paid at a different rate, based on education levels, skill level, tenure and role at the enterprise. They understood that the modern award system recognised and rewarded employees who had undertaken additional study or undertook a period of apprenticeship to achieve a higher classification in their applicable modern award.

From the understanding of majority clauses by some minority employees, they felt that under certain conditions specialist minority employees would lose the incentive to undertake further study or lose entitlements that they were expecting to receive. The modern award covering the majority of employees in the workplace would effectively not recognise the minority employee’s specific role, skills and training. This was seen as largely unfair for these specialist minority employees and contradicted the value of the current modern award system.

“The only issue that I would foresee would be that there is an element of commercial snobbery or elitist behaviour. These people have done an enormous amount of education, training and registrars. It could be difficult trying to sell them to a lower award such as the Social, Community and Disability Industry Award.”
(Employer, large business - Health Care and Social Assistance)

Majority employees also had concerns regarding majority clauses. These employees viewed the entitlements and conditions set out in their applicable modern award as being reflective of their role, skill requirements and different working conditions. This was especially evident in employees covered by the Manufacturing Award. Employees valued this modern award as it provided clear classification levels, based on the education level obtained by the employee as well as rewarding them for what was seen to be a more labour intensive occupation than a clerical role. Some employees who would be in
the majority under the majority clause expressed unease that minority employees may benefit from the enhanced conditions, allowances and entitlements that had been designed with the manufacturing skills, roles and responsibilities in mind.

While the majority employees acknowledged that the penalties and allowances might not apply to the clerical staff or other minority employees, there was a concern that some minority employees may try to access these entitlements even though they do not need it to perform their role.

“There will always be someone who wants to be a pest and ask for something that they would not normally get if they were covered by different awards. For example, an admin person might want a hazmat [protective] suit or their 15 minute smoko, even though they don’t need a hazmat suit, but can now get one because of the majority clause.”

(Employee, Small business - Professional, Scientific and Technical Services)

Definition of majority employees

A small number of employees suggested that the definition of “majority” needed to be clarified. There was a sentiment that the definition of the majority of employees should not be considered in terms of actual numbers of employees, but rather the quantity of hours undertaken by a group of employees.

These employees were concerned that using the actual numbers of employees as a condition to determine the majority employee group may not be accurate. In some cases, lower-paid employees with conditions not as generous would make up the majority. The implication of this is that specialist employees, who contribute more hours to the core business activities, shift onto the less-generous award.

“Where I am we would be the minority because there are so many housekeepers, but they’re only in for a few hours a day, whereas we’re there for longer. So I don’t think that would be fair. They would technically be the majority so we would go down”

(Employee, small business - Accommodation and Food Services)

4.4. Employer and employee organisations views

Both employer and employee organisations expressed concern regarding the potential implementation of a majority clause. Both sides saw potential negative implications for their members. Employer organisations expressed confusion as to why majority clauses had been revisited. The employer organisations suggested that a similar concept had been raised in the past and rejected by the then AIRC in the early 1990s.

“I just think that’s completely unworkable and inappropriate and it will create a huge number of adverse consequences. This was determined 20 years ago when the issue first came up and was rejected back then. I don’t know who’s pushing for it actually...ourselves and the ACTU have both expressed some concern about the idea.”

(Employer organisation)

Employee organisations

It was believed that majority clauses were in direct opposition to what modern awards were designed to do. Modern awards were designed to provide minimum requirements for employees in specific industries or occupations. These minimum requirements reflected the specific role, skill sets, required levels of education and the risks employees are exposed to when undertaking a day of work.

“The appropriateness [of conditions and wages rates] of particular occupations or industries has already been made by the award system. So if you seek to [change the system], you’d want some sort of convincing argument to set aside what is a settled industrial position about what the
industrial and occupational conditions ought to be.”
(Employee organisation)

Additionally, employee organisations expressed that while employers and HR managers may benefit in the short term (as they would only need to refer to one modern award to set the conditions and entitlements of all their employees), a majority clause would have significant long-term repercussions. It was felt that a majority clause may negatively impact an employer’s ability to attract specific types of workers. These employees may not be presented with the relevant entitlements and conditions that are applicable under their modern award. There is a potential that these specific employees may feel that their skills and education are not valued and seek employment elsewhere, where they are in the majority and are likely to receive the conditions and entitlements they consider appropriate.

“The first thing is that it is going to impact on their entitlements that they deserve under their role and skills, it will also impact their ability to be employable in other businesses, won't have the generalised skills that will allow them to take up a role elsewhere.”
(Employee organisation)

Employees covered by an occupational modern award may potentially be at most risk as these modern awards have a clear professional development pathway for relevant employees. These developmental pathways were designed so employees can gain and develop the skills that can be applied across industries (i.e. maintenance employees being able to transfer between the mining and manufacturing industries with general skills). The removal of access to these developmental pathways may lead to fewer employees having the general skills to work across industries, leading to a compromised labour market.

“Members who come under the occupational coverage of awards would not get access to their career based classification structure and entitlements. That would mean that they would not be able to engage in training and skills relevant to the industry, leading to their skills becoming too narrowly focused on the employer and not as flexible as workers across other parts of the economy.”
(Employee organisation)

Despite overall concerns in regards to a majority clause, employee organisations conceded that there may be an operational need to justify coordinating the hours of work, break times and other operational considerations. However, this was seen to be a very different need to making payroll easier. While a majority clause may be justified given a specific operational need, safeguards and checks would need to be implemented to ensure that no employees are worse off.

Employee organisations cautioned that in some instances, a majority clause may extend the typical hours of work for certain minority employees without attracting penalty rates. In addition, employees may be directed to take leave when required by the business to facilitate business shut down times. In general, while the base rates of pay may be unchanged, any restrictions or changes to hours or patterns of work may negatively impact the typical monthly / weekly income depending on which arrangements were changed as a result of a majority clause. In addition, any change to a typical income, hours of work or leave entitlements may have an impact on the work/life balance of employees, leading to potentially higher levels of employee discontentment and staff turnover.

“There would need to be some checks and balances on it, to ensure that no people are left in a worse off net position”
(Employee organisation)

“The interest of all the employees ought to be appreciated in a way that go beyond just saying that the majority put their hand up, so you're stuck with it [majority modern award]”
(Employee organisation)
Employer organisations

As was the case with employee organisations, employer organisations also raised concerns about the use of majority clauses. Employer organisations were also of the view that the mechanism had been dismissed previously. Participating employer organisations also stated that they had received no indication from members that multiple modern award coverage was an issue.

“It’s never been raised as an issue that any of our members want to pursue [majority clauses].”
(Employer organisation)

“We will strongly oppose this on behalf of our members because we haven’t detected the slightest bit of interest in this idea across our membership”
(Employer organisation)

As mentioned by employee organisations, there was a belief that majority clauses are in opposition to the fundamental objectives of the modern award system. Since modern awards have been developed with the requirements of specific industries and its workers in mind, to group all employees at one business regardless of role, responsibility or skills required under one modern award that covered the majority of employee would be counterintuitive.

Specifically, some modern awards contain conditions and entitlements designed for employees who are operating offsite or on the road for a significant portion of their work day. These employees are often supported by administrative staff that are confined to one location, doing a role that is very different from the majority of the employees. In these scenarios, employer organisations suggested that a majority clause may result in these minority employees receiving conditions that were never designed for their role, while losing conditions that were.

“How are you going to deal with a scenario where the majority award for a transport company will be one about truck driving? How is that going to apply to clerks when it’s talking about kilometre rates and other things? It’s just not going to fit.”
(Employer organisation)

“There are even bigger problems in white collar versus blue collar areas – the professional employee’s award doesn’t have any penalty rates for obvious reasons...they get paid a salary. So if you’ve suddenly got conditions that apply to production workers applying to professional engineers, it’s just completely inappropriate”
(Employer organisation)

An additional concern regarding the majority clause was the potential to significantly increase the costs of enterprises operating in specific industries by potentially reducing the number of hours worked by one group of employees in the minority. An example of an industry where wages costs may increase under a majority clause is the mining industry. The applicable award for the mining industry and its employees was regarded as an “expensive” modern award, with additional leave entitlements and a lower standard-hour week (35 hours) when compared to other industries.

Maintenance workers commonly worked within the mining industry, but were covered by the applicable maintenance award, with fewer leave entitlements and a higher number of hours for a standard work week. Should a majority clause be implemented at an enterprise that uses the Mining Industry Award 2010 for the majority of its employees, the increase in costs to the enterprise when varying some of the conditions of maintenance workers using the majority clause may outweigh the benefits of a simpler payroll and HR function.

“Take the coal mining industry for example, you’ve got a very expensive award, a 35 hour week, 15 days sick leave, up to 6 weeks annual leave - the maintenance workers and contractors in that industry are covered under the manufacturing award with a 38 hour week and regular penalties and so on,
so where is the gain from moving them to the mining award?" 
(Employer organisation)

There was also agreement between employer and employee organisations on the negative implications that a majority clause may have on the classification levels and career paths detailed in occupational awards. There was the suggestion that the value of the competency standards and training paths outlined in specific awards may be lost under a majority clause arrangement.
5. Conclusion

There was general consensus from employers that the modern award system was an improvement from the pre-modern award system. Employers appreciated the reduced number of modern awards and the modern award system as being easier to navigate than the pre-modern award system.

Employers and employer organisations viewed the modern award system as superior to the previous system as it contains wage rates and conditions that were a better reflection of the different roles and requirements undertaken by employees and employers in specific industries. Employer and employee organisations also noted that the modern award system provided a clear professional development pathway for employees covered by a relevant occupational-based modern award.

Employers had a high level of knowledge about the modern award system and how it was to be used in the operations of their businesses. In contrast, employee awareness of the modern award system was low. While there was general knowledge that a system was in place to ensure minimum wages and conditions, only the older employees were able to provide further information.

When asked about the impact of multiple modern award coverage, employers suggested that administrative burden was the main challenge. The requirement to review and check multiple modern awards every time there was a change or when an employee had a query required a lot of time and took the employers away from the everyday operations of their business.

However, despite the perceived administrative burden, employers indicated that the impact of multiple modern award coverage was minimal due to the general acceptance that this was part of operating a business in their industry and because of the development of their own strategies to manage the impact. These strategies included having the applicable awards in a location and relevant sections pre-marked to assist with finding relevant sections quickly, investing in payroll software to manage the different rates, or paying employees a higher level to provide an equal rate among employees, thereby minimising the need to have different rates amongst their employees.

Employer organisations supported the view that their members were not substantially affected by multiple modern award coverage and it had not been raised (to their knowledge) as an issue by their members.

While the level of knowledge about the modern award system was low among employees, many believed that the current modern award system was fair. There was agreement that certain conditions, entitlements and wage rates differ between employees, depending on the role, level of education and tenure at the enterprise. They did not see this as a main issue when considering their workplace.

This study revealed that there was minimal perceived benefit in majority clauses. This view was shared across employers, employees as well as employer and employee organisations. The main concern regarding majority clauses was the perception that the clause was in direct opposition to the underlying reasons of the award modernisation process and the commencement of the modern award system in 2010.

Both employers and employees with some knowledge of the modern award system agreed that the specified industry and occupational-based modern awards best reflected specific roles, requirements, training and professional development opportunities. To group the conditions and entitlements of all employees under the one award that covered the majority of employees at a business would reverse the perceived benefits of having separate modern awards, for the minimal gain of reduced administrative burden. Employers considered the minimal impact of multiple modern award coverage as a necessary requirement to managing the enterprise in their specific industry.
Employer and employee organisations were unsure as to why majority clauses were being reconsidered. They also raised concerns that the removal of clear developmental pathways would result in a lower number of employees with general skills that could be transferred across industries.
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit ey.com.

ED None
eyesweeney.com.au