



Fair Pay Agreements

Preparing for the largest change in New Zealand's employment and industrial relations framework in the past 30 years - lessons learned from Australia's Modern Awards

Fair Pay Agreements

The introduction of the Fair Pay System represents the most significant overhaul of New Zealand's employment and industrial relations framework in the past three decades

- **What?** A mandatory, sector-wide bargaining regime
- **Why?** Intended to improve working conditions and outcomes for employees, while increasing productivity, by setting minimum employment standards across entire industries and occupations
- **How?** Negotiated through a bargaining process between unions (representing employees) and employer representatives



Fair Pay Agreements

Fair Pay Agreements will introduce a new layer of complexity that employers will need to navigate

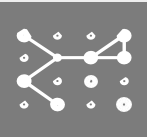
The Australian Modern Awards system has highlighted the risks of non-compliance for NZ businesses:

- Fair Pay Agreements are expected to be complex and will require proactive investment to interpret and understand
- Many Australian organisations have faced challenges implementing Modern Awards across their workforces and, in many examples, have required costly remediation programmes to address non-compliance



Fair Pay Agreements

Fair Pay Agreements will require proactive investment to interpret and understand



What can employers do to set themselves up for success?

- Take stock of your existing workforce and the agreements already in place
- Invest in understanding and interpreting FPAs that may be relevant to your workforce
 - Do you have a clear understanding of the coverage clauses of those FPAs?
 - Do you have a clear understanding of when an employee would be captured by the coverage of an FPA?
 - Do you have a clear understanding of the terms and conditions in those FPAs?
 - What upskilling do your employees need in this area?
 - What further resourcing do you need in order to monitor and interpret FPAs moving forward?
- Understand the options available should coverage overlap issues arise



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What else can employers do to prepare?

Update staff lists and contact details



Coordinate with other employers on pay matters



Consider acceptable benchmarks for pay rates



Think further ahead - will budgets need to be amended?



Lessons learned from Australia

The challenges implementing Australia's Modern Awards have impacted a number of organisations and employees, and have required costly remediation programmes to make right



A number of factors have challenged organisations to implement and consistently provide Australian Modern Awards:

- Workforce attributes and complexity:
 - Operations across multiple sites, decentralised payroll, or franchise structures
 - Large casual or shift-based workforces
 - Acquisitions of other organisations and legacy systems and processes
- Payroll operating model:
 - Errors in payroll system configurations
 - Manual, informal and and/or uncontrolled processes (rostering, timesheets, etc.)
 - Limited understanding of roles and responsibilities across employees, line managers, and payroll to the correct recording of time, activities and entitlements




















Collectively these challenges have created reputational, financial and operational impacts to a range of Australian organisations including:

- Employee goodwill
- Unwanted and negative media coverage and attention
- Increased public scrutiny and pressure from regulators, unions and class action litigators
- Potential regulator ramifications including fines, enforceable undertakings, litigation, prosecutions, annual audits and penalties
- Growing recognition of need for appropriate investment to enhance payroll governance, technology and operating model
- Financial impacts arising from costly remediation programmes and modern award liabilities

Lessons learned from Australia

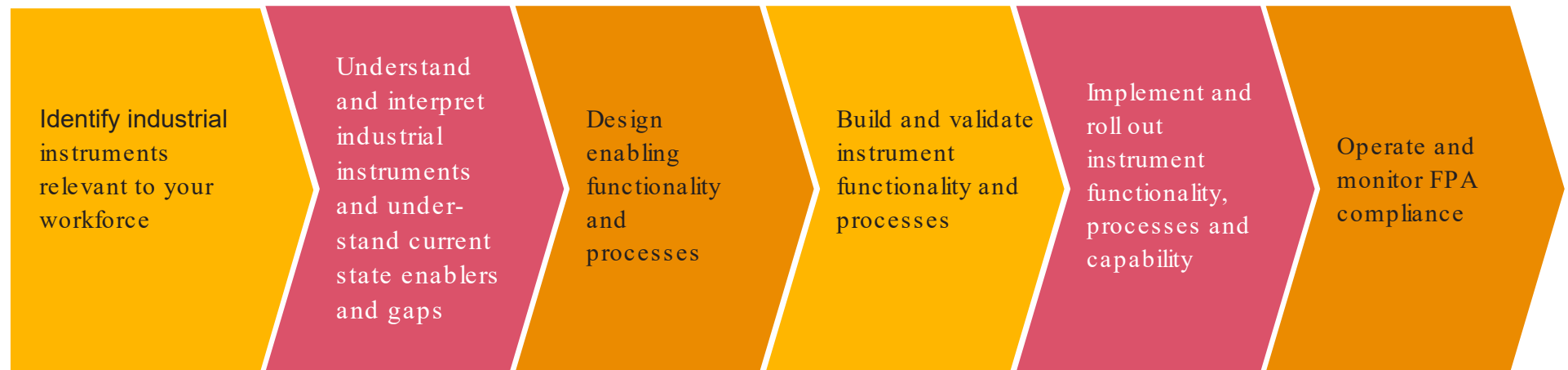
Examples of publicly reported wage remediations

	Duration under review (~)	Estimated employees impacted	Estimated impact (AU\$)
 WOOLWORTHS GROUP	9 years	6,000	\$390m (excl. interest and on-costs)
 nab	9 years	70,000	\$126m
 Merivale	10 years	8,200	\$129m
 SUNCORP	Undisclosed	Undisclosed	\$40m - \$70m
 Super Retail Group	6 years	4,500	\$61m (excluding interest and on-costs)
 Commonwealth Bank	10 years	41,000	\$53m
 Wesfarmers	10 years	41,000	\$41m
 michael hill	6 years	Undisclosed	\$10m – \$25m
 ABC Australian Broadcasting Corporation	6 years	2,500	\$23m
 coles group	6 years	600	\$20m (excluding interest and on-costs)
 activ we believe in you	6 years	1,700	\$13.6m
 ROCKPOOL DINING ★ GROUP	Undisclosed	Undisclosed	\$10m
 QANTAS	Undisclosed	600	\$9m (excluding on-costs)
 World Vision	Undisclosed	200 casual, 45 permanent	\$9m
 Westpac	Undisclosed	8,000	\$8m
 M&M's ESTABLISHMENT	7 years	500	\$8m
 THALES	7 years	400	\$7m

Setting up for success – compliance and enablement by design



A structured and informed approach to implementing Fair Pay Agreements is required to prevent these Australian issues being realised in New Zealand organisations





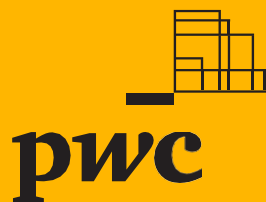
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