Australian HR Compliance Navigator Report Q2 and Q3 2022

Key updates on relevant employment and workplace legislative changes and major case law developments in Australia.

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Introduction of Paid Family & Domestic Violence Leave

Category:
Update to legislation

Related legislation:
Fair Work Act 2009 and Fair Work Amendment (Paid domestic and family violence leave) Bill 2022 (Bill)

Summary: The Government has recently passed the Fair Work Amendment (Paid domestic and family violence leave) Bill 2022 (Bill), which will replace the current entitlement under the FW Act.

The Bill will enhance the existing leave entitlement under the FW Act for employees experiencing family and domestic violence by providing paid leave and doubling the amount of leave that can be taken in a 12-month period of employment.

Currently, section 106A of the *Fair Work Act 2009* (FW Act) provides an eligible employee with up to five days of unpaid family and domestic violence leave in a 12-month period.

Unpaid family and domestic violence leave:

a. is available in full at the start of each 12-month period of the employee's employment;
b. does not accumulate from year-to-year; and
c. is available in full to both part-time and casual employees.

Family and domestic violence leave can be taken by an employee as:

a. a single continuous five-day period;
b. separate periods of one or more days; or
c. any separate period, including a period of less than one day, if agreed between the employer and employee.

Family and domestic violence leave is available to employees if:

a. the employee is experiencing family and domestic violence;
b. the employee needs to do something to deal with the impact of family and domestic violence; and
c. it is impractical for the employee to do that thing outside the employee's ordinary hours of work.

Family and domestic violence is defined as violent, threatening, or other abusive behaviour by a close relative of an employee that:

a. seeks to coerce or control the employee; and
b. causes the employee harm or to be fearful.

A close relative of an employee is defined as a person who:

a. is a member of the employee's immediate family; or
b. is related to the employee according to Aboriginal or Torres Strait Islander kinship rules.

Immediate family of an employee means:

a. a spouse, de facto partner, child, parent, grandparent, grandchild, or sibling of the employee; or
b. a child, parent, grandparent, grandchild, or sibling of a spouse or de facto partner of the employee.

However, the Government has recently passed the Fair Work Amendment (Paid domestic and family violence leave) Bill 2022 (Bill), which will replace the current entitlement under the FW Act.

Introduction of Paid Family & Domestic Violence Leave

The Bill will enhance the existing leave entitlement under the FW Act for employees experiencing family and domestic violence by providing paid leave and doubling the amount of leave that can be taken in a 12-month period of employment. The changes that will occur are as follows:

a. employees, including permanent and casual employees, will be entitled to ten days of paid family and domestic violence leave in a 12-month period;

b. employees will receive payment when on leave at their full rate of pay for the hours they would have worked had they not taken the leave;

c. the definition of family and domestic violence leave will be extended to include the conduct of a current or former intimate partner of an employee; and

d. the full paid entitlement will be extended to all employees when the International Labour Organisation Convention (No. 190) concerning Violence and Harassment comes into force for Australia.

It's anticipated the change will come into effect 1 February 2023 for large business employers and for small businesses (who employ less than 15 employees), an additional transition period of six months will be provided.

1) Record Keeping Obligations

All employers have an obligation under the *Fair Work Act 2009* (FW Act) to keep accurate employee records for at least seven years. Employee records are private and confidential and generally should only be accessed by the employee or authorised personnel.

Employee records must:

a. be kept for seven years (including where the employment has terminated);

b. be in a legible form and in English; and

c. be readily accessible to a Fair Work Inspector.

Employers must also ensure that a record is not altered by another person (unless to correct an error) and is not knowingly false or misleading.

Where a transfer of business occurs under the FW Act, the old employer must transfer to the new employer each employee record of a transferring employee. The new employer must keep the records as if they had been made by the new employer but is not required to make new records relating to the employees' employment with the old employer.

2) Types of records which must be kept

There are a range of different records that employers must keep for each employee as prescribed by the *Fair Work Regulations 2009* (Cth) (Regulations), as follows:

General employment records

General employment records must include:

- the employer's name;
- the employer's ABN;
- the employee's name;
- the employee's start date; and
- the status of the employee's employment (casual, part-time, or full-time; temporary or permanent).

Pay records

Pay records must include the following:

- the rate of pay paid to the employee;
- the gross and net amounts paid to the employee;
- any deductions from the gross amount; and
- the details of any incentive-based payment, bonus, loading, penalty rate, or other monetary allowance or separately identifiable entitlement paid.

Introduction of Paid Family & Domestic Violence Leave

Hours of work records

Records about hours worked by employees must include:

- for employees eligible to receive overtime rates (or any other penalty rate or loading payable to overtime hours) – the number of overtime hours worked each day or when the employee started and finished working overtime;
- for casual employees and irregular part-time employees paid by the hour – a record of the hours worked by the employee; and
- any averaging of hours of work agreement entered into between an employer and an employee.

Superannuation contributions records

Records about superannuation must include:

- the amount of the superannuation contributions made;
- the period over which the contributions were made;
- the dates on which each contribution was made;
- the name of any fund to which a contribution was made; and
- the basis on which an employer became liable to contribute, including a record of any election made by the employee (including the date) to have their superannuation contributions paid into a particular fund.

Individual flexibility agreement and guarantee of annual earnings records

Where an employer has agreed with an employee to implement an individual flexibility arrangement (IFA), the record must include:

- a copy of the agreement; and
- a copy of any notice or agreement terminating such an arrangement.

Where an employer has given an employee a guarantee of annual earnings under the FW Act, the record must include:

- a copy of that guarantee; and
- a copy of any revocation of such a guarantee.

Leave records

Records about leave must include:

- leave the employee has taken (if any);
- the balance of the employee's entitlement to that leave from time to time;
- where the employer and the employee have agreed that the employee will cash out accrued leave:
- a copy of the agreement;
- the rate of payment for the cashed-out leave; and
- the date the payment was made.

Termination records

Where employment has been terminated, the record must include:

- the manner of termination (by consent, notice, summarily, or specifying some other manner); and
- the name of the person who terminated the employment.

What happens if records are not kept?

If an employer fails to keep its employment records as described above, Fair Work Inspectors may issue the business with an infringement notice.

An infringement notice is akin to an on-the-spot fine and is an alternative to going to court. Fair Work Inspectors have 12 months after the day on which a contravention is alleged to have occurred to issue an infringement notice. Generally, infringement notices will need to be paid within 28 days.

Introduction of Paid Family & Domestic Violence Leave

If the Fair Work Inspector deems the employer's failure of its record-keeping obligations to be serious, wilful, or repetitive, it may take the matter to court. The current maximum penalties a court may impose upon an employer for failure to keep proper records are:

- $13,320 per contravention for an individual (or $133,200 for a serious contravention); and
- $66,600 per contravention for an employer (or $666,000 for a serious contravention).

Reverse Onus of Proof

With the introduction of the *Protecting Vulnerable Workers Act 2017*, should an employer fail to keep or maintain adequate employee records as set out above and an employee makes an underpayment claim, the employer will have the burden of proof of proving an underpayment did not occur despite the lack of records.

Previously, if an employee made an underpayment claim, employers may have been able to utilise what the FWO called a loophole. This loophole allowed employers to avoid facing fines by the FWO if the claim could not be substantiated due to an employer's lack of evidence confirming if the underpayment occurred. The onus was on the employee to prove that they had been underpaid, which made underpayments extremely hard to prove.

However, now the onus has been flipped and the burden is on the employer to provide sufficient evidence to disprove an underpayment claim. Should employers fail to keep adequate employee records and cannot disprove the claim, the underpayment claim will be accepted.

As a result of the reverse onus of proof, it's vitally important that businesses keep accurate employee records, not only to meet their compliance obligations but to also ensure the business can defend itself should an underpayment dispute arise.

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Wage Rate Increase

Category:
Update to legislation

Modern Award:
Multiple

Summary: In accordance with the FY22/23 annual wage decision, the wage rates in the *Hospitality Industry (General) Award 2020*, and several other awards, will increase as of the first full pay period on or after 1 October 2022.

Details: In June 2022, the Fair Work Commission announced the FY22/23 annual wage decision, with the National Minimum Wage and several award minimum wages increasing from the first full pay period commencing on or after 1 July 2022. Although most minimum wages under awards increased from 1 July 2022, a small group of awards have received deferred implementation dates, with the minimum wage increases coming into force from the first full pay period on or after 1 October 2022.

The affected awards are within the aviation, hospitality, and tourism industries, including:

a. Air Pilots Award 2020
b. Aircraft Cabin Crew Award 2020
c. Airline Operations – Ground Staff Award 2020
d. Airport Employees Award 2020
e. Airservices Australia Enterprise Award 2016
f. Alpine Resorts Award 2020
g. Hospitality Industry (General) Award 2020
h. Marine Tourism and Charter Vessels Award 2020
i. Registered and Licensed Clubs Award 2020
j. Restaurant Industry Award 2020

From the first full pay period on or after 1 October 2022, the above award adult minimum wages will increase by either 4.6 per cent, if the minimum full-time adult rate before 1 October 2022 is above $869.60 per week, or by $40 per week if the minimum full-time adult rate before 1 October 2022 is below $869.60 per week.

Junior and apprentice wages will receive a proportionate increase in line with the adult minimum wage increases.

SCHADS Award Changes

Category:
Modern award amendment

Modern Award:
Social, Community, Home Care and Disability Services Industry Award 2020

Summary: The end of the 1 July – 1 October 2022 transitional period for minimum engagement under the *Social, Community, Home Care and Disability Services Industry Award 2020* (SCHADS Award) is fast approaching. In addition, employers should ensure they are complying with the newly introduced 1 July 2022 changes to the SCHADS Award.

Details: From the first full pay period on or after 1 July 2022, several changes came into effect under the SCHADS Award. These changes increased the costs associated with running a business in the sector and imposed inflexible rostering obligations on employers.

These changes include the following:

a. minimum engagement periods and payments for casual and part-time employees;
b. broken shifts and broken shift allowances;
c. client cancellations;
d. damaged clothing and laundry allowances;
e. on-call allowances;
f. 24-hour care;
g. review of guaranteed hours for part-time employees;
h. quantum of leave for shift workers;
i. sleepovers;
j. rosters;
k. remote work minimum payments and rates of pay; and
l. overtime.

Minimum engagement periods:

The SCHADS Award determination introduced new provisions that employers must become familiar with and introduce into their businesses. Now, casual home care employees will need to be engaged for or paid for a minimum of two hours, and part-time employees will need to be paid for the following minimum hours for each shift or work period in a broken shift:

a. social and community services employees, except when doing disability services work – three hours;
b. social and community services employees doing disability services work – two hours; and
c. all other employees – two hours.

SCHADS Award Changes

Broken shifts:

A broken shift is a shift that is broken into two or more parts by an unpaid break (or breaks), in a 12-hour period. For example, a broken shift could involve someone working for two hours followed by a two-hour break, then working three hours. A meal break doesn't break a shift.

From the first pay period starting after 1 July 2022, there are two broken shift allowances for social and community services employees when undertaking disability services work and for home care employees. The broken shift allowance will differ depending on whether the employee has one or two unpaid breaks in their broken shift. The number of unpaid breaks will determine the amount of the allowance.

If an employee is required to work a broken shift, the minimum payment will apply for each period of work during that broken shift.

The Fair Work Ombudsman (FWO) has provided an example of how this operates in practice:

Jasmine is a part-time social and community services employee who performs disability services work. Jasmine is rostered for a broken shift to be worked in two parts in the morning and afternoon. Jasmine works with her first client, Luca, for 90 minutes in the morning. She must be paid a minimum of two hours for this part of her broken shift to satisfy the new minimum payment requirement. Jasmine has a three-hour break before she sees her second client, Anthony. Jasmine works with Anthony for two hours in the afternoon and is paid for two hours. Jasmine will be entitled to a broken shift allowance as she is working a broken shift.

Client cancellations:

When a client cancels a scheduled home care or disability service within seven days of the scheduled service, the employer may direct the employee to perform other work during those hours or cancel the rostered shift altogether. Where an employer cancels the shift, the employer must still pay the employee the amount they would have been paid if the shift wasn't cancelled or the employer must provide the employee with make-up time (the same number of hours of work at another time).

Damaged clothing and laundry allowances:

The SCHADS Award now includes provisions for damaged clothing and laundry allowances. This change requires employers to assume the responsibility of covering reasonable costs associated with repairing or replacing an employee's personal clothing if it has been soiled or damaged beyond use during the performance of their duties.

SCHADS Award Changes

On-call allowances:

On-call allowances apply when an employee is required to be available for recall to duty. The amount of each allowance differs depending on whether the employee is on call Monday to Friday or any other 24-hour period.

24-hour care:

With the introduction of the new 24-hour care clause under the SCHADS Award, an employer can only require an employee to work a 24-hour care shift by agreement. That is, if an employee doesn't agree to perform a 24-hour care shift, the employer is prohibited from rostering them on.

Part-time employees – review of guaranteed hours:

The SCHADS Award now includes a mechanism for part-time employees who have regularly worked hours in addition to their agreed ordinary hours to request for these agreed hours to be permanently increased. Once a request is made, employers are required to respond in writing within 21 days and can only refuse the request on reasonable business grounds.

Additionally, the Award now specifies that an employer must not require a part-time employee to work additional hours above their guaranteed hours unless the employee agrees. This means that additional hours for part-time employees must be entirely voluntary.

Quantum of leave for shift workers:

The definition of shift worker under the SCHADS Award has been amended to provide that a shift worker is:

a. an employee who works for more than 4 ordinary hours on 10 or more weekends during the yearly period in respect of which their annual leave accrues; or

b. an employee who works at least eight 24-hour care shifts during the yearly period in respect of which their annual leave accrues;

and if an employee meets the definition of shift worker above, they are entitled to an additional week's annual leave.

Sleepovers:

The new sleepover clause now specifies what facilities must be available to an employee performing a sleepover shift, including clean linen and access to food preparation facilities.

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SCHADS Award Changes

Rosters:

Variations to rosters may now occur at any time if the change:

- is proposed by an employee to accommodate an agreed shift swap;
- agreed to by the employer; or
- is to ensure the organisation's services are still carried out where another employee is absent from duty because of illness or an emergency.

Remote work:

Remote work means the performance of work by an employee at the direction of, or with the authorisation of, their employer that is:

a. not part of their ordinary hours of work rostered (or, in the case of casual employees, not a designated shift); and

b. not additional hours worked by a part-time employee or overtime contiguous with a rostered shift; and

c. not required to be performed at a designated workplace.

From the first full pay period starting on or after 1 July 2022, new entitlements apply and employers who direct employees to perform remote work are encouraged to review the new provisions under clause 25.10 of the SCHADS Award.

Overtime:

Overtime for part-time and casual employees has been clarified to include those hours worked outside the span of hours listed within the SCHADS Award. That is, any work performed by part-time or casual employees outside the span of hours will be remunerated at overtime rates.

Other changes:

Amongst these changes, the FWC also provided some transitional arrangements for part-time employees who were hired before 1 February 2022. It's important to note that the transitional period only applies to the change to minimum engagement periods and payments for part-time and casual employees. The transitional period lasts until 1 October 2022, during which time employers and employees can negotiate changes to shifts.

If a part-time employee is currently engaged in a regular pattern of work, including shifts of less than two hours, the employer must discuss the changes with the affected employee. During the consultation period, employers must genuinely try to reach an agreement on a variation of working hours that will make them consistent with the new hours prescribed by the FWC and reasonably accommodate the employee's circumstances.

If both parties have genuinely tried to reach an agreement, but no agreement is reached, including because the employee has refused to confer, the employer may vary the agreement to provide for periods of work that are consistent with the required hours.

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Fast Food Industry Award 2020

Category:
Case law
(modern award compliance)

Modern Awards:
Fast Food Industry Award 2020

Summary: A class action lawsuit in the Federal Court of Australia has commenced against fast food giant McDonald's for allegedly failing to comply with the paid rest break provisions under the *Fast Food Industry Award 2020* (the Award). The claim, which involves over 250,000 current and former employees and over 300 franchisees, could cost McDonald's $250 million in compensation and penalties.

Details: Current and former employees of McDonald's have claimed that during their employment, they were consistently denied their right under the Award to take a 10-minute paid rest break during shifts of four hours or more.

Under clause 14.1 of the Award, workers are entitled to:

a. for shifts more than four hours but less than five hours – one 10-minute paid rest break;

b. for shifts more than four hours but less than nine hours – one 10-minute paid rest break and one unpaid meal break; and

c. for shifts nine hours or more – either one 10-minute paid rest break and two unpaid meal breaks or two 10-minute paid rest breaks (one to be taken in the first half of the shift and the other in the second half) and one unpaid meal break.

The claim isn't the first time the fast-food chain has been subject to similar court action, with a franchisee being investigated in 2020 and found to have failed to comply with the legally required paid rest breaks provided for under their enterprise agreement at the time.

The Workers' Union SDA claims that workers were told they weren't entitled to take a paid rest break and were instead offered an opportunity to visit the bathroom or have a free soft drink. The allegations are strikingly similar to the 2020 action, where it was confirmed that workers were denied their 10-minute paid rest break but were able to visit the bathroom or have a free soft drink at any time during their shift as a substitute. Unsurprisingly, in 2020, the Court determined that this was not compliant with the breaks provision under the enterprise agreement, and the 10-minute paid rest break could not be substituted for a bathroom visit or free drink.

The SDA also alleges that McDonald's Australia aided and abetted franchisees in denying rest breaks, arguing that the non-compliance was a systematic and intentional exploitation. McDonald's Australia has released a statement outlining that it would defend the claim and that the fast-food chain believes all franchisees have complied with break provisions under the Award.

Despite their denial of the claims, the SDA's secretary Gerard Dwyer has stated "*we won't stop calling out these exploitative behaviours until McDonald's cleans up its act and compensates workers.*" The claim is added to 15 pre-existing claims against McDonald's Australia and 14 franchisees already within the Federal Court of Australia.

$65,000 Penalty for an Individual Convicted of WHS Offences

Category:
Case law (WHS)

Related legislation:
Work Health and Safety Act 2011 (NSW)

Summary: An accredited assessor has been found to have falsified documents and was convicted by a Local Court and fined $15,000 for a breach of section 45 and $50,000 for ten breaches of section 268(1) of the *Work Health and Safety Act 2011* (NSW) **(WHS Act).**

Details: SafeWork NSW has reported that an accredited high-risk work licence assessor has recently been fined $65,000 following an investigation into his conduct. The defendant was found to have falsified documents relating to ten high-risk work licence assessments. The case is a reminder that businesses cannot, either intentionally or unintentionally, fail to comply with workplace health and safety (WHS) obligations under relevant legislation.

As an accredited high-risk work assessor, the defendant, Mr Eiszele, was responsible for assessing the competency of people applying for high-risk work licences to operate cranes with enormous weight capacity. After an extensive investigation undertaken by SafeWork NSW, Mr Eiszele was found guilty of failing to comply with the conditions of an authorisation issued by SafeWork NSW and guilty of providing false and misleading information on 10 different counts. Mr Eiszele had colluded with crane licence applicants for exorbitant self-profit in exchange for declaring them as having been properly assessed as competent when this had not actually occurred.

A fine of $65,000 was imposed, following the conviction of 11 offences under the WHS Act. The 10 falsely assessed licences and Mr Eiszele's accreditation were also cancelled.

This case highlights that complying with WHS obligations is crucial. Compliance is vital not only for ensuring workers are safe but also for making sure businesses are protected against potentially serious financial, legal and even criminal consequences.

Employers must be particularly aware of their obligations under WHS legislation and how to comply with them, which can differ by state and industry, to avoid the severe consequences of non-compliance.

Employee Receives $435,000 for Psychological Injury

Category:
Case law
(workplace health and safety)

Summary: In *Kozarov v State of Victoria* [2022], the High Court of Australia confirmed that employers have a duty of care to their workforce to appropriately identify, manage and eliminate health and safety hazards and risks. Employers have an obligation to create and foster a healthy working environment.

Details: Busy or stressful periods in the workplace are inevitable, but the impact of constant stress and employee well-being being jeopardised in the workplace has been considered in a recent court decision involving Kozarov, a solicitor, and the Victorian Office of Public Prosecutions (OPP). The case revealed that a significant portion of managing an emotionally and psychologically safe workplace is the responsibility of the employer, regardless of industry.

We often think that workplace health and safety (WHS) obligations translate to maintaining physically safe spaces, and while this is certainly true, WHS obligations extend to caring for employees' emotional welfare in conjunction with work expectations, culture and environment.

Kozarov was employed within the OPP's sexual offences unit for several years and claimed that, amongst other things, she suffered post-traumatic stress disorder and major depressive episodes as a result of the nature of her work.

The case considered the ability of Kozarov's employer to acknowledge significant WHS concerns within the workplace, specifically surrounding mental health, and the OPP's capacity to comply and adhere to policies and procedures designed to promote a safe system of work. Employers must take a proactive and empathic approach towards employees, particularly where employees may be in roles that are subject to high levels of stress, such as fast-paced environments, demanding customers or exposure to offensive material.

Mentally challenging workloads are harmful not only to the employees but also to the business. With employee burnout, anxiety or other diagnosable mental health issues comes disengagement within the workplace, limited job satisfaction and, ultimately, lack of productivity. In Kozarov's case, the Court determined that a reasonable employer would have recognised that Kozarov was at risk of suffering a psychological injury as a result of her work. Although the decision was overturned by the Court of Appeal, it was agreed that the OPP should have recognised the risk to Kozarov's mental health.

The OPP denied liability and claimed that management regularly reviewed workloads to provide an even distribution of work and took all reasonable steps to ensure the health and safety of workers.

Employee Receives $435,000 for Psychological Injury

The plaintiff applied for special leave to appeal the Court of Appeal's decision, and ultimately her application was granted. In *Kozarov v State of Victoria* [2022], the High Court of Australia confirmed that employers have a duty of care that requires management of all health and safety hazards and risks. Kozarov was awarded $435,000 for her psychological injury, demonstrating that getting WHS wrong can lead to not only a poor reputation and lack of business performance but also costly claims, penalties and premiums.

The Kozarov case is a reminder that creating and fostering a safe and supportive workplace is an employer's obligation under various WHS laws. Taking an organisational-level approach to fostering employee well-being is one of the most effective ways to improve the overall performance of your business. This may include:

- encouraging employees to take regular breaks throughout the day to mentally disengage and rest from challenging tasks or customers, which will work to improve overall focus and performance outcomes;
- ensuring that employees can set clear boundaries around their time outside of work by encouraging work/life balance (taking the mental workload home and feeling as though there is a need to work at all hours, including engaging with emails or phone calls, blurs the line between personal time and work time—rest time is essential for recuperation); and
- giving employees the opportunity to discuss their work-related stresses or workloads either through informal debriefs or through structured counselling.

Ensuring a physically and psychologically safe workplace is available to employees is not only beneficial to a business, its profitability and its employees, it is also a legal requirement.

$300,000 Mistake for a Queensland Childcare Operator

Category:
Case law
(minimum entitlements)

Summary: A recent decision handed down by the Federal Circuit and Family Court has resulted in a $45,000 penalty being awarded against a former Gold Coast childcare centre, with an additional back-payment order of more than $250,000.

Details: Fair Work Compliance Notices are issued when an employer is found to have breached Australian workplace laws and is ordered to rectify the breach. Where employers fail to comply with a Compliance Notice, the Fair Work Ombudsman (FWO) can commence legal proceedings against the employer. In this case, a former Gold Coast childcare operator failed to comply with a Compliance Notice requiring the business to back-pay over 35 employees' redundancy entitlements.

The business made numerous staff redundant following the closure of the centre but failed to pay the employees their minimum redundancy entitlements. As a result, the FWO investigated and imposed action upon the childcare centre following multiple communications to the regulator from the affected employees.

Compliance Notices to calculate the underpayments and rectify by back-payment to the workers were sent to the company in February and March 2021 but were ultimately ignored. Fair Work Ombudsman's Sandra Parker warned that "when Compliance Notices are not followed, [the FWO] are prepared to take legal action to ensure workers receive their lawful entitlements".

The Court found that a $45,000 penalty imposed upon the provider was an appropriate amount due to the company failing to comply with Compliance Notices issued by the FWO, on top of the back-payments for unpaid entitlements. The company was also forced to rectify payments to an employee who was owed but didn't receive payment in lieu of notice of termination.

This decision serves as a timely reminder of the hefty costs of non-compliance. If served with a Compliance Notice, all business operators should immediately act to comply with such Notices, or they risk the matter being taken further, including by way of prosecution through the courts. This matter demonstrates that the Court can and will impose penalties on top of back-payments for a failure to do so.

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