



Human Capital Management
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Navigating Compliance and Audit Readiness After Gender Pay Reforms

Whitepaper

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The clock is ticking for Australian businesses as the Fair Work Commission's gender undervaluation reforms reshape the payroll landscape. The Commission's landmark 14.1% increase in pharmacy wages is just the opening move in sector-wide changes. As these reforms unfold, payroll professionals must ask themselves: are your systems ready to withstand tomorrow's compliance audits?

Rewriting Pay Structures to Reflect Fair Value

At the heart of these reforms lies a fundamental shift in how Australia values work particularly in female-dominated sectors. The Fair Work Commission (FWC) has formally acknowledged that several occupations, including those in pharmacy, early childhood education, and aged care, have been historically underpaid due to gender-based assumptions about the value of their work.

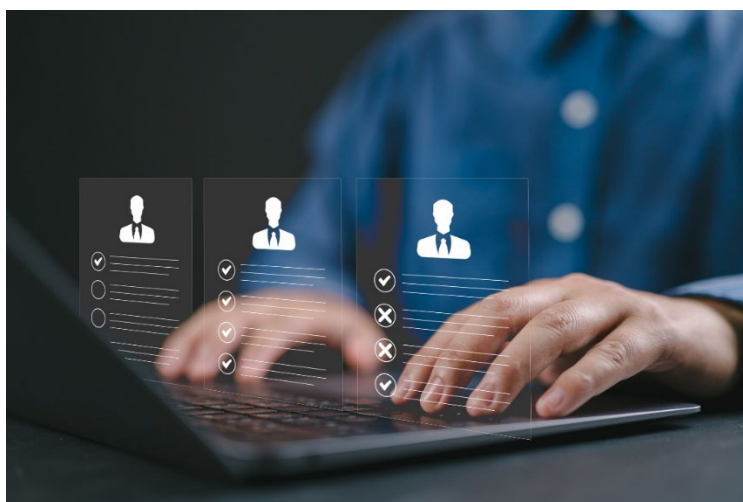
In June 2024, the Commission announced a watershed 14.1% increase in minimum wages under the Pharmacy Industry Award 2020, to be phased in over three years from 30 June 2025. This decision follows a broader review of priority awards and stems from legislative amendments made to the *Fair Work Act 2009* in late 2022. These changes now require the Commission to give explicit consideration to gender equity when determining award rates (FWC, 2023; Edward Shires HR, 2024).

For payroll professionals, navigating these reforms is like piloting through changing waters with newly updated navigation charts. Systems calibrated for yesterday's compliance standards may run aground on today's regulatory reefs, particularly when classification structures fail to recognise the formal revaluation of previously undervalued skills.

A Rising Tide of Regulatory Scrutiny

The regulatory climate surrounding wage compliance has hardened considerably. The Fair Work Ombudsman (FWO) has ramped up its investigative activities and publicised its enforcement powers more broadly. In 2023/24, the FWO recovered a record \$473 million in unpaid wages and entitlements, impacting nearly 160,000 workers (ANAO, 2024). This reflects an increasingly data-driven and proactive enforcement model that targets both small employers and large corporations.

"The gender undervaluation reforms aren't just changing wage structures they're changing how we define value in Australian workplaces," notes HR Legal in their 2024 analysis of the Pharmacy Industry Award changes. "Organisations that treat this as a mere administrative task rather than a fundamental restructuring of value assessment are setting themselves up for compliance failures."



Consider this scenario: A mid-sized pharmacy implements the first phase of wage increases but fails to update its classification system to reflect the new skill valuations. Despite paying higher wages, they're still technically non-compliant because the underlying classification structure doesn't

acknowledge the formal recognition of previously undervalued skills. When the FWO's audit arrives, what looked like compliance on the surface quickly unravels into a documentation nightmare.

Critically, the FWO's focus is not just on blatant or deliberate breaches. It includes failures in timely wage increases, outdated classifications, and even poorly maintained records common pitfalls during periods of regulatory change. In some states, wage theft legislation now imposes potential criminal liability on employers who dishonestly withhold wages (AustLII, 2017), making the stakes even higher.

Compliance breaches in sectors like retail, hospitality, and health services have led to fines exceeding hundreds of thousands of dollars, the requirement to undertake external audits, and the signing of enforceable compliance deeds. For example, one case involving a major national pharmacy chain resulted in a Proactive Compliance Deed requiring system-wide payroll audits, back-payments and ongoing cooperation with the FWO (ANAO, 2024).

Building Your Documentation Shield: Proactive Protection in an Age of Scrutiny

Documentation now serves as your first line of defence in this new compliance environment. Beyond the seven-year record-keeping mandated by the Fair Work Act, payroll teams must maintain a comprehensive audit trail: current wage classifications that align with the latest award decisions, evidence of timely implementation of phased increases, pay slips that reflect real-time adjustments, written records of employee communications, and verification of staff training on award compliance (FWC, 2024a; HR Legal, 2024). Each document becomes a critical piece of evidence in your compliance story.

Digital payroll platforms, such as ichris from Frontier Software, can be a powerful ally in this regard, offering automation, version control, and time-stamped change logs that serve as proof of compliance in any audit scenario. These digital breadcrumbs create an unbroken chain of evidence that can stand up to the most rigorous regulatory examination.

Understanding Audit Triggers

Audits don't materialise from thin air. While the FWO does conduct some unannounced inspections, most investigations arise from specific triggers that payroll professionals can anticipate:

Four common audit triggers stand out. First, employee complaints emerge when pay changes aren't communicated clearly or when phased increases face unexplained delays. Second, data anomalies flagged through Single Touch Payroll reporting or Fair Work's analytical tools often prompt closer investigation. Third, targeted sector campaigns now spotlight the pharmacy and care sectors following the FWC's priority award reviews. Finally, previous non-compliance creates a shadow that's difficult to escape employers with a history of underpayment or inadequate record-keeping face heightened scrutiny.

Being prepared means conducting internal reviews with the same forensic rigour an external audit would demand.

Internal Audits: A Strategic Imperative

The days when organisations could conduct a single annual compliance review are long gone. For businesses navigating these phased wage increases, best practice now includes quarterly internal audits aligned to each phase of award changes, regular verification using Fair Work's Pay and Conditions Tool (PACT) and the latest Pay Guides (Fair Work Ombudsman, 2024), and third-party verification from legal or compliance consultants, particularly when changes affect a large or decentralised workforce. The peak industry body, The Australian Payroll Association, offers audit services to Australian organisations.

Most importantly, organisations must document audit outcomes, including identified issues, remediation steps, and staff retraining initiatives. These findings should feed into a continuous improvement loop not just to tick boxes, but to pre-empt future compliance risks before they materialise as costly penalties.

People Management: Communicating the Change

While payroll handles the numbers, HR has a vital role in ensuring that staff understand the reforms. Transparent communication can help prevent unnecessary complaints, reduce confusion, and foster a culture of compliance.

Effective people management during this transition requires more than just system updates. It demands clear messaging to employees about what the wage changes are, when phased increases will occur, how they appear on payslips, and who to contact with questions or concerns. Frontline managers and HR teams should also receive training to handle queries confidently, backed by information and accessible policies.

Real-World Lessons from Recent Cases

Compliance isn't just about avoiding penalties it's about preserving trust in an increasingly transparent business environment. The aforementioned pharmacy group offers a notable example of early detection and transparent remediation. Following a large-scale audit by the FWO, the company identified significant underpayments, proactively entered a compliance deed, and overhauled its payroll processes (ANAO, 2024). This early action likely helped the company avoid even greater penalties.

Elsewhere, smaller pharmacy franchisees also acted swiftly when wage errors were found, meeting FWO standards through immediate rectification and process improvements (Edward Shires HR, 2024).

These cases demonstrate that when compliance is treated as a strategic responsibility rather than a back-office function, the reputational and financial risks can be effectively managed even in the most challenging regulatory environments.



Next Steps for Payroll Leaders

As the 30 June 2025 implementation date approaches, forward-thinking payroll leaders in pharmacy, early childhood education, aged care, and other affected sectors should:

- Schedule quarterly system reviews aligned with each phase of the wage increases
- Engage legal expertise to verify classification structures against the new award interpretations

- Create a communication timeline for transparent employee updates
- Document all compliance steps with time-stamped verification
- Conduct simulated audit exercises to test system readiness

The Road Ahead: Turning Compliance into Leadership

The gender undervaluation reforms aren't merely redrawing compliance boundaries they're recalibrating how Australian workplaces value contribution. Payroll professionals who step into this moment with strategic foresight won't just avoid the sting of penalties and audits; they'll help their organisations demonstrate a commitment to equity that resonates with employees, customers, and the broader market. In this watershed moment for Australian workplace fairness, payroll expertise is emerging as a critical business asset that extends far beyond processing numbers it's about processing value itself.

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