

Employee Underpayment

Risk, Compliance, Investigations and Communication

Employee underpayments present significant risks for Australian organisations. Complex and changing rules to modern awards and enterprise agreements can result in misclassification of employee entitlements. If underpayments occur, your organisation could face the risk of employee legal action, a Fair Work Ombudsman investigation, government intervention, civil and criminal penalties, negative media attention or action by union and other stakeholders.

THE FTI CONSULTING DIFFERENCE



Collaborative, tailored approach

Working with your legal, HR, and operational teams, we are hands-on, collaborative and bring together the most relevant experts to surround the issues.



Multidisciplinary expertise

Including forensic accountants, data analysts, investigators, digital forensic experts and communication specialists.



Building efficiencies into the process

We use programmed models to recalculate every pay period for every employee (when needed), resulting in robust calculations for each employee that can flow directly into reporting and remediation, if required.

FTI Consulting helps organisations assess the corporate risks of employee underpayments, investigate and quantify instances of underpayments, communicate outcomes, and improve processes to ensure the issue does not recur.

KEY SERVICES

Assessing underpayment risks

- Experience across range of industries
- Liaising directly with legal (in house or external) to understand complexities
- Health check payroll process to understand all available data

Implementing compliance frameworks

- Formulating award interpretation flow charts
- Centralising and linking essential data sources
- Ensuring systems calculate entitlements in accordance with award obligations
- Training staff in the risks and consequences of underpayments
- Communicating corporate policies and procedures to stakeholders
- Periodically reviewing payroll compliance

Investigating allegations of underpayments

- Mapping disparate sources of employment and payroll data
- Using data analytics techniques to recalculate all employee entitlements rather than conducting a manual review
- Reporting findings and insights to relevant stakeholders, including Fair Work Ombudsman

Communicating effectively

- Implementing strategies to manage internal and external communications
- Coordinating remediation of any identified underpayment
- Crisis and media management planning and implementation
- Stakeholder mapping and key message development

Interpreting employee entitlements across systems and regulations is complex. Errors can arise due to:



Various hourly rates and other entitlement structures



Varied interpretation of applicable award and enterprise agreement clauses across jurisdictions, labour groups and organisations



Failure to undertake required reconciliations to ensure annual wages and salaries are not less than minimum entitlements under relevant awards



Varied classification and pay rates depending on duties performed



Ill-equipped payroll and rostering systems



Disparate data sets housed across businesses

CASE STUDY

Streamlined aged-care provider's employee entitlement system

Situation

Our client had discovered potential underpayments to its employees. The relevant employee payments were subject to rules and interpretation of various enterprise bargaining agreements and industry awards.

Our role

We assessed the potential underpayments by:

- consolidating and cleansing timesheet, payslip, and employee data
- mapping relevant rules in these complex enterprise bargaining agreements and awards consistent with legal interpretations
- recalculating each payslip based on legally verified rules and compared to actual payslips to determine the value of over/underpayments per employee per payslip cycle
- providing a data visualisation tool for our client to see the granular details and identify issues with its current system
- periodically reviewing payroll output for further anomalies.

Our impact

Our assessments assisted the client with its self-reporting to the Fair Work Ombudsman and implementing system updates to ensure employees were being paid correctly going forward.



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