

NOWACTUALLY

GUIDE

Mandatory Pay Increases, Compliance & Remuneration Reviews



A Practical Employer Guide on Mandatory Pay Increases, Compliance & Remuneration Reviews

This guide is designed to serve as a practical, easy-to-understand reference on:

- Annual minimum pay rate increases
- Fair Work compliance obligations
- Managing underpayment risks
- Communicating pay changes effectively, and
- Building a sustainable remuneration review strategy

Minimum Pay Rate Increases

What happens on 1 July each year?

Every year, the Fair Work Commission (FWC) conducts an Annual Wage Review which generally takes effect from the first pay period on or after 1 July.

This can include increases to:

- Modern Award minimum pay rates
- Minimum wage rates
- Allowances
- Penalty rates and loadings in some circumstances

At the same time, businesses also commonly manage:

- Superannuation guarantee increases
- Payroll system updates
- Budget planning for increased labour costs

For employers, this means July is one of the most important compliance periods of the year when it comes to making sure no underpayments are present.

Who is this applicable to?

Businesses who employ individuals that are covered by:

- a Modern Award
- the National Minimum Wage
- Enterprise Agreements linked to Award minimums

Businesses paying "Above Award" pay rates or salaries can still be affected if:

- Salaries no longer sufficiently offset Award entitlements
- Award classifications increase
- Annualised salary arrangements become non-compliant



Paying a salary or above award rates doesn't automatically remove Award obligations OR mean that no underpayments are present.

What should employers to avoid underpayments?

Once the FWC has released the new rates, employers to check off the following tasks:

- ✓ Review assigned Modern Awards and classifications to ensure your current interpretations are still current
- ✓ Confirm updated minimum pay rates
- ✓ Check salary absorption arrangements still pass the BOOT test
- ✓ Update payroll systems and timesheet settings
- ✓ Review allowances and penalty calculations
- ✓ Communicate changes to employees
- ✓ Document review processes and decisions



Don't rely on your payroll software to implement changes. Manual calculation will still need to be conducted.

How can businesses reduce underpayment risks?

The biggest risks we see are:

- Incorrect Award interpretation
- Wrong classifications
- Salary assumptions without reconciliation
- Payroll automation errors
- Payroll automation errors
- Managers approving inconsistent hours or allowances
- Failure to review rates annually

Best practice approaches include:

- Conducting regular payroll audits to make sure what they are paying is correct and no underpayments are present especially for those employees on above award rates and salaries. [Check our Fact Sheet here.](#)
- Review Awards annually to ensure the correct Award and classification is assigned to each employee
- Implement clear time and attendance processes
- Ensure the payroll processor is up to date with compliance and record keeping obligations
- Have up to date employment contracts with clauses that present Using employment contracts aligned to Award obligations
- Undertaking annual salary reconciliations where applicable

Compliance is not a set and forget process.

How should employers communicate pay changes?

Remember to communicate with clarity, simplicity, and transparency. Best practice tips are to:

- Notify employees before changes take effect
- Explain whether increases are mandatory compliance updates or performance/ remuneration-based
- Confirm effective date
- Provide updated pay information clearly via a written letter informing employee

Don't:

- Overcomplicate payroll language
- Roll out delayed communication
- Make pay increases appear discretionary if they are legally required

● What happens if an underpayment is identified?

There are many cases where underpayments occur not because they were intentional or deliberate, but from honest mistakes or miscalculations.

If an underpayment is identified, the key to a smooth resolution is transparent, upfront, honest communication on the background, current status and plan for rectification.

If an underpayment is present, ensure you consider all possibility that may involve:

- Backpay obligations
- Superannuation shortfalls
- Interest calculations
- Payroll tax implications
- Potential Fair Work penalties

The earlier businesses address issues, the more manageable outcomes generally become.

Once the underpayment is resolved, be sure to review what went wrong and put steps in place to ensure it doesn't happen in the future.

● Remuneration strategy and salary reviews

Should businesses only increase pay when legally required?

No.

Mandatory increases are compliance-driven. A businesses remuneration strategy should be broader than compliance alone.

Strong remuneration practices support:

- Retention
- Performnace
- Culture
- Attraction of talent
- Internal equity, and
- Commercial sustainability

When should salary reviews take place?

There is no universal "best" time for these. However, businesses should align reviews with what suits their operations best. This may include:

- Budget cycles
- Performance review periods
- Strategic planning
- Workforce planning;
- Industry conditions

Many businesses conduct annual reviews at the end of the financial year, per calendar year, or based on anniversary cycles.

Consistency is more important than the exact timing.

● How should businesses structure salary reviews?

A structured approach creates fairness and consistency.

When we say structure, it doesn't have to follow a 'structure' as such but should be consistent.

Now Actually's recommended framework for salary reviews

Step 1: Define review principles

Clarify:

- What drives increase?
- What does the business reward?
- How are decisions made?

Step 2: Assess multiple factors

Consider:

- Individual performance
- Business performance
- Market positioning
- Internal equity
- Skills scarcity
- Budget capacity

Step 3: Apply governance

Ensure:

- Leaders apply consistent criteria
- Decisions are documented
- Bias is reduced
- Salary decisions align with strategy

● Should employees expect a pay rise after every performance review?

Not necessarily.

This is one of the most common misconceptions in workplaces. Performance reviews and remuneration reviews can be connected in some businesses, whereas others have the processes completely separated. There is no right or wrong.

An employee may:

- Perform strongly, but the business may not have budget capacity
- Receive development feedback without a salary increase
- Be appropriately paid relative to market already

Likewise, a pay increase should not replace genuine performance conversations.

Now Actually's recommended best practice is to clearly separate:

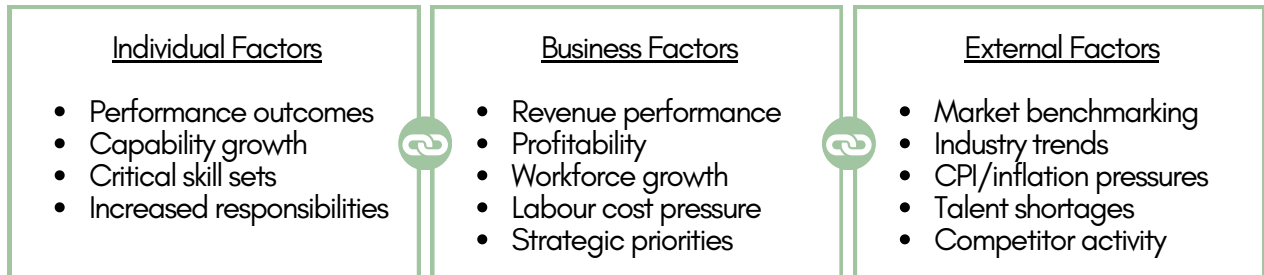
- Performance discussions
- Career development
- Remuneration outcomes

This helps manage expectations and maintain transparency.

What businesses should consider when planning salary increases

Effective remuneration planning should balance commercial realities, market competitiveness, employee expectations, and of course business sustainability.

Key facts to consider:



Avoid making reactive pay decisions in isolation.

Instead, remember to:

- Build remuneration planning into annual budgeting
- Create clear approval frameworks
- Use benchmarking carefully
- Maintain internal fairness across teams

Need support?

Get access to HR expertise and professional guidance from our team of HR Partners.

Now Actually supports businesses with:

- Award interpretation
- Payroll compliance reviews
- Underpayment risk assessments
- Remuneration frameworks
- Salary benchmarking
- Employment contracts
- Performance and remuneration review processes

If you'd like support reviewing your current approach, get in touch with the Now Actually team. Ensure your practices are compliant and people-first with our tailored solutions.

Contact Us