

# Getting Pay Right Still Going Wrong

The state of payroll in Australia

# Introduction

Employees care about their pay. While this might seem obvious, many employers are not getting employee pay right, and this has the potential to create significant negative impacts for companies, including to the bottom line. Incorrect pay can reduce workforce productivity and employee motivation, as well as leading to financial penalties and reputational damage for the employer.

As the leading human resource and payroll software and services provider in Asia Pacific, Ascender has undertaken a large research survey to examine the state of payroll in Australia.

According to our research, more than one in five Australians were underpaid in 2018. On average, employees who were underpaid received 18% less pay than they were owed, and were incorrectly paid three times in the same year, costing employees approximately \$1.8 billion in lost wages.

Most companies do not underpay their employees on purpose. Errors are generally caused by incorrect information in manual systems. The good news is that automation and smart payroll software can eliminate these errors to ensure employees are paid on time and accurately.

The benefits of getting it right include happy and engaged employees and a reduction in the risk to businesses of financial penalties and reputational damage.

## About the survey

The inaugural Ascender Employee Pay Survey is a study of employee pay in Australia. Conducted in 2018, the study comprises more than 1,000 responses from employed Australians.

The findings are based on a nationally representative sample of employed Australians aged over 18 years, who responded to an online poll conducted in December 2018.



# Key survey findings

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## Pay accuracy

28% 

of employed Australians  
paid incorrectly

22% 

of employees being paid  
late three times per year  
on average

### WHAT THIS MEANS FOR EMPLOYERS:

Risk of reduced employee engagement and business productivity.

## Underpayment

22% \$

of employed Australians  
being underpaid

18% 

Average underpayments  
are 18% of their wage  
entitlement

### WHAT THIS MEANS FOR EMPLOYERS:

Risk of fines and penalties and significant reputational damage.

## Employee perks and wages

24% 

of employed Australians receiving additional benefits from their employer

55% 

of employees expect a wage increase in the next 12 months

### WHAT THIS MEANS FOR EMPLOYERS:

Better and creative use of perks needed to offset employee expectations.

## Pay cycles and payslips

14% 

of employed Australians do not receive payslips

80% 

of employees are on short pay cycles (weekly or fortnightly)

+ Single Touch Payroll now required by law

### WHAT THIS MEANS FOR EMPLOYERS:

Payslips are a legal requirement and regulatory demands require automation.

The Ascender Employee Pay Survey of 2018 highlights large problems for businesses that employ staff in Australia. Systemic issues around inaccurate and late employee payments, as well as general issues around compliance with regulations, require immediate rectification.

Outdated processes that rely on manual, time-consuming human intervention should be replaced with integrated and automated human resource and payroll systems. Accurate, on-time pay combined with additional benefits and perks means happy and engaged employees, and a reduction in the risk of penalties and reputational damage for employers.

# Pay accuracy

Employees have a basic right to be paid accurately and on time. Our survey suggests that inaccurate pay and late payment are issues plaguing Australian businesses.

More than one in four Australian employees (28%) are not paid correctly. While this can mean underpayment or overpayment, in nearly 80% of cases they are being underpaid.

Worryingly, inaccurate pay is not a one-off occurrence. Employees in Australia are incorrectly paid at least three times per year on average.

Separately, late payment of employees is also of great concern. Our survey data shows more than one in five Australian employees (22%) being paid late on average three times per year.

Australian businesses need to consider the impact of inaccurate and late wage payments to their employees. While employers compete hard to attract and retain the best talent, mistakes in wage payments can cause employee dissatisfaction and churn.

Further, efforts to create engaged employees will be undermined and issues such as resentment and negative workplace behaviour can result.

Employees who are underpaid or paid late can also be subject to financial distress which exacerbates the effect of poor engagement in the workplace.

According to the survey, and of great concern, is the skew towards young workers being paid inaccurately (mostly underpaid) and late on multiple occasions per year.

These young workers, new to the workforce, are more vulnerable than their more experienced colleagues. Businesses risk creating ingrained negativity in younger workers that will stay with them for years to come, wherever they are employed.



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## From the survey

- Younger employees are more at risk of being paid incorrectly
- Most at risk are employees aged 18-24 years
- Nearly half of 18-24 year old employees (43%) have been paid incorrectly at least once
- Underpayment is the most common form of incorrect pay (79%)
- Younger employees are more likely to be inaccurately paid multiple times per year
- 18-24 year old employees are inaccurately paid four times per year on average



# Underpayment

Australian business leaders and senior managers are acutely aware of the issue of underpayment of Australian wages. Every week there is a new case of severe and systemic underpayment of wages splashed across the pages of newspapers and detailed in online articles and television programs.

The risk for businesses of wage underpayment is large, with financial penalties as well as reputational damage for companies and their management and board members.

Underpayment is rife in Australia, impacting more than one in five or 22% of employees. And on average, employees are underpaid around three times per year.

Age is a factor, with the youngest cohort of employees (those aged 18-24 years) more likely to be unpaid. The likelihood of underpayment decreases as employees ages increase.

This suggests that the power imbalance of employers and their younger employees may be a factor, with older employees more likely to be vigilant and confident in calling out wage errors. But now that voices are easily amplified by social media platforms, there is a real danger that employee underpayment today is tomorrow's front-page news.

The average amount of underpayments is 18% of wage value. This is a significant figure, and in an era of increased cost of living pressures and people living pay to pay, the potential for financial stress is extremely high. Especially for younger workers with lower savings to cope with underpayment.

Interestingly, workers aged 35-44 years suffer the most when underpaid in terms of total monies involved. Nearly half of all underpayments in dollar terms are borne by employees in this age bracket. This is a factor of this group earning higher wages, but it should not be forgotten they have added stress of mortgage payments and higher cost of living so the impact is large for them.

Addressing underpayment of employee wages is crucial for Australian businesses to reduce the risks of financial penalties and reputational damage, and to ensure engaged and productive employees.

The Ascender logo is positioned in the top right corner of the slide. It features a stylized 'A' icon composed of three vertical bars of increasing height, followed by the word 'Ascender' in a clean, sans-serif typeface. The entire logo is rendered in white against a background of a low-angle photograph of a modern skyscraper with a glass facade, which is tinted in shades of orange and brown.

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## From the survey

- Younger employees are more at risk of being underpaid
- Most at risk are employees aged 18-24 years
- Older workers aged 65+ years are underpaid the most as a percentage of their wage (nearly 30% on average)
- Australian employees are underpaid on average three times per year
- The dollar cost of underpayment most significantly impacts workers aged 35-44 years
- Yearly underpayments in dollar terms most affect employees aged 35-44 years and 65+ years (both groups losing nearly \$1,000 per person per year)

# Employee perks and wages

Providing perks or benefits to employees is a cost-effective way to complement wages. Employee perks take many forms and can include company cars, unlimited annual leave, gym memberships and meals (even with in-house company chefs).

Whether fully-paid or subsidised, employee perks can be useful in attracting and retaining talent and increasing employee engagement. This can be particularly effective in an environment of stagnating wage growth and constant pressure on businesses to reduce costs.

Yet according to our survey, only one in four employees (25%) receive benefits from employers in addition to their wages. Interestingly, over 35% of employees in the 25-34 receive additional benefits, suggesting that employers are failing to understand or act on the needs of workers in other age brackets.

Our survey shows the apparent tension that exists between employers and employees in relation to expectations of wage increases. Over half (55%) of employees surveyed expect a pay increase in the next 12 months.

Managing that tension will be difficult for employers, unless they come up with creative and engaging ways to provide additional benefits to valued employees beyond a simple pay rise (that they may not be in a position to offer).

The introduction of meaningful perks and benefits is a very cost-effective way for employers to meet the needs of employees to offset increasing demands for wage rises and to increase productivity and employee engagement.

## From the survey

- Expectations of wage increases in the next 12 months are high across all age brackets (55% on average)
- Younger employees (18-44 years) have the highest expectations of wage increases
- Expectations of wage increases in the next 12 months decline significantly for older workers, especially those aged 65+ years
- More than 35% of 25-34 year old employees have received perks
- Less than 20% of older workers (55+ years) have received perks

# Pay cycles and payslips

Payslips are required by law to be provided to employees. One of the most surprising and disturbing results of our survey is that 14% of Australian employees do not receive a payslip.

Beyond meeting legal requirements, the provision of payslips helps employees check the accuracy of their pay and entitlements, and establishes open communication and trust with the employer. And given other survey findings around pay inaccuracy, payslips are crucial in rectifying mistakes quickly.

While most Australian employees receive payslips, less than half receive them via an automated email. This suggests that many companies rely on manual systems to process payroll.

The pressure on manual payroll processing is exacerbated with Australia's generally short pay cycles. The survey data suggests that 80% of employees are paid weekly or fortnightly.

Not surprisingly, employees with the shortest pay cycle (weekly) are more likely to be paid incorrectly or late.

Payroll teams, especially in companies with short pay cycles, need better, automated systems to help them manage their workload, increase accuracy and avoid costly mistakes.

This is even more important with the introduction in Australia of Single Touch Payroll requiring more frequent reporting, and a regulatory environment with greater oversight and increased penalties for poor compliance practices.

Automation of payroll functions is key to meeting the expectations of employees and regulators and to provide assistance to payroll professionals facing increasing pressure in performing important tasks.

## From the survey

- 14% of Australian employees do not receive payslips
- Less than half of workers receive automated payslips via email
- More than 40% of employees receive manual or hard copy payslips
- 80% of employees are paid weekly or fortnightly, with 20% paid monthly
- Nearly 50% of employees who are paid late are on a pay cycle of weekly or fortnightly
- Nearly 60% of employees who are paid incorrectly are on a pay cycle of weekly or fortnightly



# Conclusion

The inaugural Ascender Employee Pay Survey highlights a number of important issues for employers to consider when it comes to getting pay right.

Poor payroll practices and legacy manual systems could be costing Australian employees up to \$1.8 billion in lost wages every year. And late wage payments have the potential to bring undue financial stress and hardship to employees through no fault of their own.

Underpayment of wages and entitlements is rife in Australia and employers have an obligation to act quickly to ensure they are not short-changing loyal and valued staff members.

While short pay cycles appear to exacerbate the problem of pay accuracy for employers, the solution to this is clear and readily available. Payroll software and services that automate some of the more mundane and routine tasks of payroll teams are invaluable given they minimise repetitive data entry and the risk of human errors.

The introduction of Single Touch Payroll, now required by law in Australia, will only increase the pressure on employers to provide timely and accurate information and payments to remain compliant.

Our survey also identified a large opportunity for Australian companies to consider creative alternatives while they are facing high expectations of wage rises from more than half of their employees.

The provision of employee benefits and perks is underutilised in Australia and could prove to be a cost-effective solution that meets employee needs and protects the business bottom line.

Employers that need help getting pay right should choose a partner with the technology and services to effectively and efficiently outsource payroll functions. By reducing the workload of harried payroll teams and increasing accuracy, employers can be confidently compliant.

Whitepaper by payroll and human capital management software solutions provider Ascender.

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We service these customers through 900 dedicated Ascender staff based in 10 countries, who have local payroll and HR knowledge and expertise across 7 language to provide solutions to 31 country legislations.

If you want to find out how Ascender can help you, please contact us at [hello@ascenderhcm.com](mailto:hello@ascenderhcm.com) or call us at **1300 766 400** in Australia or **+65 6761 9450** in Asia.



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