

E-GUIDE

Modern awards explained

**Hospitality, retail
& aged care**



Clear, Australian-specific guidance for SME owners and managers on understanding modern awards, classifications, penalties and compliance obligations.

Contents

03 Executive summary
Why modern awards matter for SMEs

04 Key findings
Six critical insights for employers

05 What modern awards are
How awards work in Australia

06 Award coverage explained
Who is covered and why

07 Industry focus: Hospitality
Common rules and risks

08 Industry focus: Retail
Key award considerations

09 Industry focus: Aged care
Complexity and compliance

10 Classifications explained
Why levels matter

11 Penalties, overtime & allowances
Where most errors occur

12 Practical actions
What compliant SMEs are doing

13 12-month outlook
What to expect next

14 Final thoughts
A practical way forward

15 Our sources
Research and regulatory guidance

Executive summary

Modern awards underpin the employment conditions of millions of Australian workers, particularly in hospitality, retail and aged care. They set legally enforceable minimum standards for pay rates, penalties, overtime, allowances, breaks and rostering.

For small businesses, modern awards can be difficult to interpret and apply correctly in day-to-day operations. Awards vary by industry, role and classification level, and even small changes to hours or duties can affect compliance.

Australian regulators have increased scrutiny of award compliance, with a strong focus on industries that rely on shift work, casual employment and extended operating hours. Hospitality, retail and aged care consistently feature in underpayment investigations.

This guide explains how modern awards work in practice, highlights common risks in each industry, and outlines practical steps Australian SMEs can take to reduce compliance exposure while paying staff correctly and fairly.

Key findings

Our review of modern award structures and Australian enforcement activity reveals six key insights.



Widespread coverage

Most hospitality, retail and aged care roles are award-covered



Industry differences matter

Each award has unique rules that cannot be applied interchangeably



Classification errors are common

Incorrect levels drive long-term underpayments



Penalties add complexity

Shift timing heavily affects pay outcomes



Allowances are often missed

Small omissions can create large liabilities



Regulatory focus is increasing

Award compliance remains a priority area

3

major industries

Hospitality, retail and aged care consistently feature in Fair Work Ombudsman underpayment investigations and enforcement actions.*

*Source: Fair Work Ombudsman Annual Reports

What modern awards are

Modern awards are legal instruments made by the Fair Work Commission that set minimum employment conditions for specific industries and occupations.

They cover:



Minimum hourly pay rates



Penalty rates



Overtime



Allowances



Breaks and rest periods



Rostering and notice provisions

Important

If an employee is covered by a modern award, employers must comply with its terms regardless of business size.

The bottom line

Modern awards are legally binding instruments. Non-compliance can result in back-pay claims, penalties, and reputational damage — regardless of intent.

Who is covered by modern awards

Award coverage is determined by the employee's duties, the nature of the role, and award classification definitions.

Coverage is NOT based solely on:

- Job titles
- Whether staff are casual or full-time
- Business assumptions

Key insight:

Most roles in hospitality, retail and aged care are award-covered. Award-free employees are the exception, not the rule.

Don't assume "award-free"

Many businesses incorrectly believe they are not covered by an award. Always verify coverage by checking the specific award definitions against actual employee duties.

Industry focus: Hospitality

Hospitality businesses are commonly covered by the Hospitality Industry (General) Award or the Restaurant Industry Award.

Key risk areas include:



Weekend and public holiday penalties



Split shifts



Late-night trading



Allowances (e.g. uniform, meal)

Key insight:

High staff turnover and variable hours increase the risk of misclassification and missed entitlements.

Hospitality consistently features in underpayment investigations. Extended trading hours and casual-heavy workforces create ongoing compliance challenges.

Industry focus: Retail

Retail businesses are typically covered by the General Retail Industry Award.

Common compliance challenges include:

-  Evening and weekend penalties
-  Junior pay rates
-  Part-time minimum hours
-  Overtime triggered by roster changes

Key insight:

Extended trading hours and flexible staffing models add complexity to compliance.

Retail is one of the largest award-covered sectors. Small errors across many staff members can create significant back-pay liabilities.

Industry focus: Aged care

Aged care roles are commonly covered by the Aged Care Award or the Nurses Award (for some roles).

Aged care awards are among the most complex due to:

 Multiple classifications

 Shift penalties

 Allowances

 Minimum engagement periods

Important

Compliance errors in aged care can have serious financial and reputational consequences given the regulatory scrutiny of the sector.

Recent award increases and ongoing reform make aged care one of the most dynamic — and challenging — compliance environments for Australian SMEs.

Why classifications matter

Award classifications determine minimum pay rates and entitlements.

Classification levels are based on:



Skills and experience



Responsibilities



Qualifications



Supervision duties

Common risk

Misclassifying employees — even unintentionally — can result in years of underpayment liability.

Regular review is essential

Classification must be reviewed when roles change, responsibilities increase, or businesses restructure.

Where most compliance issues occur

The most common award errors relate to penalty rates, overtime, allowances, and breaks.

1

Penalty rates

For nights, weekends and public holidays

2

Overtime

Triggered by hours worked or roster changes

3

Allowances

Linked to duties, uniforms or travel

4

Break and rest periods

Minimum requirements often breached

Small changes in shift timing can significantly change pay outcomes.

Manual calculations and inconsistent rostering often lead to errors in these areas.
Automated systems can help ensure correct rates are applied.

Practical actions SMEs are taking

Compliant Australian SMEs focus on these four key areas:

1 Confirming the correct award

Ensuring each role is covered appropriately.

2 Reviewing classifications regularly

Updating levels as duties change.

3 Aligning rosters with award rules

Reducing penalty and overtime risk.

4 Documenting pay structures

Maintaining clear, auditable records.

Start with one industry or role and build from there

You don't need to fix everything at once. Identify your highest-risk area and address it systematically.

12-month outlook: What to expect

Over the next year, Australian SMEs can expect:

Continued enforcement in hospitality, retail and aged care



These industries remain a regulatory priority.

Increased scrutiny of classifications



Regulators are looking more closely at how roles are classified.

Greater expectations around proactive compliance



Waiting for problems to emerge is no longer acceptable.

Less tolerance for informal arrangements



Good intentions do not excuse non-compliance.

Award understanding will remain a critical business capability for SMEs in these industries.

Final thoughts

Modern awards are complex, but they are manageable with the right understanding and processes.

Businesses that invest time in understanding how awards apply to their industry and workforce reduce risk, improve trust, and build sustainable operations.

Award compliance is not a one-off exercise. It requires ongoing attention as your workforce and business evolve.

Our sources

This guide draws on Australian regulatory and research sources including:

1

Fair Work Commission

Modern awards and pay rate determinations

2

Fair Work Ombudsman

Workplace compliance and enforcement guidance

3

Safe Work Australia

Workplace health and safety guidance

4

Australian Bureau of Statistics

Employment and workforce data

5

Australian Institute of Health and Welfare

National workforce statistics

Always refer to official award documents for current rates and conditions. This guide provides general information only and does not constitute legal advice.



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[! Hospitality Award Guide](#)

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