A report on the second Compliance Partnership between the Fair Work Ombudsman and McDonald’s

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## Executive summary

McDonald’s Australia Limited and its parent company, McDonald’s Australia Holdings Pty Limited, [McDonald’s] are responsible for the Australian operations of their US-based parent, McDonald’s Corporation.[[1]](#footnote-1) There are more than 950 McDonald’s restaurants in Australia, which employ around 100,000 employees.[[2]](#footnote-2) Approximately 84% of restaurants are owned and operated by licensees, whilst the remainder are owned and operated by McDonald’s.

Following the success of the first compliance partnership, a second compliance partnership between the Fair Work Ombudsman (FWO) and McDonald’s was entered into and commenced on 1 April 2014, for a period of two years.[[3]](#footnote-3)

In the first instance, the second compliance partnership involved a review by McDonald’s of 22 requests for assistance from its employees relating to concerns with underpayment of wages, non-payment of wages for all hours worked, non-payment of leave entitlements and non-provision of meal breaks. Of this number:

* 10 matters were voluntarily rectified with $33 619.13 paid to employees
* nine matters were found not to be sustained and/or had insufficient evidence to substantiate their claim
* two matters were resolved without the need for payments to be made
* one matter concerned a mobile phone being stolen and the former employee was referred to the police.

In addition, the FWO decided against referring 11 other requests for assistance from McDonald’s employees. This was primarily due to the FWO’s assessment that there was no further action required by McDonald’s. These requests predominantly related to alleged underpayment of wages.

One of the 11 requests for assistance was investigated by the FWO due to alleged age discrimination and non-payment of overtime. Based on the information provided by both parties, the FWO determined that there was insufficient evidence to determine a contravention of the *Fair Work Act 2009.*

Under the terms of the second compliance partnership, to ensure ongoing compliance with Commonwealth workplace laws across its network, McDonald’s continued to develop and review its systems and processes by:

* introducing a new employee management system for direct employees which provides easier access to pay slips and the ability to apply for leave online
* enhancing employees’ awareness and understanding of their workplace rights through increasing the number of internal communication channels directly with the workforce
* establishing a system of automatic visa ‘work rights’ checks across its network.

Significantly, McDonald’s announced at the conclusion of the second compliance partnership its decision to pro-actively self-audit a restaurant’s compliance with its workplace relations obligations every 12 months, instead of every two years.

McDonald’s has been a willing and cooperative partner throughout the life of the Proactive Compliance Deed. Due to the excellent results achieved to date under both Proactive Compliance Deeds, McDonald’s has expressed strong interest in committing to a further compliance partnership.

### **Background**

McDonald’s Australia Limited and its parent company, McDonald’s Australia Holdings Pty Limited, are responsible for the Australian operations of their US-based parent, McDonald’s Corporation. There are more than 950 McDonald’s restaurants in Australia, which employ around 100,000 employees. Approximately 84% of restaurants are owned and operated by licensees, whilst the remainder are owned and operated by McDonald’s.

In April 2011, McDonald’s entered into the FWO’s first ever compliance partnership, which was underpinned by a Proactive Compliance Deed.[[4]](#footnote-4) Under the compliance partnership, McDonald’s self-audited about 8,500 wage transactions for the previous two years. As indicated in the published report, the self-auditing revealed 100% per cent compliance for wages paid in 2009 and 97 per cent for wages paid in 2010.[[5]](#footnote-5) Other findings in the report included:

* the minor non-compliance in the 2010 self-audit related to an incorrect casual loading being applied in two instances. The first related to an oversight in the manual payroll entry of training hours by two licensees and the second related to a monetary calculation error in the payroll application used by one licensee. All affected employees received the relevant wage adjustments.
* the number of calls to the McDonald’s workplace relations hotline rose by 17 per cent above the monthly average as a result of the self-audit
* during the self-audit period, nine requests for assistance were received by the FWO that related to McDonald’s licensees. All requests for assistance were resolved voluntarily with timely assistance from McDonald’s.
* the overall standard of record-keeping across McDonald’s and its licensees was high.

From 2012, McDonald’s went beyond the obligations under the first compliance partnership by committing itself to assessing and rectifying new requests for assistance received by the FWO. From 1 January to 4 December 2012, the FWO received 29 individual requests for assistance from McDonald’s employees. All of these requests for assistance were referred to McDonald’s for assessment and rectification.

The majority of the requests for assistance concerned unauthorised deductions, non-payment of wages for all hours worked, non-payment of training allowances and entitlements on termination (such as payment in lieu of notice and annual leave). Specifically:

* 11 matters were voluntarily rectified with $6 578.80 paid to employees
* four matters were technical contraventions, all concerning written authorisation for deductions
* two matters concerned long service leave entitlements and were referred to the relevant state government organisation
* six matters were not sustained and a further two had insufficient evidence for the FWO to determine
* four matters remained active at the time of reporting.

Throughout the first compliance partnership, the FWO observed McDonald’s responsive, self-regulated compliance activities that improved the way it managed workplace relations both internally and externally.

The success of the first compliance partnership, led to a second compliance partnership entered into on 1 April 2014, for a period of two years.

## **Detail of milestones reached under the Compliance Partnership**

### **Communication**

One of the main obligations under the second Proactive Compliance Deed executed on 1 April 2014 was that McDonald’s needed to openly communicate its compliance partnership with the FWO to all employees and licensees. The reasons for this were twofold. Firstly, it was to demonstrate to all employees, licensees and the community that McDonald’s was committed to working further with the FWO to promote harmonious, productive and cooperative workplaces. Secondly, it was to ensure that all licensees committed to complying with all their workplace obligations to enhance the McDonald’s brand and the ongoing success of the business.

McDonald’s was required within 14 days of the Proactive Compliance Deed being signed, to communicate its existence and provide a copy to all employees within the McDonald’s network. In addition, McDonald’s was to advise all employees and licensees on how they could access information about their entitlements and rights at work, either through McDonald’s directly or with the FWO.

On 9 April 2014, McDonald’s advised all employees via their staff intranet known as ‘metime’ that they had entered into a second compliance partnership with the FWO. On the same day, an email was sent to all licensees advising them of the second compliance partnership with the FWO. A copy of the Proactive Compliance Deed is available on an ongoing basis on metime. It is not possible to ascertain how many times the Proactive Compliance Deed was viewed by McDonald’s employees, but the Proactive Compliance Deed was readily available on the same site staff accesse their rosters each week.

In addition, all employees and licensees were advised of how to access information about their entitlements and rights at work, as well as the contact details of the FWO. At this time, McDonald’s appointed various officers within its Customer Service Department to action basic employee entitlement enquiries, whilst complex enquiries were forwarded to its Human Resources Department. Currently, McDonald’s has an Employee Relations Hotline that is supported by three employee relations advisors between 8am and 6pm, as well as an email facility, to deal with all employee enquiries and complaints.

**Enhancing awareness of the importance of compliance across the brand**

To improve knowledge and understanding of the Compliance Partnership, the McDonald’s Human Resources team also spoke to licensees at various licensee meetings, such as the quarterly regional Licensee Business Meetings.   
  
*“Complying with legal obligations and always striving for continuous improvement are essential parts of our values at McDonald’s. Our licensees understand that we have chosen to proactively partner with the FWO to ensure we maintain an open dialogue and continue to improve our processes and procedures, and that this relationship means that we must hold ourselves to high standards and be transparent.” (Director People & Culture, McDonald’s Australia)*

Almost 85% of workers across the McDonald’s network are young people aged between 14 and 21 years of age. Typically, young workers, especially those entering the workforce for the first time, are either unaware of their workplace rights or do not fully understand them. To address this challenge, McDonald’s has endeavoured to make relevant information available to all their staff by the following means:

* the McDonald’s Enterprise Agreement is readily available online, as are summaries of the Enterprise Agreement
* the Employee Relations Hotline number and email address are easily accessible by staff, including provision of these details on ‘metime’ and lunchroom notice boards
* the Fair Work Information Statement has been incorporated into induction training.

### **Systems and processes to promote compliance**

Compliance partnerships give employers, and importantly their employees, certainty that their systems and processes are working effectively and to help build a culture of compliance. Regardless of the size of any business, it is important to have effective and current systems, processes and controls in place to ensure that issues such as records relating to employees are made and kept and employees are paid correctly, for all hours worked.

In the second Compliance Partnership, McDonald’s was required to continue to develop and review their systems and processes to ensure ongoing compliance with Commonwealth workplace laws across its network.

As part of the reporting requirements under the Proactive Compliance Deed, McDonald’s advised they had undertaken various measures to refine their systems and processes to ensure compliance with the *Fair Work Act 2009* and the *McDonald’s Australia Enterprise Agreement 2013*.

In late 2014, McDonald’s implemented a new employee management system known as ‘myHUB’ for their direct employees. This system provided employees with easier access to pay slips as well as an online process for applying for and having all forms of leave approved.

During 2015, one of the three authorised payroll providers for McDonald’s licensees agreed to provide access to employee’s pay slips via metime. The other payroll providers, on behalf of the relevant licensees, continue to email pay slips to all employees.

In April 2016, McDonald’s reported that they were looking to establish a system of automatic visa checks across its network. On the entering of a person’s visa details into metime, the software will check with the Department of Immigration and Border Protection’s Visa Entitlement Verification Online ([VEVO](https://www.border.gov.au/Busi/Visa)) system, to confirm that the person is permitted to work in Australia. The software will also be able to check that the right to work status of each employee is updated and that employees are not working outside the restrictions of their visa. This system is currently in development and will launch in late 2016.

*“We have created systems that make it simpler to understand and comply with obligations and we have reporting systems that help licensees identify breaches and issues quickly and then rectify them. We also regularly audit our licensees’ compliance and through this process we are able to identify and implement further improvements to our systems.” (Director People & Culture, McDonald’s Australia)*

### **Workplace relations training**

There was no specific obligation under the second Proactive Compliance Deed to provide workplace relations training to McDonald’s staff. However, McDonald’s understand the importance of providing workplace relations training to their managers.

To assist McDonald’s frontline managers (who can often be young and inexperienced), McDonald’s provides targeted management training across its network.

McDonald’s is a Registered Training Organisation which enables it to provide its staff with the opportunity to complete their Certificate II in Retail Services, Certificate III in Retail Operations, Certificate IV in Leadership and Management, as well as a Diploma and Advanced Diploma of Leadership and Management.[[6]](#footnote-6)

McDonald’s also run a number of management courses and reported that they had recently updated their entry-level management course, ‘Shift Management Excellence’. The course was updated to improve the education of new management employees on the importance of compliance with the *McDonald’s Australia Enterprise Agreement 2013.*

During the life of the second Compliance Partnership, McDonald’s conducted a training needs analysis to pinpoint the information needed at each level within the organisation in regards to employment practices. This showed, for example, that the needs of a new employee are different to those of a Shift Manager. A new employee needs to be shown how to clock on and off, where to find their correct rate of pay and where to find their pay slip whereas a Shift Manager needs to understand the basic rules around employment laws, taking breaks and resolving issues. McDonalds delivers training on a regular basis to specific groups of employees.

The following table sets out some of the relevant management training provided by McDonald’s and the number of employees who attended.

| State | Shift Management Excellence | | | Introduction to Department Management (IDM) | | | People Performance Management (PPM) | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| NSW/ACT | 633 | 736 | 838 | 374 | 295 | 377 | 227 | 192 | 238 |
| QLD/NT | 506 | 527 | 542 | 192 | 282 | 352 | 72 | 189 | 206 |
| VIC | 574 | 692 | 843 | 266 | 284 | 381 | 351 | 162 | 243 |
| SA | 140 | 140 | 198 | 45 | 61 | 61 | 70 | 38 | 63 |
| WA | 201 | 197 | 210 | 127 | 72 | 84 | 84 | 54 | 67 |
| Total | 2054 | 2292 | 2631 | 1004 | 994 | 1255 | 804 | 635 | 817 |

*Shift Management Excellence covers practices relevant to a manager running a shift – for example, scheduling, the rules in relation to shift lengths, taking breaks, workplace health and safety.*

*IDM addresses performance management, counselling and resolution of people issues.*

*PPM is for McDonald’s People Performance Department Managers and takes an in-depth look at McDonald’s people practices systems, which includes reporting, analysing data and actioning all people-related issues.*

### **Self-resolution of wor**k**place disputes**

The FWO acknowledges that the vast majority of employers want to comply with their legal obligations. The FWO wants to encourage Australian businesses to manage any dispute over workplace entitlements with their employees without the need for the involvement of the FWO or the courts.

The FWO and McDonald’s acknowledge that at times unintentional mistakes may occur or employees may believe that a mistake has occurred. One of the aims of the compliance partnership has been to attempt to resolve any workplace dispute that arises with McDonald’s’ employees or their licensees’ employees at the workplace level.

The FWO sent any received requests for assistance from employees to McDonald’s within seven days of receipt. In turn, McDonald’s aimed to resolve each request for assistance within 28 days of receipt from the FWO and to provide evidence to the FWO within seven days of the matter being resolved.

Under the terms of the partnership, the FWO reserved its right to investigate any matter it felt was in the public interest to do so.

From the commencement of the Proactive Compliance Deed to 30 June 2016, the FWO received a total of 33 individual requests for assistance from McDonald’s employees. Of these, 11 requests for assistance were not referred to McDonald’s. The main reasons for this was based on the information provided, there was no prima facie claim when considering the terms and conditions of the *McDonald’s Australia Enterprise Agreement 2013*.

**Case Study: FWO investigation**

A request for assistance was lodged by a current employee of a McDonald’s franchise alleging she’d been discriminated against due to a reduction in rostered hours and believed this was due to her age. She also alleged that she was being bullied and harassed in the workplace and was not paid for all overtime worked.

Due to the allegations raised, the FWO decided to undertake a preliminary investigation.

Based on the information provided by both parties, the FWO determined that there was insufficient evidence to demonstrate that the McDonald’s licensee had discriminated against the employee because of her age, as per the provisions of the Fair Work Act 2009

With regards to the allegation of not paid for all overtime worked, the employee was not able to provide specific details of overtime worked and not paid. The employer advised that all starting and finishing times are recorded in the McDonald’s electronic time clock system, which uses fingerprint reading, which are then used as a basis to process the payroll for each pay period. Without evidence to the contrary, the FWO could not quantify and take any further action with respect to unpaid overtime.  
  
With respect to the allegations of bullying and harassment, the employee was advised the Fair Work Commission was the appropriate agency to inquire into this concern.

A total of 22 requests for assistance were referred to McDonald’s for assessment and rectification. Of these requests for assistance, 17 related to McDonald’s licensees. McDonald’s liaised directly with the relevant licensee and provided responses to the FWO concerning compliance and the provision of relevant information/evidence.

The majority of the requests for assistance concerned underpayment of wages, non-payment of wages for all hours worked, non-payment of leave entitlements and non-provision of meal breaks. Specifically:

* 10 matters were voluntarily rectified with $33 619.13 paid to employees
* nine matters were not sustained and/or had insufficient evidence to substantiate their claim
* two matters were resolved without the need for payments to be made
* one matter concerned a mobile phone being stolen and the former employee was referred to the police.

The average time for resolution of the finalised requests for assistance was 32 days.

**Case Study: resolution by a McDonald’s licensee**

A request for assistance was lodged by a current employee of a McDonald’s licensee alleging he’d not been provided with meal breaks during the night shifts that he predominantly worked. He also alleged he was not being provided with a 10 minute paid rest break as per the provisions of the *McDonald’s Australia Enterprise Agreement 2013.*

The request for assistance was referred to McDonald’s and within 18 days, the matter was resolved. On discussing the employee’s request for assistance and reviewing the time records, McDonald’s advised the FWO that the employee was not receiving meal breaks as per the provisions of the *McDonald’s Australia Enterprise Agreement 2013* and accordingly was underpaid $3 522.06.

The employee confirmed with the FWO that he was satisfied with the resolution and that he was now receiving appropriate meal breaks and paid drink breaks.

McDonald’s also advised that they reminded the licensee of its obligations to provide employees with a half hour unpaid meal break when they work a shift of more than five hours duration, or to pay employees at the rate of double time until a meal break can be provided.

Significantly, as shown by the graph below, there has been a declining trend in the number of requests for assistance received from McDonald’s employees over the life of the two compliance partnerships. Given the number of employees employed by McDonald’s is around 100,000, the number of requests for assistance received by the FWO is extremely low. Under the second compliance partnership, the percentage of the requests for assistance received compared to the total number of employees employed is around 0.03%. Given the large majority of the McDonald’s workforce is comprised of young people, the FWO considers this to be an exceptionally positive outcome.

The FWO is satisfied that McDonald’s has systems in place to handle allegations from employees of non-compliance. All requests for assistance are referred to the National Employee Relations Manager who determines the best course of action based on the nature of the request. This typically involves an investigation of the facts and recommendations in relation to next steps. It is evident McDonald’s adopt a problem solving approach and look to act promptly to resolve any issues.

If a matter relates to a licensee, the National Employee Relations Manager will contact the licensee and work with them to ensure appropriate resolution. McDonald’s report that, overall, they are very pleased with the responses they receive from their licensees who take the matters seriously and work constructively to remedy matters brought to their attention.

McDonald’s advise that it is very pleased with the ‘single point of FWO contact’ arrangement made available through the Compliance Partnership.

*This system means that we can maintain a consistent approach to all workplace relations matters, and that we deal with a FWO representative who has built up a solid understanding of the McDonald’s business over time, and knows about our structures, processes etc. This means that all discussions with the FWO are productive and help us to resolve issues really quickly. It also allows us to identify any opportunities to improve our systems and procedures, as the FWO is a great source of advice and guidance as well. (Director People & Culture, McDonald’s Australia)*

### **Self-audits**

Given the comprehensive nature of the self-audit activities undertaken during the first compliance partnership, there was no specific obligation under the second compliance partnership regarding the undertaking of self-audits certified by an agreed third party (eg, a workplace relations specialist).

Nonetheless, in April 2016, McDonald’s reported that it had updated and improved its ‘People Review’ process. A People Review is a self-audit of a restaurant’s compliance with its workplace relations obligations. Each McDonald’s restaurant will now have a review completed every 12 months, instead of every two years. There will also be follow up visits within 30 days if any non-compliance is found. The People Reviews are conducted by a McDonald’s Head Office consultant.

McDonald’s has been pleased to realise genuine benefits from the self-audit program they have implemented.

*“Legal compliance is becoming more and more complex, especially for small business owners like our licensees. So, the self-auditing process is important for two reasons – first, it gives us the opportunity to ensure standards are maintained; secondly it creates an opportunity for us to have conversations about people practices on a regular basis, to educate people on any changes or trends as they happen.” (Director People and Culture, McDonald’s Australia)*

Through the self-audit process, McDonald’s has been able to observe continuous improvement in the levels of compliance across its operation. McDonald’s has also been able to take proactive steps to improve compliance levels, for example, ensuring rosters are made available as early as possible and employees remember to clock on and off. It is also looking for more improvements with plans in place for a fully electronic system for shift swapping, enhancements to reporting functionality and updates to training materials.

### **Reports**

Reports were required to be provided to the FWO, after the completion of the one year anniversary and at the expiry of the Proactive Compliance Deed. Both reports were to address the following matters:

(a) the actions taken by McDonald’s and its licensees to address the requirement of the Proactive Compliance Deed

(b) the number of requests for assistance referred to McDonald’s and its licensees

(c) the number of requests for assistance resolved by McDonald’s and its licensees

(d) the average time taken to resolve each request for assistance

(e) the average amount of underpayments.

McDonald’s provided both reports which were comprehensive and completed on time. Both reports are attached and include details on the communication of the Proactive Compliance Deed, the systems and processes implemented during the life of the compliance partnership, as well as details on the self-resolution of requests for assistance. The information provided by McDonald’s is incorporated in the relevant sections of this Report.

### **Concluding comments**

During both Proactive Compliance Deeds, the FWO has observed that McDonald’s has solid systems and governance processes in place that ensures the risk of systemic non-compliance across its large network is minimal. By undertaking the pioneering self-audits under the first Proactive Compliance Deed, McDonald’s has set in place a business as usual self-audit program, to test compliance with workplace laws across its network every 12 months. In partnership with the FWO, McDonald’s is publicly committed to complying with its legal obligations, as well as ensuring it strives to be a best practice employer.

McDonald’s again has been a willing and cooperative partner throughout the life of the second Proactive Compliance Deed. The National Employee Relations Manager of McDonald’s has been in regular contact with the FWO to discuss and report on requests for assistance, as well as providing information on the variation to the *McDonald’s Australia Enterprise Agreement 2013* regarding delivery drivers. Due to the excellent results achieved to date under both Proactive Compliance Deeds, McDonald’s wants to commit to a further compliance partnership. Discussions are continuing on finalising the content of a third Proactive Compliance Deed.

## About the Fair Work Ombudsman

The FWO is an independent statutory agency, created by the *Fair Work Act 2009* (FW Act) on 1 July 2009.

The FWO supports compliant, productive and inclusive Australian workplaces.

The FWO ensures compliance with Australia’s workplace laws by:

* offering people a single point of contact to receive accurate and timely advice and information about Australia’s workplace relations system
* educating people working in Australia about their workplace rights and obligations
* monitoring compliance with, inquiring into and, investigating any act or practice that may be contrary to workplace laws, awards and agreements
* litigating to enforce workplace laws and to deter people from not complying with their workplace responsibilities.

For further information and media enquiries please contact FWO media

([media@fwo.gov.au](mailto:media@fwo.gov.au)).

Our Strategic Intent as well as our Compliance and Enforcement Policy can be located at <http://www.fairwork.gov.au/about-us/policies-and-guides/internal-policies-and-plans#strategic>.

If you would like further information about the FWO’s compliance and enforcement activities please contact Steve Ronson, Executive Director – Dispute Resolution and Compliance ([steven.ronson@fwo.gov.au](mailto:steven.ronson@fwo.gov.au)).

1. Company 360 Company Report, McDonald’s Australia Ltd accessed at <http://www.company360.com.au/C360/Company/360View.aspx?C=579450,752459537,7602639856934228080> [↑](#footnote-ref-1)
2. <https://mcdonalds.com.au/about-maccas/maccas-story> accessed 19 May 2016 [↑](#footnote-ref-2)
3. <https://www.fairwork.gov.au/about-us/news-and-media-releases/2014-media-releases/april-2014/20140409-mcdonalds-pcd> accessed 23 May 2016 [↑](#footnote-ref-3)
4. <https://www.fairwork.gov.au/about-us/news-and-media-releases/2011-media-releases/may-2011/20110501-macdonalds-pay-packet> accessed 23 May 2016 [↑](#footnote-ref-4)
5. <https://www.fairwork.gov.au/about-us/news-and-media-releases/2013-media-releases/january-2013/20130114-mcdonalds-mr-proactive-compliance-deed-results> accessed 23 May 2016 [↑](#footnote-ref-5)
6. <https://training.gov.au/Organisation/Details/90820> accessed 24 May 2016 [↑](#footnote-ref-6)