Business Management Units 3 & 4

Chapter 6 — Workplace relations

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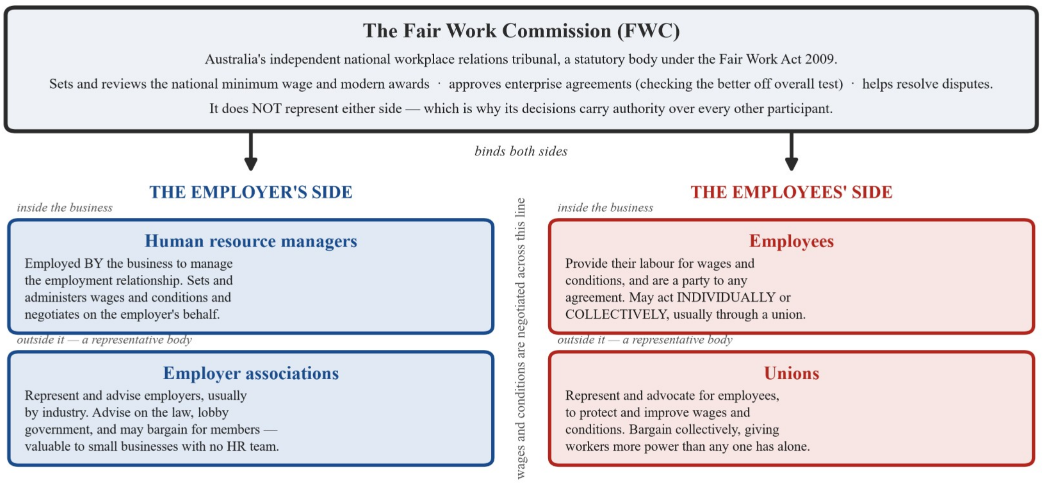
Contents

Theory

Workplace relations refers to the ways in which employers and employees interact to determine and manage the terms of employment — principally the **wages and conditions** under which work is performed. Because employers and employees do not always share the same interests, a number of **participants** take part in workplace relations, each with a distinct role. The study design identifies five: **human resource (HR) managers, employees, employer associations, unions and the Fair Work Commission (FWC).** Some participants act for the employer, some act for employees, and one — the FWC — stands independently above both sides.

The five participants in workplace relations — two sides, and one independent umpire above both



Unions and employer associations are structurally alike — both are representative bodies that advise and may bargain for their members — but they sit on OPPOSITE sides. An HR manager is a participant on the employer's side, not an umpire; only the FWC stands outside the employment relationship altogether.

- **Human resource managers.** An HR manager is employed by the business to manage the **relationship between the business and its employees**. In workplace relations they act **on behalf of the employer**: they help set and administer wages and conditions, ensure the business meets its legal obligations, and **represent the employer when negotiating agreements** with employees and their unions. Because they sit inside the business, HR managers advance the employer's interests while trying to maintain a productive and compliant workplace.
- **Employees.** Employees are the people who **provide their labour** to the business in return for wages and conditions of work. As participants, they have an interest in securing fair pay, safe and reasonable conditions, and job security. Employees may pursue these interests **individually** — negotiating their own arrangements directly with the employer — or **collectively**, joining with other employees (often through a union) to bargain with greater strength than any one worker has alone. Employees are also a **party to any agreement** that sets their wages and conditions.
- **Employer associations.** An employer association is a body that **represents and advises employers**, usually those within a particular industry. It provides members with advice on workplace relations law and their obligations, lobbies government on behalf of business, and may **represent or bargain on behalf of employers** when wages and conditions are negotiated. Employer associations are especially valuable to **small businesses**, which often lack their own specialist human resources or legal expertise.
- **Unions.** A union is an organisation that **represents and advocates for employees**, aiming to protect and improve their **wages and working conditions**. Unions provide members with advice and representation, **bargain collectively** with employers on their members' behalf, and may support members when a dispute arises. By combining many employees into a single voice, a union gives workers more **bargaining power** than they would have individually.

- **The Fair Work Commission (FWC).** The FWC is Australia's **independent national workplace relations tribunal** — a statutory body established under the *Fair Work Act 2009*. Unlike the other participants, it does **not represent either side**; it acts as an impartial umpire. Its roles include **setting and reviewing the national minimum wage and modern awards**, **approving enterprise agreements** (checking they pass the **better off overall test** — that every covered employee is **better off overall** than under the relevant award — before an agreement can operate), and **helping to resolve workplace disputes**. Because it is independent of employers, employees, unions and the government of the day, its decisions carry authority over all the other participants.

Key ideas to keep straight.

- **A union is not an employer association.** The two are structurally similar — both are voluntary representative bodies that advise and may bargain for their members — but they sit on **opposite sides**: a union represents **employees**, while an employer association represents **employers**. Confusing the two reverses whose interests are being advanced.
- **An HR manager is not the FWC.** An HR manager is a **participant on the employer's side**, working inside the business and advancing its interests. The FWC is the **independent umpire** — it is not a party to the employment relationship at all, but sets the rules and helps resolve disputes impartially.
- **The FWC is independent and statutory.** It is created by law and operates at arm's length from business, unions and government, and its rulings bind the parties. This independence is what allows it to set minimum wages, approve agreements and settle disputes in a way that the interested participants will accept as fair.
- **Employees can act alone or together.** The same employee interest — fair wages and conditions — can be pursued **individually** (direct negotiation with the employer) or **collectively** (through a union). The choice affects how much bargaining power employees bring to the workplace.

Contemporary example — Goodstart Early Learning, November 2024

Goodstart Early Learning is an Australian not-for-profit provider of early childhood education and care.

In November 2024, Goodstart employees voted to approve a new **enterprise agreement** negotiated between the business and unions including the United Workers Union. The agreement delivered a 10 per cent wage increase from December 2024 and a further 5 per cent from December 2025, and covered about 16,000 educators. It was funded through the Commonwealth's Wage Justice for Early Childhood Education and Care package, on condition that providers capped fee increases at 4.4 per cent over the following twelve months. Separately, on 10 December 2024 a **Full Bench of the Fair Work Commission** approved the Early Childhood Education and Care Multi-Employer Agreement 2024–2026 — the first supported bargaining agreement negotiated and approved by the Commission — covering about 60 other employers in the sector.

Both processes show the **participants** at work. **Employees** pursued their interests **collectively** rather than individually; **unions** used that collective **bargaining power** to negotiate on their members' behalf; the **employer** side negotiated and administered the terms; and the FWC, as the **independent national workplace relations tribunal**, took no side in the bargaining but had to **approve** each agreement before it could operate.

Source: Fair Work Commission, Early childhood education and care supported bargaining agreement, decision 10 December 2024 — https://www.fwc.gov.au/hearings-decisions/major-cases/early-childhood-education-and-care-supported-bargaining-agreement; InDaily, Largest childcare provider signs on to wage rise, 14 November 2024 — https://www.indailysa.com.au/news/just-in/2024/11/14/largest-childcare-provider-signs-on-to-wage-rise. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Distinguish between the role of a union and the role of an employer association.

Working	Comment
A **union** is an organisation that represents and advocates for **employees**, seeking to protect and improve their	Define the first term and state whose interests it serves.

Working	Comment
wages and conditions.	
An **employer association** is a body that represents and advises **employers**, providing advice and bargaining on their behalf.	Define the second term and state whose interests it serves.
The two therefore act for **opposite sides** of workplace relations: a union advances employees' interests, an employer association advances employers' interests.	Draw the explicit contrast — a *distinguish* must address both terms.
∴ although both are representative bodies, a union speaks for employees while an employer association speaks for employers.	State the point of difference as the conclusion.

Example 2 — scaffolded

Bellrock Cannery, a medium-sized food manufacturer, is about to negotiate a new enterprise agreement with its production staff. Explain the role its human resource manager would play in this process.

Working	Comment
Bellrock's HR manager is employed by the business to manage the relationship between the business and its employees.	Start from who the HR manager is.
In the negotiation, the HR manager acts **on behalf of the employer**, representing Bellrock's interests at the bargaining table.	Identify whose side this participant is on.
They would help determine the wages and conditions Bellrock is willing to offer, ensure any agreement meets the business's legal obligations, and negotiate the terms with the production staff and any union involved.	Describe the specific role in this scenario (apply to the business).
This makes the HR manager the employer's representative and negotiator throughout the agreement process.	Link the role back to the outcome.

Example 3 — unscaffolded

Explain the role of the Fair Work Commission in workplace relations.

The **Fair Work Commission (FWC)** is Australia's **independent national workplace relations tribunal**, established by statute. Unlike the other participants, it does **not represent** employers or employees; it acts as an **impartial umpire** standing above both sides. Its roles include **setting and reviewing the national minimum wage and modern awards**, which establish the pay-and-conditions safety net; **approving enterprise agreements**, checking that they pass the **better off overall test** — that employees are **better off overall** than they would be under the relevant award — before an agreement can operate; and **helping to resolve workplace disputes** when the parties cannot settle them themselves. Because the FWC is independent of business, unions and government, its rulings carry authority over the other participants and are accepted as impartial. ∴ the FWC's role is to regulate the workplace relations system as a whole and to provide a fair, independent umpire for the parties within it.

Example 4 — unscaffolded

Northwind Couriers' warehouse employees believe their pay has fallen behind and want to negotiate an increase, but individually they have little influence over the business. Explain how joining a union could help them.

A **union** is an organisation that represents and advocates for employees, aiming to protect and improve their wages and conditions. Individually, each Northwind warehouse employee has little **bargaining power**, so the business has little incentive to respond to a single worker's request. By joining a union, the employees can **bargain collectively**: the union combines them into a single voice and negotiates with Northwind on their behalf, giving their claim far more weight than any individual could achieve alone. The union can also advise the employees of their entitlements and represent them if a dispute arises. ∴ joining a union would give Northwind's employees the collective bargaining power and expert representation they lack as individuals.

Practice questions

Scaffolded

Q1. Define the term *workplace relations*.

Q2. List the **five** participants in workplace relations identified in the study design.

Q3. For each of the following participants, state whose interests they primarily represent: (a) a union; (b) an employer association; (c) a human resource manager.

Q4. Identify the participant being described in each case: (a) the independent national tribunal that sets minimum wages and approves agreements; (b) the body that represents and advises employers, especially small businesses; (c) the person employed by a business to manage the relationship between the business and its employees.

Q5. Marloo Landscaping is a small business whose owner has no formal training in workplace relations law. (a) Identify a participant the owner could turn to for advice. (b) Explain how that participant could assist the owner.

Q6. (a) Explain what makes the Fair Work Commission an *independent* tribunal. (b) Explain why this independence is important.

Unscaffolded

Q7. Outline the role of a human resource manager in workplace relations. *(2 marks)*

Q8. Describe the role of a union. *(3 marks)*

Q9. Describe the role of an employer association. *(3 marks)*

Q10. Explain why the Fair Work Commission is described as an independent tribunal. *(3 marks)*

Q11. Distinguish between the role of a human resource manager and the role of a union. *(4 marks)*

Q12. Compare the role of a union with the role of an employer association. *(4 marks)*

Q13. Explain how employees can pursue their interests in workplace relations. *(4 marks)*

Q14. Justify why a small business owner might choose to join an employer association. *(4 marks)*

Q15. *Case study.* **Bellbrook Smallgoods** is a family-owned smallgoods manufacturer with 60 production employees. The business wants to negotiate a new enterprise agreement setting out wages and conditions for the next three years. Many of its employees belong to a union, and the owners have limited experience with formal workplace negotiations.
(a) Identify **two** participants, other than the employees, likely to be involved in negotiating the agreement. *(2 marks)*
(b) Explain the role each of these participants would play in the negotiation. *(4 marks)*

Q16. Analyse how the involvement of a union can affect the way a business negotiates the wages and conditions of its employees. *(6 marks)*

Q17. Discuss the involvement of unions in representing employees in workplace relations. *(6 marks)*

Q18. Propose which participant a newly established small business owner should approach for advice about their workplace relations obligations, and justify your recommendation. *(4 marks)*

Q19. *Extended response.* **Ridgeline Freight** operates a large distribution warehouse. Its warehouse employees, most of whom belong to a union, are in dispute with management over newly imposed weekend rosters. The business belongs to an employer association, and the two sides have so far been unable to reach agreement. Analyse the roles played by the different participants in workplace relations at Ridgeline Freight, and evaluate the view that the Fair Work Commission is the most important participant. *(10 marks)*

Q20. Using the **Goodstart Early Learning** contemporary example, analyse the roles played by employees, unions and the Fair Work Commission in determining the wages and conditions of early childhood educators. *(6 marks)*

Answers

Q1. The ways in which employers and employees interact to determine and manage the terms of employment, principally the wages and conditions under which work is performed. **Q2.** Human resource managers; employees; employer associations; unions; the Fair Work Commission. **Q3.** (a) employees; (b) employers; (c) the employer (the business). **Q4.** (a) the Fair Work Commission; (b) an employer association; (c) a human resource manager. **Q5.** (a) An **employer association**. (b) It could advise the owner of their legal obligations and of appropriate wages and conditions, and could represent or bargain on the owner's behalf. (Not the FWC — it is an impartial umpire, **not** an adviser acting for employers.) **Q6.** (a) It is a statutory body that operates independently of employers, employees, unions and government. (b) Independence lets it set wages, approve agreements and resolve disputes in a way both sides will accept as fair. **Q7.** Manages the employment relationship and represents the employer, e.g. negotiating agreements. See solutions. **Q8.** Represents and advocates for employees; bargains collectively; advises/represents members. See solutions. **Q9.** Represents and advises employers; may bargain on their behalf; useful to small businesses. See solutions. **Q10.** Statutory body independent of both sides and of government, acting as an impartial umpire. See solutions. **Q11.** HR manager = represents the employer (a party); union = represents employees (the other side). See solutions. **Q12.** Similarity: both represent and may bargain for members. Difference: union = employees, employer association = employers. See solutions. **Q13.** Individually (direct negotiation) or collectively (through a union), as a party to agreements. See solutions. **Q14.** Access to expert advice, representation and bargaining power the small business lacks in-house. See solutions. **Q15.** (a) Any two of: a union; Bellbrook's HR manager; an employer association. (Not the FWC — it does **not** negotiate, it only approves the finished agreement.) (b) Union bargains collectively for the production employees; HR manager/employer association represents the owners — applied to Bellbrook. See solutions. **Q16.** Union increases employees' collective bargaining power, shifting negotiation from individual to collective and changing the outcome. See solutions. **Q17.** Advantages (stronger voice, expertise, fairer outcomes) vs disadvantages (cost, potential for conflict/industrial action, less flexibility). See solutions. **Q18.** e.g. an employer association, justified by tailored advice and representation for a small business. See solutions. **Q19.** Model response in solutions. **Q20.** Employees acted collectively rather than individually; the union bargained on their behalf, raising their bargaining power; the FWC approved the agreements as independent umpire — applied to Goodstart and the sector agreement. See solutions.

Fully-worked solutions

Q7. A **human resource manager** is employed by the business to **manage the relationship between the business and its employees**. In workplace relations they act **on behalf of the employer** — helping to set wages and conditions, ensuring the business meets its legal obligations, and representing the employer when negotiating agreements with employees and their unions.

Q8. A **union** is an organisation that **represents and advocates for employees**, with the aim of **protecting and improving their wages and working conditions**. It provides members with advice and representation, **bargains collectively** with employers on its members' behalf, and may support members if a dispute arises. By combining many employees into a single voice, a union gives workers greater **bargaining power** than they would have individually.

Q9. An **employer association** is a body that **represents and advises employers**, usually within a particular industry. It provides members with advice on workplace relations law and their obligations, lobbies government on behalf of business, and may **represent or bargain on behalf of employers** when wages and conditions are being determined. Because it supplies specialist expertise that individual businesses may lack, it is especially useful to **small businesses**.

Q10. The Fair Work Commission is described as **independent** because it is a **statutory body** (established under the *Fair Work Act 2009*) that operates **at arm's length from employers, employees, unions and the government of the day**. It does **not represent either side** of the employment relationship; instead it acts as an **impartial umpire**. This independence means that when it sets minimum wages, approves agreements or helps resolve disputes, its decisions are seen to be free of bias towards any participant, which is why the parties accept and are bound by them.

Q11. A **human resource manager** and a **union** both take part in negotiating wages and conditions, but they **represent opposite parties**. The HR manager is employed *by the business* and acts **on behalf of the employer**, advancing the business's interests and ensuring it meets its obligations. A union is an organisation **external to the business** that acts **on behalf of the employees**, advancing workers' interests in better wages and conditions. The key difference is therefore **whose interests each advances** — the HR manager works for the employer's side, while the union works for the employees' side.

Q12. *(A compare must give BOTH a similarity and a difference.)* **A similarity** is that a union and an employer association are both **voluntary representative bodies**: each advises its members and may **bargain on their behalf** when wages and conditions are negotiated. **A difference** is **whose interests they represent** — a **union** represents and advocates for **employees**, seeking better pay and conditions, whereas an **employer association** represents and advises **employers**, protecting business interests. In short, the two operate in the same way but on **opposite sides** of workplace relations.

Q13. Employees pursue their interests — fair pay, safe conditions and job security — as participants in workplace relations in two main ways. **Individually**, an employee may negotiate their own wages and conditions **directly with the employer**, which suits highly skilled or senior workers who have personal bargaining power. **Collectively**, employees may join with others — usually through a **union** — to bargain as a group, which gives them **greater bargaining power** than any one worker has alone. In both cases the employees are a **party to the agreement** that ultimately sets their wages and conditions, so the way they choose to act shapes how much influence they have over the outcome.

Q14. A small business owner should be **justified** in joining an employer association because it gives them **expertise and representation they cannot provide in-house**. Small businesses rarely employ their own HR or legal specialists, so the owner may not fully understand their **legal obligations** or what wages and conditions are appropriate; an employer association supplies this **expert advice**, reducing the risk of costly breaches. It can also **represent or bargain on the owner's behalf** when agreements are negotiated, giving a small operator a stronger, more informed position than they would have alone, and it lobbies government on issues affecting the industry. The benefit — professional support and greater bargaining strength for a modest membership cost — makes joining a sound decision for an owner who lacks these resources.

Q15. *(Answers must apply to Bellbrook Smallgoods.)* **(a)** Any two of: a **union** (representing the production employees who belong to it); Bellbrook's **human resource manager**; an **employer association** (acting for the owners). *(The **Fair Work Commission** is **not** an acceptable answer here — it takes no part in the bargaining and only **approves** an agreement once the parties have negotiated it.)* **(b)** *(one mark for the role of each participant, plus a mark each for linking it to Bellbrook.)* The **union** would **bargain collectively on behalf of Bellbrook's production employees**, negotiating for the wages and conditions its members want in the new agreement and giving them far more weight than 60 workers pressing their claims one at a time. On the other side, Bellbrook's **HR manager or employer association** would **represent the employer's interests** at the bargaining table, advising the owners of their legal obligations — which matters because they have limited experience of formal negotiations — and settling on terms the business can sustain across the three years. Each therefore acts for one side of the agreement, which must then leave Bellbrook's employees **better off overall** than the relevant award before the Fair Work Commission will approve it.

Q16. *(Analyse = show the causal relationship, not a list of pros and cons.)* When a union becomes involved, it **changes the balance of bargaining power** in the negotiation. Without a union, the business negotiates with employees **individually**, and because any single worker has little leverage, the business can largely set wages and conditions on its own terms. Once employees are represented by a union, the negotiation shifts to **collective bargaining**: the union combines many employees into a single voice, so the business can no longer deal with workers one at a time and must instead reach terms acceptable to the group. This **increased employee bargaining power causes the business to offer more generous or carefully justified wages and conditions** than it otherwise would, because failing to do so risks the union rejecting the agreement or the workforce taking collective action. The union's expertise also means the business must ensure its offer meets legal standards. Thus the presence of a union **directly alters both the process** (collective rather than individual) **and the outcome** (terms more favourable to employees) of the negotiation.

Q17. *(Discuss = advantages and disadvantages; do not double-dip.)* Union involvement in representing employees has both benefits and drawbacks. **Advantages:** a union gives employees a **stronger collective voice** and greater bargaining power than they have individually, which can secure **fairer wages and conditions**; it brings **expertise** in workplace law that individual workers lack; and it can **represent members in disputes**, helping resolve problems that a lone employee could not. **Disadvantages:** union representation can introduce **conflict** into the relationship if negotiations break down, potentially leading to industrial action that disrupts the business; it can **reduce flexibility**, because collective terms apply to all members rather than allowing individually tailored arrangements; and membership carries a **cost** for employees. Overall, unions can meaningfully strengthen employees' position in workplace relations, though the value they add depends on the circumstances of the workplace and how cooperatively the parties engage.

Q18. *(Propose = recommend AND justify.)* A newly established small business owner should approach an **employer association** for advice about their workplace relations obligations. As a new and small operator, the owner is unlikely to have their own HR or legal specialists, yet they must still comply with awards, minimum wages and other legal requirements from day one. An employer association is **dedicated to advising and representing employers**, so it can explain the owner's obligations in plain terms, help set appropriate wages and conditions, and even **bargain or represent the owner** if formal negotiations arise. This makes it better suited to the owner's needs than trying to interpret the rules alone: it supplies **tailored, ongoing expertise and representation** for a modest membership fee, reducing the risk of unintentional breaches while the business establishes itself. *(The FWC publishes the modern awards and minimum wage rates the owner must comply with, but it is an impartial umpire, not an adviser acting for the employer — so the employer association is the stronger recommendation.)*

Q19. *Model response (10 marks).* Workplace relations at Ridgeline Freight involve several participants, each with a distinct role. The **warehouse employees** provide the business's labour and, in this dispute, are seeking to protect their conditions against the new weekend rosters; as a party to their own terms of employment, they may act individually but here have chosen to act collectively. Their **union represents and advocates for them**, combining the workforce into a single voice and bargaining with management on their behalf, which gives the employees far more power than they would have as individuals and is why management must take the dispute seriously. On the other side, Ridgeline's **human resource manager** acts **on behalf of the employer**, managing the relationship with the warehouse staff, administering the new rosters and putting the business's position in the dispute; the firm's **employer association** supports that position from outside, **advising Ridgeline of its obligations** and able to bargain or argue its case, so a busy operator negotiates from an informed position. Standing apart from both sides is the **Fair Work Commission**, the **independent national tribunal**, which can **help the parties resolve the dispute** — assisting them towards their own settlement and, in defined circumstances, **arbitrating** and handing down a decision that legally binds them. These roles interact: the union and the employer (through its HR manager and association) sit on opposite sides of the bargaining table, and when they cannot agree — as at Ridgeline — the FWC provides the impartial mechanism to settle the matter.

Whether the **FWC is the most important participant** can be argued both ways. In its favour, only the FWC is **independent and has binding authority** over the others: it sets the minimum standards the parties must respect and, where it has power to arbitrate, can impose a resolution when negotiation fails, so in a deadlock like Ridgeline's it may be decisive. **However**, the FWC generally **acts only when the other participants cannot resolve matters themselves** — most workplace relations are settled directly between employers (and their associations) and employees (and their unions), whose day-to-day bargaining actually determines wages and conditions. On balance, the FWC is the most **authoritative** participant because of its independence and binding power, but describing it as the single most *important* overstates its role: it is the umpire of last resort, and the everyday substance of workplace relations is shaped by the employer and employee participants who negotiate first. *(Full marks require: accurate roles for the participants present in the case; genuine analysis of how those roles interact at Ridgeline; and a two-sided, applied evaluation of the FWC's importance reaching a justified judgement.)*

Q20. *(Analyse = show how the participants' roles connect to the outcome, not a list of definitions.)* In the Goodstart example the three participants each shaped the result in a different way. The **employees** are the party whose wages and conditions were being determined, and they pursued their interests **collectively** rather than **individually** — an individual educator negotiating alone would have had almost no leverage over terms covering about 16,000 employees. Acting collectively gave them **bargaining power**, and it was their **vote in November 2024** that turned the negotiated terms into an **enterprise agreement**. The **unions**, including the United Workers Union, converted that collective strength into a negotiated outcome: they **bargained on their members' behalf**, bringing expertise the educators lacked individually and dealing with the employer as a single voice, which is why the agreement delivered a 10 per cent increase from December 2024 and a further 5 per cent from December 2025. The **Fair Work Commission** played a different kind of role: as the **independent tribunal** it did **not represent** either side in the bargaining, but no enterprise agreement can operate until the FWC **approves** it, and on 10 December 2024 a **Full Bench** approved the sector's multi-employer agreement. ∴ the wages and conditions of early childhood educators were determined by employees and their unions bargaining against the employer, with the FWC standing above that bargaining as the impartial participant that had to authorise the result before it could take effect.

Theory

Wages and conditions of work do not simply appear in an employment contract at random — in Australia they are shaped by a formal **workplace relations system**. Two of the main methods of determining an employee's pay and conditions are **awards** and **enterprise (collective) agreements**. Both are legally binding, both cover groups of employees, and both are overseen by the national workplace relations tribunal, the **Fair Work Commission (FWC)**. Where they differ is in *how widely they apply*, *who decides their content* and *how generous they are allowed to be*.

Awards. An **award** is a legally binding document that sets out the **minimum wages and conditions of employment** that apply to employees working in a particular **industry or occupation**. Awards act as a **safety net** — a legal floor below which an employee covered by the award cannot be paid or employed. There are more than one hundred **modern awards** in Australia (for example, awards covering the retail, hospitality or manufacturing industries), and together with the National Employment Standards they guarantee every covered worker a baseline of pay and entitlements. A typical award specifies minimum wage rates for each classification of worker, penalty rates for overtime, weekends and public holidays, allowances, ordinary hours of work and leave entitlements.

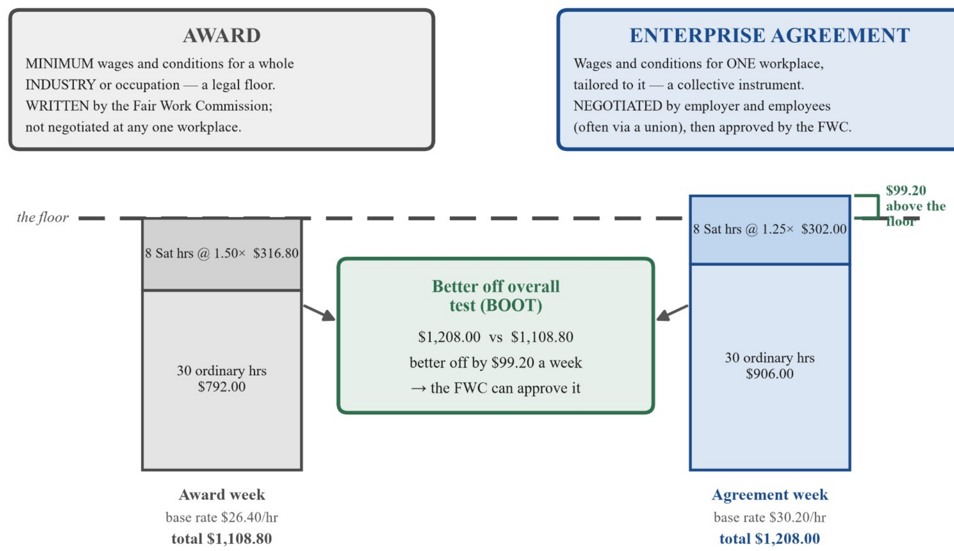
- **How an award is made.** Awards are created, maintained and adjusted by the **Fair Work Commission**, an independent tribunal. The FWC writes each modern award on an industry or occupational basis and reviews awards regularly (for example, updating minimum wage rates). Employers, employees, unions and employer associations can apply to the FWC to have an award **varied**, but the award itself is **not negotiated at any individual workplace** — it is determined centrally by the tribunal and then applies as a common minimum across the whole industry.

Enterprise (collective) agreements. An **enterprise agreement** (also called a **collective agreement**) is a legally binding agreement, made at the level of a single **workplace or enterprise**, that sets out the wages and conditions for the employees of that business. It is **negotiated** directly between the **employer** and its **employees**, who are usually represented **collectively** — often by a **union**. Because it is bargained for that particular workplace, an enterprise agreement can be **tailored** to the needs of both the business and its staff (for example, trading more flexible rostering for higher base pay).

- **How an enterprise agreement is made.** The employer and the employees (through their representatives) **negotiate** the proposed terms — a process called **collective bargaining**. The proposed agreement must then satisfy the **better off overall test (BOOT)**: employees covered by the agreement must be **better off overall** than they would be under the **relevant award**. The employees covered then **vote**, and a majority of those who vote must **approve** the agreement. Finally, the agreement is lodged with the **Fair Work Commission**, which checks that it passes the BOOT and meets the legal requirements before **approving** it. Once approved it is legally binding on the parties for its nominal term (up to four years).

The safety net principle. The key link between the two methods is that an enterprise agreement can never leave employees worse off than the award. The award sets the **floor**; the enterprise agreement is negotiated **above** that floor. This is why the BOOT exists — it stops workplace bargaining from stripping away the minimum protections the award guarantees.

The safety net: an award sets the floor, an enterprise agreement is bargained above it



Notice the agreement is NOT better on every line — its weekend penalty is lower. Only the totals decide, which is what "better off OVERALL" means. Rates are illustrative, for a fictional workplace. The FWC WRITES awards but only CHECKS and APPROVES agreements.

Reading the worked week (the figure above). The illustrative agreement pays a **higher base rate** ($30.20 an hour against the award's $26.40) but a **lower Saturday penalty** (1.25× against 1.50×), so it is **not better on every line**. Over a 38-hour week made up of 30 ordinary hours and 8 Saturday hours, the award package comes to $1,108.80 and the agreement to $1,208.00 — $99.20 more. It is that **total**, not any individual rate, that decides the **better off overall test**, which is precisely what "better off *overall*" means. Had the agreement's higher base failed to cover the penalty it gave away, the FWC could not approve it.

Key ideas to keep straight.

- **Award = safety-net minimum; enterprise agreement = negotiated above it.** An award provides only the *minimum* wages and conditions for an industry; an enterprise agreement must leave employees **better off overall** than the award, so it sits on top of the safety net, never below it.
- **Industry-wide vs workplace-specific.** An award is a **common minimum** applying across an entire industry or occupation; an enterprise agreement applies to a **single workplace** and reflects that workplace's circumstances.
- **Who decides the content.** An award is **set by the Fair Work Commission** (a tribunal); an enterprise agreement is **negotiated by the employer and employees** and then merely **approved** by the FWC. The FWC *writes* awards but only *checks and approves* agreements.
- **Collective, not individual.** An enterprise agreement is a **collective** instrument — bargained for a group of employees together and applying to all of them. This is different from an **individual employment contract**, which is negotiated one-to-one between a single employer and a single employee. Both awards and enterprise agreements operate at the collective level.
- **Flexibility.** Because an award is standardised across an industry it is relatively **rigid**; because an enterprise agreement is negotiated for one workplace it can be more **flexible** and productivity-focused.

Contemporary example — Grill'd, May 2025

Grill'd Pty Ltd runs a chain of burger restaurants in the Australian fast-food industry. On 8 May 2025 the **Fair Work Commission** dismissed its application to approve the *Grill'd Enterprise Agreement 2024*. The proposed agreement would have covered about 4,278 employees, and 3,118 of the 3,319 workers who cast a valid vote — roughly 94% — had voted to approve it.

The **award** used as the comparison point was the *Fast Food Industry Award 2020*. The Commission found the proposed agreement did pass the **better off overall test**, but only barely: Grill'd's own modelling showed some employees would be as little as 77 cents a week better off than under the award, rising to $3.10 a week after Grill'd offered further undertakings. Deputy President O'Neill was not satisfied that Grill'd had taken all reasonable steps to explain the terms of the agreement and their effect to employees — in particular that, unlike the award, some agreement rates were fixed, so the small margin above the award was likely to be eroded as award rates rose over the agreement's four-year nominal term. The application was dismissed.

The case illustrates that an employee **vote** is necessary but not sufficient: a proposed enterprise agreement is still measured against the **award safety net** and must satisfy the FWC before it is **approved**.

Source: Fair Work Commission, Grill'd Pty Ltd [2025] FWC 1275, 8 May 2025 — https://www.fwc.gov.au/documents/decisionssigned/pdf/2025fwc1275.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Distinguish between an award and an enterprise agreement as methods of determining wages and conditions of work.

Working	Comment
An **award** is a legally binding document, made by the **Fair Work Commission**, that sets the **minimum** wages and conditions for a whole **industry or occupation** — a safety net.	For "distinguish", pin down the first term precisely and completely.
An **enterprise agreement** is a legally binding agreement **negotiated at a single workplace** between the employer and its employees (often via a union), setting wages and conditions tailored to that enterprise.	Then pin down the second term with equal precision.
The point of difference: an award applies **industry-wide** and provides only the **minimum floor**, whereas an enterprise agreement applies to **one workplace** and must leave employees **better off overall** than that award.	"Distinguish" requires an explicit difference that refers to **both** terms.
∴ the award is the industry-wide minimum safety net, while the enterprise agreement is a workplace-negotiated deal that must sit above it.	State the conclusion.

Example 2 — scaffolded

Harbour Press, a book printer, wants to move its staff from the relevant industry award onto an enterprise agreement so it can introduce more flexible weekend rostering in return for higher base pay. Explain how Harbour Press would make an enterprise agreement.

Working	Comment
Harbour Press and its employees (who may be represented by a union) **negotiate** the proposed wages and conditions together — collective bargaining.	Identify that an agreement is *negotiated collectively* at the workplace.
The proposed terms — higher base pay for flexible weekend rostering — must leave employees **better off overall** than the relevant award (the **better off overall test**).	The content must clear the BOOT before it can proceed.
The employees covered then **vote**, and a majority of those who vote must **approve** the agreement.	Employees must genuinely agree to the deal.
Harbour Press lodges the approved agreement with the **Fair Work Commission**, which checks the BOOT and legal requirements and then **approves** it, making it legally binding.	FWC approval is the final step that gives the agreement legal force.

Example 3 — unscaffolded

Explain **one** advantage to a business of using an enterprise agreement rather than relying on the relevant award.

An enterprise agreement is **negotiated at the workplace**, so the business can **tailor** wages and conditions to its own operational needs instead of being bound by the standardised terms of an industry-wide award. For example, it can trade higher base pay for more **flexible rostering** or link pay to **productivity** in a way that suits its own production cycle. Because the arrangements fit how the business actually operates, this flexibility can **lift productivity** and **reduce ongoing disputes** over conditions. ∴ the main advantage is the ability to customise wages and conditions to improve workplace flexibility and productivity — something a one-size-fits-all award cannot provide.

Example 4 — unscaffolded

Compare an award and an enterprise agreement as methods of determining wages and conditions of work.

A similarity is that both are **legally binding** methods of setting the wages and conditions of a **group of employees**, and both are **overseen by the Fair Work Commission** — which *makes* awards and *approves* agreements — so under either method employees are guaranteed **at least** the minimum safety-net standards. **A key difference** is in coverage and how each is determined: an award is **set by the Fair Work Commission** and applies as a **minimum across an entire industry or occupation**, whereas an enterprise agreement is **negotiated between a single employer and its employees** (often through a union) and applies only to **that workplace**. **A further difference** is in the level of entitlements and flexibility: an award provides only the **minimum floor**, while an enterprise agreement must leave employees **better off overall** than the award and can be **tailored** to the enterprise. ∴ although both are enforceable, safety-net-based instruments overseen by the same tribunal, the award is the rigid industry-wide minimum while the enterprise agreement is a flexible, workplace-negotiated deal that sits above it.

Practice questions

Scaffolded

Q1. Define the term *award*.

Q2. (a) Define an *enterprise (collective) agreement*. (b) State what the **better off overall test** requires.

Q3. For each of the following, identify whether it describes an **award** or an **enterprise agreement**: (a) sets industry-wide minimum wages and conditions; (b) is negotiated at a single workplace between an employer and its employees; (c) must leave employees better off overall than the safety net; (d) is written and adjusted by the Fair Work Commission for an occupation.

Q4. Identify the role the **Fair Work Commission** plays in (a) awards and (b) enterprise agreements.

Q5. Cloud Nine Childcare is opening its first centre and will employ twelve educators. As a new, single-site business it wants a simple, low-cost way to ensure it pays legally correct minimum wages and conditions without lengthy negotiations. (a) Identify the most appropriate method for determining its employees' wages and conditions. (b) Explain why this method suits the situation.

Q6. Explain **one** difference between an award and an enterprise agreement.

Unscaffolded

Q7. Define the term *enterprise agreement*. *(2 marks)*

Q8. Describe how an award is made. *(3 marks)*

Q9. Distinguish between an award and an enterprise agreement. *(4 marks)*

Q10. Explain the role of the **better off overall test** in the making of an enterprise agreement. *(3 marks)*

Q11. Explain how an enterprise agreement is negotiated and approved. *(4 marks)*

Q12. Explain **one** advantage for a business of determining wages and conditions through an enterprise agreement rather than relying on the award. *(3 marks)*

Q13. Explain **one** advantage for employees of the award system. *(3 marks)*

Q14. Compare awards and enterprise agreements as methods of determining wages and conditions of work. *(6 marks)*

Q15. *Case study.* **Bluegum Furniture Co.** is a furniture manufacturer employing 90 factory and warehouse staff. Since opening, Bluegum has paid its employees according to the minimum wages and conditions set by the relevant industry award. To lift productivity and reduce recurring disputes over rostering, management is considering negotiating an enterprise agreement with its employees, several of whom are union members. (a) Identify the method Bluegum currently uses to determine its employees' wages and conditions. *(1 mark)* (b) Explain **one** reason Bluegum might prefer an enterprise agreement to the award. *(3 marks)* (c) Explain how Bluegum would go about making an enterprise agreement with its employees. *(4 marks)*

Q16. Analyse the relationship between the award safety net and enterprise agreements. *(6 marks)*

Q17. "Enterprise agreements are always better than awards for both employers and employees." Discuss. *(6 marks)*

Q18. Bellbrook Kitchen is a small chain of three cafés employing 25 staff, all currently paid under the relevant industry award. Margins are thin and the owner has little time for administration. Propose and justify whether Bellbrook Kitchen should negotiate an enterprise agreement or continue under the award. *(6 marks)*

Q19. *Extended response.* Evaluate the use of enterprise agreements, compared with awards, as a method of determining wages and conditions of work. *(10 marks)*

Q20. In May 2025 the Fair Work Commission dismissed **Grill'd Pty Ltd**'s application to approve the *Grill'd Enterprise Agreement 2024*, even though about 94% of the employees who cast a valid vote had voted to approve it. Analyse this outcome in terms of the relationship between the award safety net and enterprise agreements. *(5 marks)*

Answers

Q1. A legally binding document, made and maintained by the Fair Work Commission, that sets the **minimum** wages and conditions of employment for a particular **industry or occupation** (a safety net). **Q2.** (a) A legally binding agreement negotiated at a single workplace between an employer and its employees (often through a union) that sets the wages and conditions for that enterprise. (b) That employees under the agreement must be **better off overall** than they would be under the relevant award. **Q3.** (a) award; (b) enterprise agreement; (c) enterprise agreement; (d) award. **Q4.** (a) The FWC **makes, maintains and adjusts** awards. (b) The FWC **approves** enterprise agreements (checking they pass the BOOT and meet legal requirements); it does **not** negotiate them. **Q5.** (a) An **award**. (b) The award provides ready-made, legally compliant minimum wages and conditions set by the FWC for the childcare industry, with no need to negotiate — ideal for a small, new single-site business that wants a simple, low-cost, compliant option. **Q6.** e.g. An award is set by the FWC and applies as an industry-wide **minimum**, whereas an enterprise agreement is **negotiated** at a single workplace and must leave employees **better off overall** than the award. **Q7.** Negotiated workplace agreement setting wages/conditions; must pass the BOOT; approved by the FWC. See solutions. **Q8.** Made by the Fair Work Commission on an industry/occupation basis; reviewed and varied by the FWC; not negotiated at a workplace. See solutions. **Q9.** Award = industry-wide minimum set by the FWC; enterprise agreement = workplace-negotiated, must be better off overall. See solutions. **Q10.** The BOOT ensures employees are better off overall than under the award, protecting the safety net during bargaining. See solutions. **Q11.** Collective bargaining → BOOT → employee vote → FWC approval. See solutions. **Q12.** Flexibility/tailoring to the workplace → productivity, fewer disputes. See solutions. **Q13.** Guaranteed minimum safety net without needing to negotiate. See solutions. **Q14.** Similarity (both legally binding, FWC-overseen, safety-net floor) + differences (coverage, who decides, level, flexibility). See solutions. **Q15.** (a) The award. (b) e.g. flexibility/productivity/fewer disputes. (c) Bargain → BOOT → vote → FWC approval. See solutions. **Q16.** The award sets the floor; the BOOT ties agreements to it; agreements build above it. See solutions. **Q17.** Advantages (flexibility, productivity, better-off pay) vs disadvantages (bargaining cost/time, disputes, power imbalance); "always" too strong. See solutions. **Q18.** Recommend continuing under the award, justified by small scale, thin margins and low administrative capacity. See solutions. **Q19.** Model response in solutions. **Q20.** The employee vote is only one step; the agreement is still measured against the relevant award through the BOOT and must be approved by the FWC. See solutions.

Fully-worked solutions

Q7. An **enterprise (collective) agreement** is a legally binding agreement, made at the level of a **single workplace or enterprise**, that is **negotiated** between the employer and its employees (usually represented collectively, often by a union) and sets out the wages and conditions for that workplace. To take effect it must leave employees **better off overall** than the relevant award and be **approved** by the Fair Work Commission.

Q8. An **award** is made by the **Fair Work Commission**, the independent national workplace relations tribunal. The FWC **writes** each modern award on an **industry or occupation** basis, setting out minimum wages, penalty rates, allowances, hours and leave. It then **reviews** awards regularly and **varies** them (for example, adjusting minimum wage rates), with employers, employees, unions and employer associations able to apply for changes. Crucially, the award is determined **centrally by the tribunal**, not negotiated at any single workplace, so it applies as a common minimum across the whole industry.

Q9. An **award** is a legally binding document, made by the **Fair Work Commission**, that sets the **minimum** wages and conditions for a whole **industry or occupation** and so acts as an industry-wide safety net. An **enterprise agreement** is a legally binding agreement **negotiated at a single workplace** between the employer and its employees (often via a union), and it must leave those employees **better off overall** than the relevant award. The two therefore differ in **coverage** (industry-wide minimum vs a single workplace) and in **how they are set** (imposed by the tribunal as a floor vs negotiated by the parties above that floor).

Q10. The **better off overall test (BOOT)** is the check that a proposed enterprise agreement must pass before the Fair Work Commission will approve it: employees covered by the agreement must be **better off overall** than they would be under the **relevant award**. Its role is to **protect the award safety net** during workplace bargaining — it prevents an employer and employees from agreeing to terms that would leave staff worse off than the minimum, so the agreement can only ever build **above** the award, never below it.

Q11. An enterprise agreement is made through a set sequence. First, the employer and the employees — usually represented **collectively**, often by a union — **negotiate** the proposed wages and conditions (collective bargaining). Second, the proposed terms must satisfy the **better off overall test**, leaving employees better off overall than the relevant award. Third, the employees covered **vote** on the agreement, and a **majority of those who vote** must approve it. Finally, the agreement is lodged with the **Fair Work Commission**, which checks the BOOT and legal requirements and then **approves** it, giving it legal force for its nominal term.

Q12. A key advantage is **flexibility**. Because an enterprise agreement is **negotiated at the workplace**, the business can **tailor** wages and conditions to its own operational needs rather than accept the standardised terms of an industry-wide award. For example, it might negotiate more flexible rostering, or link pay to productivity, in a way that fits its own production cycle. Because the arrangements match how the business actually operates, this can **raise productivity** and **reduce recurring disputes** over conditions — benefits the rigid, one-size-fits-all award cannot deliver.

Q13. A key advantage of the **award** system for employees is that it guarantees a **legally enforceable minimum** — a **safety net** of wages and conditions — **without employees having to negotiate for it**. Every worker covered by the award is entitled to at least its minimum pay rates, penalty rates, allowances and leave, regardless of their individual bargaining power. This protects vulnerable or lower-skilled employees (for example, in casualised industries) who may lack the collective strength to bargain a good enterprise agreement, ensuring they cannot be paid below a fair industry standard.

Q14. *(compare — both similarities and differences required.)* **Similarities:** both an award and an enterprise agreement are **legally binding** methods of determining the wages and conditions of a **group of employees**, and both are **overseen by the Fair Work Commission** (which makes awards and approves agreements); under either, employees are guaranteed **at least** the minimum safety-net standards. **Differences:** in **coverage**, an award applies as a minimum across an **entire industry or occupation**, whereas an enterprise agreement applies only to a **single workplace**. In **how they are determined**, an award is **set by the Fair Work Commission**, whereas an enterprise agreement is **negotiated by the employer and employees** (often via a union) and only approved by the FWC. In **level and flexibility**, an award provides only the **minimum floor** and is standardised, whereas an enterprise agreement must leave employees **better off overall** and can be **tailored** to the workplace. Overall the two are alike in being enforceable, FWC-overseen safety-net instruments but differ in scope, in who sets them and in how flexible and generous they can be.

Q15. (a) The **award** (the relevant industry award). (b) Bluegum might prefer an enterprise agreement because it could **tailor conditions to its own operations** — for example, negotiating more flexible rostering arrangements that suit its factory and warehouse shifts. Because the terms would be designed around how Bluegum actually works, this could **reduce the recurring rostering disputes** and **lift productivity**, which the standardised industry award cannot address for Bluegum specifically. (c) Bluegum and its 90 employees — with union members likely represented by their union — would first **negotiate** the proposed wages and conditions (collective bargaining). The proposed agreement would have to pass the **better off overall test**, leaving employees better off overall than the current award. The employees would then **vote**, with a majority of those voting needing to approve it. Finally, Bluegum would lodge the agreement with the **Fair Work Commission**, which would check the BOOT and legal requirements and then **approve** it, making it binding at Bluegum's workplace.

Q16. *(analyse — show the causal relationship, not a list of pros and cons.)* The award and the enterprise agreement are directly linked through the **safety net**. The award, set by the Fair Work Commission, establishes the **minimum** wages and conditions for the industry, and this becomes the **benchmark** against which any workplace deal is measured. When an employer and employees negotiate an enterprise agreement, the law requires the agreement to be **tested against that award** through the **better off overall test**: employees must end up **better off overall** than under the award. Consequently, the award directly **determines the floor** below which an agreement cannot fall and **shapes what must be offered** in bargaining — the higher the award standard, the higher the bar an agreement must clear. In turn, enterprise agreements **build on top of** the award, so the two operate as a **layered system**: the award guarantees a baseline for everyone in the industry, while agreements lift conditions above that baseline at particular workplaces. ∴ the relationship is one of **dependence** — the enterprise agreement is measured against, and must exceed, the award safety net, so changes to the award flow directly through to the minimum acceptable content of agreements.

Q17. *(discuss — advantages and disadvantages; do not "double-dip".)* Enterprise agreements do offer real benefits over awards. Because they are **negotiated at the workplace**, they can be **tailored** to the business — improving flexibility and productivity for the employer — while employees must be left **better off overall** than the award, so they can secure **higher pay or better conditions** than the minimum. Negotiation can also build **cooperation** between the parties. **However**, enterprise agreements also have drawbacks. The **bargaining process is time-consuming and costly** to run, and negotiations can create **conflict or disputes** before agreement is reached. Where employees have **weak bargaining power** (for example, in a small or casualised workplace), they may not be able to win terms much above the award, so the effort may not pay off; for such workplaces the award is **simpler** and still guarantees a floor with no negotiation required. Because the value of each method depends on the size of the workplace, the parties' bargaining strength and their appetite for negotiation, the claim that enterprise agreements are **"always" better for both parties is too strong** — they suit some workplaces well but are not universally superior to the award.

Q18. *(propose and justify — recommend and argue why.)* Bellbrook Kitchen should **continue to operate under the relevant award** rather than negotiate an enterprise agreement. This is justified by its circumstances. First, with only **25 staff across three small cafés**, Bellbrook has **limited bargaining scale** and little to gain from a tailored deal, whereas the award already provides a complete, legally compliant set of minimum wages and conditions. Second, its **margins are thin** and the owner has **little time for administration**: negotiating an enterprise agreement, running an employee vote and obtaining Fair Work Commission approval would be **costly and time-consuming**, and any agreement would still have to leave staff **better off overall** than the award, adding to the wage bill. Remaining on the award gives Bellbrook a **low-cost, guaranteed-compliant** floor with no negotiating burden, which best suits a small, time-poor, low-margin business. (If Bellbrook later grew substantially and needed flexible rostering, revisiting an enterprise agreement would then be worthwhile.)

Q19. *Model response (10 marks).* An **award** is a legally binding document, made by the Fair Work Commission, that sets the **minimum** wages and conditions for an entire **industry or occupation** — a safety net. An **enterprise agreement** is a legally binding agreement **negotiated at a single workplace** between the employer and its employees (often through a union); it must leave employees **better off overall** than the relevant award and be approved by the Fair Work Commission. Evaluating enterprise agreements against awards means weighing what each method offers.

Enterprise agreements have clear **strengths**. Because they are negotiated at the workplace, they can be **tailored** to the specific needs of the business and its staff — for example, exchanging more flexible rostering or productivity-linked pay for higher base wages. This flexibility can **raise productivity** and **reduce disputes**, benefiting the employer, while the better off overall test guarantees that employees end up with **better pay or conditions** than the award. The bargaining process can also foster **cooperation** and shared ownership of the outcome. However, enterprise agreements also carry **weaknesses**. Negotiation is **time-consuming and expensive**, can generate **conflict** during bargaining, and requires an employee vote and FWC approval. Where employees have **limited bargaining power**, or the workplace is small, the gains above the award may be modest and not worth the effort.

Awards, by contrast, provide a **simple, universal, no-cost safety net**: every covered worker is guaranteed enforceable minimum standards without having to negotiate, which particularly protects lower-skilled or vulnerable employees. Their weakness is that they are **standardised and rigid** — a single industry-wide template that cannot reflect the circumstances of an individual workplace or reward higher productivity.

On balance, **neither method is universally superior; the appropriate choice depends on the workplace.** Enterprise agreements are most valuable where a business has the **scale, resources and shared interest** to bargain productively — typically larger workplaces seeking flexibility and productivity gains, where employees have the collective strength to secure genuinely better terms. Awards remain **essential** as the underpinning safety net and as the simpler, lower-cost option for **small, new or time-poor businesses** and for protecting employees with weak bargaining power. ∴ enterprise agreements are an effective method of determining wages and conditions **where a workplace can bargain productively**, but they do not replace the award — the award is the guaranteed floor on which every agreement is built, and the better option in itself for many smaller workplaces. *(Full marks require: accurate definitions of both methods; a two-sided treatment of enterprise agreements' advantages and disadvantages against the award; and a sustained, evidence-based judgement that reaches a clear, qualified conclusion rather than a bare assertion that one is "better".)*

Q20. *(analyse — show how the outcome follows from the award–agreement relationship.)* The Grill'd outcome shows that an enterprise agreement is **not** settled by the employees alone: it is measured against the **award safety net**. Although about 94% of the employees who cast a valid vote approved the *Grill'd Enterprise Agreement 2024*, the **vote** is only one step in making an agreement. The proposed agreement still had to be tested against the relevant award — the *Fast Food Industry Award 2020* — and then **approved** by the **Fair Work Commission**. Because an enterprise agreement must leave employees **better off overall** than the award, that award operated as the **benchmark** against which the Grill'd deal was judged, and the Commission found the margin above it was very small (as little as 77 cents a week for some employees, rising to $3.10 after further undertakings). Consequently the size of that margin mattered: the Commission was not satisfied employees had had the **effect** of the terms properly explained to them, particularly that some agreement rates were fixed while award rates would keep rising, so the margin would shrink over the agreement's four-year term. ∴ the case demonstrates the **dependent, layered relationship** between the two methods — the award sets the floor and remains the reference point throughout, so an agreement sitting only marginally above that floor can fail to be approved despite overwhelming employee support, because the FWC's role of **checking and approving** agreements is what protects the safety net.

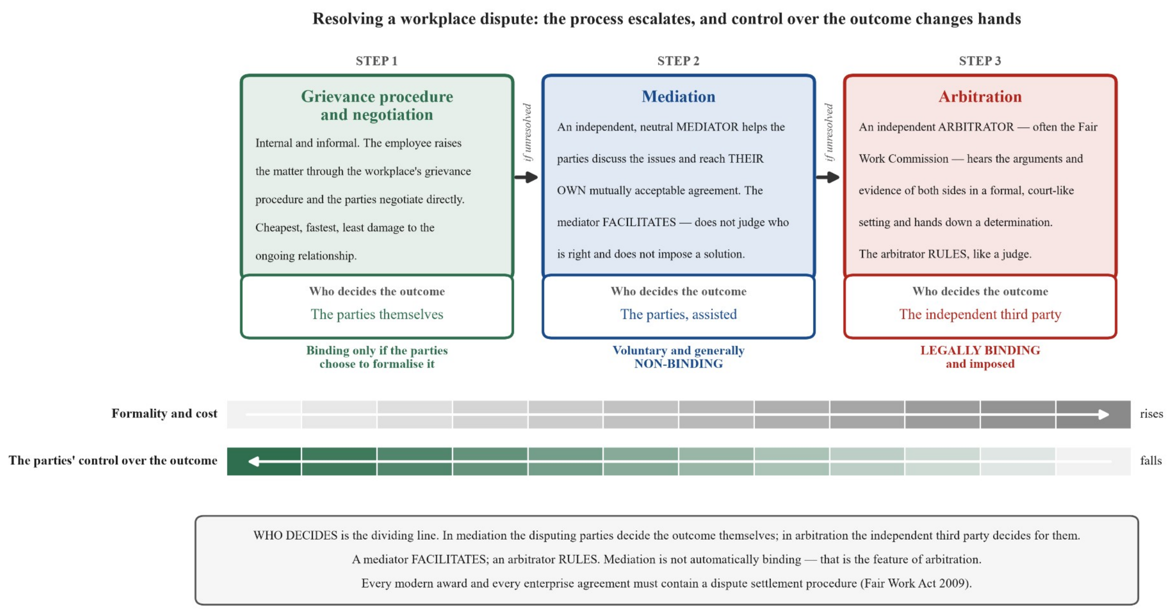
Theory

A **workplace dispute** is a disagreement or conflict between an employer and its employees — often represented by a union — about matters such as pay, hours, rostering, workloads, safety, or the interpretation of an award or agreement. Disputes are a normal part of workplace relations, but if left unresolved they can disrupt operations, damage morale and harm the working relationship. A **dispute resolution process** is the structured set of steps the parties follow to settle such a disagreement and return to normal working. Under the *Fair Work Act 2009*, every modern award and every enterprise agreement must contain a **dispute settlement procedure** setting out how disputes will be handled.

The overview of the process — escalation. Dispute resolution normally begins with the least formal step and escalates only if the disagreement cannot be settled:

- **Grievance procedures and negotiation.** The starting point is usually **internal and informal**: an employee raises the matter through the workplace's grievance procedure with their immediate manager or the human resource department, and the parties **negotiate directly** to try to reach their own settlement. This is the cheapest and fastest option and does the least damage to the ongoing relationship.
- **Mediation.** If direct negotiation fails, an **independent third party** may be brought in to assist. In mediation that third party helps the parties keep talking, but leaves the decision with them.
- **Arbitration.** If assisted discussion still does not resolve the matter, the dispute may be escalated to a third party who is empowered to **decide the outcome and impose it**.

The **Fair Work Commission (FWC)** is Australia's national workplace relations tribunal. It can help parties resolve disputes through mediation and conciliation and, in defined circumstances, through arbitration. The study design prescribes **mediation** and **arbitration** as the two dispute resolution methods to know.



Mediation. Mediation is a dispute resolution process in which an **independent, neutral third party** (the *mediator*) helps the disputing parties **discuss** the issues and work towards **their own mutually acceptable agreement**. The mediator **facilitates** the conversation — structuring the discussion, keeping it calm and helping each side understand the other's position — but does **not** judge who is right and does **not** impose a solution. Because the parties reach the outcome themselves, any agreement is **voluntary** and generally **non-binding**: it becomes legally binding only if the parties choose to formalise it (for example, by signing a deed of agreement). Mediation is relatively informal, confidential and low-cost, and because it is cooperative it tends to **preserve the working relationship**. It suits disputes where both sides are willing to compromise and must continue working together.

Arbitration. Arbitration is a more formal dispute resolution process in which an **independent third party** (the *arbitrator* — often the **Fair Work Commission**) **hears the arguments and evidence of both disputing parties** and then **makes a decision that is legally binding** on them. The arbitrator acts like a **judge**: each side presents its case in a formal, court-like setting, and the arbitrator weighs both and hands down a determination the parties **must** follow. Because the outcome is **decided by the third party and imposed** on the parties, arbitration is used when negotiation and mediation have failed, when the relationship has broken down, or when an authoritative **final ruling** is needed to end the dispute.

Key ideas to keep straight.

- **Who decides is the dividing line.** In **mediation the disputing parties decide** the outcome themselves; in **arbitration the independent third party decides** for them.
- **Non-binding versus binding.** A **mediated** agreement is **voluntary and generally non-binding** (binding only if the parties choose to formalise it). An **arbitrated** decision is **legally binding and imposed** on the parties, whether they like it or not.
- **Facilitate versus rule.** A **mediator facilitates** — a neutral go-between who helps the parties reach *their* agreement. An **arbitrator rules** — a judge-like decision-maker who determines *the* outcome after hearing both sides.
- **Escalation and formality.** The process runs from **informal internal negotiation and grievance procedures**, to **mediation** (still cooperative), to **arbitration** (formal, court-like) as a last resort. Formality and cost rise, and control over the outcome shifts from the parties to the third party, at each step.
- **Mediation is not automatically binding.** A common error is to assume mediation always ends in a binding outcome. It does not — that is the feature of **arbitration**. Mediation only produces a binding result if the parties agree to make their own settlement binding.

Contemporary example — Chevron Australia, September 2023

Chevron Australia is an oil and gas business that in 2023 operated the Gorgon and Wheatstone liquefied natural gas (LNG) projects in Western Australia.

In 2023 the business was in a **workplace dispute** with the Offshore Alliance — the Australian Workers' Union and the Maritime Union of Australia bargaining together — over pay and conditions in proposed enterprise agreements. Direct **negotiation** did not settle the matter, and employees began protected industrial action on 8 September 2023, escalating to a full stoppage from 14 September. On 21 September 2023 the **Fair Work Commission** issued a **recommendation** setting out terms on matters including working hours, accommodation, allowances, pay, career progression and job security. Chevron Australia stated that it accepted the recommendation, and after a meeting that night Offshore Alliance members also accepted it and agreed to end the industrial action.

This shows an **independent third party** assisting a dispute without **arbitrating** it. The Commission did not hear both cases and hand down a determination that was **legally binding** and **imposed** on the parties; it proposed terms, and the **disputing parties themselves decided** whether to accept them. Because the outcome rested on the parties' **voluntary** agreement rather than an imposed ruling, it sits on the **mediation** side of the dividing line this subtopic draws — the third party **facilitates**, the parties decide — and the **escalation** stopped short of arbitration because the assisted process worked.

Source: Rigzone, "Chevron Australia, Striking Workers Agree to Terms Proposed by Tribunal", 22 September 2023 — https://www.rigzone.com/news/chevron_australia_striking_workers_agree_to_terms_proposed_by_tribunal-22-sep-2023-174089-article/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Distinguish between mediation and arbitration as methods of resolving a workplace dispute.

Working	Comment
Mediation: an **independent third party (the mediator)**	*Distinguish* means describe BOTH terms — state term

Working	Comment
helps the disputing parties discuss the issue and reach their own agreement; the mediator facilitates but does not decide.	one fully first.
Arbitration: an **independent third party (e.g. the Fair Work Commission) hears both sides and makes a decision that is imposed on the parties**.	Now state term two fully.
The key difference is **who decides and whether the outcome binds**: in mediation the **parties decide** and the outcome is **voluntary/non-binding**, whereas in arbitration the **third party decides** and the outcome is **legally binding**.	Pin the point(s) of difference — this is what earns the “distinguish” marks.
∴ mediation leaves the decision with the parties, while arbitration hands it to a third party who imposes a binding ruling.	Close with a one-line contrast.

Example 2 — scaffolded

Marloo Coffee Roasters has been unable to settle a dispute with its warehouse staff over a new night-shift roster, despite several rounds of direct negotiation. Describe how arbitration could be used to resolve the dispute at Marloo Coffee Roasters.

Working	Comment
Because negotiation has failed, Marloo and its staff could refer the roster dispute to an **independent third party such as the Fair Work Commission** for arbitration.	Name the method and the third party, and link to the business.
Each side — management and the warehouse employees — would **present its arguments and evidence** about the night-shift roster in a formal, court-like hearing.	Describe the *process* with active verbs (present, hear).
The arbitrator would **weigh both sides and hand down a decision** — for example, setting the roster and any shift loadings — that **legally binds** Marloo and its staff.	Show the third party decides and the outcome is imposed.
∴ arbitration would give Marloo a **final, binding resolution** to the roster dispute that both parties must follow.	Apply the outcome back to the business.

Example 3 — unscaffolded

Describe the process a business would typically follow to resolve a workplace dispute.

A business would usually try to resolve a workplace dispute by **escalating through progressively more formal steps**. First, the employee raises the matter through the workplace’s **grievance procedure** and the parties **negotiate directly** with the manager or human resource department to reach their own settlement, because this is the fastest, cheapest and least damaging option. If direct negotiation fails, the parties may use **mediation**, in which an **independent third party helps them discuss the issue and reach their own voluntary agreement**. If the dispute still cannot be settled, it may be escalated to **arbitration**, in which an **independent third party such as the Fair Work Commission hears both sides and makes a binding decision** that is imposed on the parties. ∴ the process moves from informal, self-directed negotiation towards formal, third-party resolution, with control over the outcome shifting from the parties to the third party at each step.

Example 4 — unscaffolded

Compare mediation and arbitration as methods of dispute resolution.

A similarity is that both mediation and arbitration involve an **independent third party** being brought in to help settle a workplace dispute that the parties could not resolve through direct negotiation, and both aim to end the dispute so normal working can resume. **A difference** lies in **who decides the outcome**: in mediation the third party only **facilitates** discussion and the **disputing parties reach their own agreement**, whereas in arbitration the third party **hears both sides and makes the decision for them**. **A further difference** is that a **mediated** outcome is **voluntary and generally non-binding**, while an **arbitrated** decision is **legally binding and imposed** on the parties. Mediation is also **less formal** than the court-like process of arbitration. ∴ although both use an independent third party to resolve a dispute, they differ fundamentally in who decides the outcome and whether that outcome is binding.

Practice questions

Scaffolded

Q1. Define the term *workplace dispute*.

Q2. Define each of the following terms: (a) mediation; (b) arbitration.

Q3. For each of the following, state whether it describes **mediation** or **arbitration**: (a) an independent third party hears both sides and hands down a legally binding decision; (b) an independent third party helps the parties reach their own voluntary agreement; (c) the disputing parties themselves decide the outcome.

Q4. List, in the order a business would usually follow them, **three** steps in a typical dispute resolution process.

Q5. *Verdant Orchards* has a dispute with a group of employees who are unhappy about a change to their meal-break times. (a) Identify the step the business should try **first** to resolve the dispute. (b) Explain why this step is usually preferred as the starting point.

Q6. Explain the difference between the role of a **mediator** and the role of an **arbitrator**.

Unscaffolded

Q7. Define *arbitration*. *(2 marks)*

Q8. Outline **one** difference between a binding and a non-binding dispute resolution outcome. *(2 marks)*

Q9. Describe **one** dispute resolution process a business could use to resolve a workplace dispute. *(3 marks)*

Q10. Distinguish between mediation and arbitration. *(4 marks)*

Q11. Explain the role of the Fair Work Commission in resolving workplace disputes. *(3 marks)*

Q12. Compare mediation and arbitration as methods of dispute resolution. *(4 marks)*

Q13. *Case study.* At *Brightloom Textiles*, a garment manufacturer, machinists and management disagree over a proposed weekend roster. Both sides want to keep working together and are willing to talk. Explain how **mediation** could be used to resolve the dispute at Brightloom Textiles. *(4 marks)*

Q14. Explain why a business might prefer to use **mediation** rather than **arbitration** to resolve a dispute. *(4 marks)*

Q15. *Case study.* At *Coralline Ferries*, a long-running pay dispute between management and the crew's union has continued for months. Repeated negotiations and a mediation session have both failed, and the relationship between the parties has broken down. Justify the use of **arbitration** to resolve the dispute at Coralline Ferries. *(4 marks)*

Q16. *Case study. Kembla Fresh*, a food-processing business, has a dispute with its production staff over unpaid overtime. The parties disagree but are still on reasonable terms and want a quick, low-cost solution. Propose and justify **one** dispute resolution process Kembla Fresh could use. *(4 marks)*

Q17. Discuss the use of **mediation** as a method of resolving workplace disputes. *(6 marks)*

Q18. Analyse the relationship between a business's **choice of dispute resolution method** and the ongoing **working relationship** between the employer and its employees. *(6 marks)*

Q19. *Extended response. Northwind Logistics*, a warehousing and distribution business, is facing an escalating dispute. Its employees, backed by their union, are demanding higher pay and safer shift patterns; management says it cannot meet the demands in full. Direct negotiations have stalled and a work stoppage is threatened. Evaluate the use of **arbitration**, rather than **mediation**, to resolve the dispute at Northwind Logistics. *(10 marks)*

Q20. *Contemporary example.* In September 2023, Chevron Australia and the unions representing employees at its Gorgon and Wheatstone LNG facilities both accepted a recommendation issued by the Fair Work Commission, and the industrial action ended. Analyse this outcome with reference to the difference between **mediation** and **arbitration**. *(6 marks)*

Answers

Q1. A disagreement or conflict between an employer and its employees (or their union) over matters such as pay, conditions, hours, rostering or safety. **Q2.** (a) Mediation: an independent third party helps the disputing parties discuss the issue and reach their own voluntary (non-binding) agreement. (b) Arbitration: an independent third party hears both sides and makes a legally binding decision imposed on the parties. **Q3.** (a) arbitration; (b) mediation; (c) mediation. **Q4.** Negotiation / grievance procedure (direct discussion); then mediation; then arbitration. **Q5.** (a) Direct negotiation through the grievance procedure. (b) It is the fastest, cheapest and least formal option and best preserves the working relationship. See solutions. **Q6.** A mediator facilitates discussion so the parties reach their own agreement; an arbitrator hears both sides and makes the binding decision. See solutions. **Q7.** A dispute resolution process in which an independent third party hears both sides and makes a legally binding decision imposed on the parties. See solutions. **Q8.** A binding outcome legally compels the parties to comply; a non-binding outcome relies on the parties' voluntary agreement and cannot be enforced against them. See solutions. **Q9.** Model response in solutions (mediation OR arbitration, described with process verbs). **Q10.** Both use an independent third party; mediation = parties decide, non-binding; arbitration = third party decides, binding. See solutions. **Q11.** The FWC is the national workplace tribunal; it assists disputes through mediation and conciliation and can arbitrate a binding decision. See solutions. **Q12.** Similarity: both use an independent third party. Differences: who decides (parties vs third party); binding vs non-binding; formality. See solutions. **Q13.** Bring in a neutral mediator to help the machinists and management discuss the weekend roster and reach their own agreement; suits their willingness to cooperate. See solutions. **Q14.** Mediation is cheaper, less formal, faster, confidential and preserves the relationship because the parties keep control of the outcome. See solutions. **Q15.** Arbitration justified because negotiation and mediation have failed and the relationship has broken down, so a binding, imposed decision is needed to end the dispute. See solutions. **Q16.** Propose mediation (or negotiation); justify by the parties' cooperative terms and desire for a fast, low-cost solution. See solutions. **Q17.** Discuss — advantages (cooperative, cheap, preserves relationship, parties own the outcome) and disadvantages (non-binding, may fail, needs goodwill). See solutions. **Q18.** Analyse — the more a method leaves control with the parties (negotiation/mediation), the better the ongoing relationship tends to be; imposed arbitration can strain it. See solutions. **Q19.** Model response in solutions. **Q20.** The FWC acted as an independent third party but did not impose a binding decision — it recommended terms and both parties chose to accept them, so the outcome resembles mediation (parties decide, voluntary) rather than arbitration (third party decides, binding). See solutions.

Fully-worked solutions

Q5. (a) The business should first attempt **direct negotiation** through its **grievance procedure**, with the affected employees raising the meal-break issue with their manager or the human resource team. (b) This step is preferred first because it is the **fastest, cheapest and least formal** way to settle a dispute and it **best preserves the working relationship** — the parties keep full control and reach their own solution, so a third party is only involved if negotiation fails.

Q6. A **mediator** and an **arbitrator** are both independent third parties, but they play very different roles. A **mediator facilitates**: they help the disputing parties **discuss** the issue, understand each other's position and work towards **their own agreement**, without judging the merits or imposing a solution — the decision stays with the parties. An **arbitrator rules**: they **hear the arguments and evidence of both sides** and then **make the decision themselves**, handing down a determination that is **legally binding** on the parties. In short, a mediator helps the parties decide, whereas an arbitrator decides for them.

Q7. Arbitration is a formal dispute resolution process in which an **independent third party** (such as the **Fair Work Commission**) **hears the arguments of both disputing parties** and then **makes a decision that is legally binding** on and imposed on them.

Q8. A **binding** outcome **legally compels** the parties to comply and can be enforced against them (as with an arbitrated decision), whereas a **non-binding** outcome depends on the parties' **voluntary agreement** and cannot be enforced if one side chooses not to follow it (as with an ordinary mediated settlement).

Q9. One process is **mediation**. An **independent, neutral third party (the mediator)** is brought in to **help the disputing parties discuss** the issue in a structured way. The mediator **guides the conversation and clarifies each**

side's position but does **not decide the outcome**; instead the parties **work towards their own mutually acceptable agreement**. Because the parties reach the settlement themselves, the outcome is voluntary and generally non-binding. *(Full marks: name the method, describe the process with verbs, and state the role of the third party and the nature of the outcome. Arbitration, described equivalently, is equally acceptable.)*

Q10. Both mediation and arbitration involve an **independent third party** helping to settle a workplace dispute. They differ in **who decides the outcome** and **whether it binds**. In **mediation**, the third party (the **mediator**) only **facilitates** discussion and the **disputing parties reach their own agreement**, which is **voluntary and generally non-binding**. In **arbitration**, the third party (the **arbitrator**, often the **Fair Work Commission**) **hears both sides and makes the decision itself**, and that decision is **legally binding** and imposed on the parties. So the two methods differ fundamentally in whether the parties or the third party control the outcome.

Q11. The **Fair Work Commission (FWC)** is Australia's **national workplace relations tribunal**, and it plays a central role in resolving disputes that the parties cannot settle themselves. It can help the parties through **mediation and conciliation**, where it assists them to reach their own agreement, and in defined circumstances it can act as an **arbitrator — hearing both sides and handing down a binding decision** that ends the dispute. In this way the FWC provides an independent, authoritative avenue for resolving workplace disputes when internal negotiation has failed.

Q12. A **similarity** is that both mediation and arbitration bring in an **independent third party** to resolve a dispute the parties could not settle by direct negotiation, and both aim to end the dispute and restore normal working. A first **difference** is **who decides**: in mediation the third party **facilitates** and the **parties decide** the outcome themselves, whereas in arbitration the third party **hears both sides and decides for them**. A second **difference** is that a **mediated** outcome is **voluntary and generally non-binding**, while an **arbitrated** decision is **legally binding and imposed**. Mediation is also **less formal** than the court-like process of arbitration. Both therefore use a third party, but they differ in control over, and the enforceability of, the outcome.

Q13. Because the machinists and management at **Brightloom Textiles** are **willing to talk and want to keep working together**, **mediation** is well suited to their roster dispute. Brightloom could engage a **neutral, independent mediator** to bring the two sides together and **help them discuss the proposed weekend roster** in a structured, calm setting. The mediator would **clarify each side's concerns** — for example, the machinists' objections to weekend hours and management's production needs — but would **not impose a decision**. Instead, the parties would **negotiate their own agreement**, perhaps a compromise roster, which they own and are therefore more likely to accept. This resolves the dispute while **preserving the ongoing working relationship** at Brightloom.

Q14. A business might prefer **mediation** because it **leaves control of the outcome with the parties**, which brings several benefits over arbitration. Mediation is **less formal, faster and cheaper** than a court-like arbitration hearing, and it is **confidential**. Because the parties **reach their own agreement** rather than having a decision **imposed** on them, they are more likely to **accept and comply** with the outcome, and the cooperative process **preserves the working relationship** — which matters because the employer and employees must keep working together afterwards. Arbitration, by contrast, is more adversarial and its imposed, binding decision can leave one side resentful. For these reasons a business that still has a workable relationship with its employees will often try mediation first.

Q15. Arbitration is justified for **Coralline Ferries** precisely because the less formal options have been **exhausted**: repeated **negotiations and a mediation session have already failed**, and the **relationship between management and the crew's union has broken down**, so there is little prospect the parties will reach their own agreement. In these circumstances an **independent third party such as the Fair Work Commission** is needed to **hear both sides and hand down a binding decision** that ends the dispute. Arbitration is appropriate here because it delivers a **final, enforceable outcome** that both parties must follow, which is necessary to stop an ongoing, damaging dispute that the parties cannot resolve cooperatively — even though it is more formal and removes the parties' control over the result.

Q16. *Proposal:* **Kembla Fresh** should use **mediation** to resolve the overtime dispute. *What it entails:* a **neutral, independent mediator** would bring the management and production staff together and **help them discuss** the unpaid-overtime issue and work towards **their own agreement**, without imposing a decision. *Justification:* mediation is the most appropriate choice because the parties are **still on reasonable terms and willing to compromise**, so they are likely to reach an agreement, and mediation is **fast, low-cost and informal** — exactly the "quick, low-cost solution" Kembla Fresh wants. It also **protects the working relationship** so the production team can keep operating smoothly afterwards, which a more adversarial arbitration process might jeopardise. *(Propose = do more than name it: explain what the method involves AND argue why it suits this business.)*

Q17. Mediation has clear advantages and disadvantages as a way of resolving workplace disputes. *Advantages:* it is **relatively informal, quick, confidential and inexpensive** compared with arbitration; because an independent mediator only **facilitates** and the **parties reach their own agreement**, they retain control of the outcome, are more likely to **accept and honour** it, and the cooperative process helps **preserve the ongoing working relationship**. *Disadvantages:* the outcome is **voluntary and generally non-binding**, so if one side later refuses to comply there is little to enforce it; mediation **relies on both parties being willing to negotiate in good faith**, so it can **fail** where the relationship has already broken down or the sides are deeply entrenched, wasting time before the dispute must be escalated to arbitration anyway. Mediation is therefore highly useful for disputes where the parties are cooperative and the relationship matters, but less effective for intractable disputes needing a guaranteed, binding resolution.

Q18. There is a strong **causal relationship** between the dispute resolution method a business chooses and the **health of its ongoing relationship** with employees. Methods sit on a spectrum according to **how much control they leave with the parties**, and this directly affects the relationship. When a business relies on **negotiation and mediation**, the **parties themselves shape the outcome**: this cooperative, non-adversarial approach builds mutual understanding and trust, so employees are more likely to feel **respected and heard**, which **strengthens** the working relationship even after a disagreement. As a business moves towards **arbitration**, control shifts to a **third party who imposes a binding decision**: the process is more **formal and adversarial**, and because one or both sides may have a result forced on them against their wishes, it can leave **resentment** that **strains** the relationship. Consequently, the choice of method does not just determine *whether* a dispute is settled but also *how* the parties feel afterwards — cooperative methods tend to preserve or improve the relationship, whereas imposed arbitration, though sometimes unavoidable, tends to damage it. This is why businesses generally escalate to arbitration only as a last resort.

Q19. *Model response (10 marks).* A **workplace dispute** at **Northwind Logistics** has escalated: its employees, backed by their union, are demanding **higher pay and safer shift patterns**, management cannot meet the demands in full, **direct negotiations have stalled** and a **work stoppage is threatened**. The question is whether **arbitration** — where an **independent third party such as the Fair Work Commission hears both sides and imposes a binding decision** — is a more appropriate way to resolve this dispute than **mediation**, where a neutral third party only **helps the parties reach their own voluntary agreement**.

In favour of arbitration. The most important argument is that negotiations have **already stalled** and a **stoppage is imminent**. Arbitration would bring in an authoritative third party to **hear both the union's and management's cases and hand down a binding decision** on pay and shifts that **both parties must follow**. This delivers a **final, enforceable resolution** and, critically, can **prevent or end the work stoppage** — protecting Northwind's distribution operations, its customers and its revenue. Because the decision is **imposed**, it does not depend on the goodwill that has already broken down between the parties, and it provides certainty that the dispute is genuinely over.

Against arbitration (in favour of mediation). Arbitration is **formal, slower and more costly** than mediation, and because the outcome is **forced on the parties**, one or both sides may be **dissatisfied**, leaving **resentment** that damages the ongoing working relationship — a real concern for a business that must keep the same warehouse employees productive afterwards. **Mediation** would instead let the parties **craft their own compromise**, which they would be more likely to accept and which would better **preserve the relationship**. However, its weakness is decisive here: mediation is **non-binding** and **depends on cooperation**, and with negotiations already stalled and a stoppage threatened, it may simply **fail** and waste time the business does not have.

Judgement. On balance, **arbitration is the more appropriate method for Northwind Logistics in this situation**. While mediation is generally preferable for preserving the relationship, its reliance on cooperation makes it unsuited to a dispute that has already resisted negotiation and now threatens a stoppage. The **urgency and the breakdown in bargaining** mean Northwind needs the **binding, authoritative resolution** that only arbitration guarantees; the risk to operations from an unresolved stoppage outweighs the risk that an imposed decision strains the relationship, which the business can then work to repair. *(Full marks require: accurate explanation of arbitration and mediation; a two-sided weighing applied directly to Northwind Logistics; and a clear, evidence-based judgement — not a generic "advantages outweigh disadvantages".)*

Q20. In September 2023 the **Fair Work Commission** acted as an **independent third party** in the dispute between **Chevron Australia** and the unions representing employees at its Gorgon and Wheatstone LNG facilities, but *how* it acted is what matters. The Commission did **not arbitrate**: it did not hear the arguments of both sides and then hand down a **legally binding decision imposed** on them. Instead it **issued a recommendation** — a proposed set of terms covering matters such as hours, rosters, pay and job security — which **each party was free to accept or reject**.

Chevron accepted it, and the union members then accepted it and ended their industrial action. Because the **disputing parties themselves decided** the outcome, and their agreement was **voluntary** rather than **imposed**, the resolution sits on the **mediation** side of the dividing line: the third party **facilitated** a settlement rather than **ruling** on one. The case also illustrates **escalation** — the dispute moved from failed direct **negotiation** to third-party assistance, but stopped short of **arbitration** because the assisted process succeeded. ∴ involving a third party does not automatically mean arbitration; **who decides, and whether the outcome binds**, is what distinguishes the two methods.

Topic 2 Test A — Section A: short-answer and extended-answer questions

Reading time: 5 minutes. Writing time: 55 minutes. Total 40 marks. No calculator. Answer all questions in the spaces provided. Cumulative over Chapters 4–6.

Question 1 (6 marks)

Willowvale Cheese Co. is a small artisan cheesemaker whose owner wants a more skilled and motivated workforce so the business can compete on quality and meet its objective of improving efficiency.

a. Define the term *human resource management*. 2 marks

b. Explain how effective human resource management could help Willowvale Cheese Co. achieve its objective of improving efficiency. 4 marks

Question 2 (6 marks)

Larkspur Interiors is a design studio. Its designers are paid well above the industry rate and their positions are secure, but the studio's manager reports that they work alone at their desks and rarely speak to one another, and that several have said the briefs they are given are narrow and leave them no scope to develop ideas of their own.

Compare Maslow's Hierarchy of Needs with Lawrence and Nohria's Four Drive Theory as explanations of the poor motivation of Larkspur Interiors' designers.

Question 3 (6 marks)

Stanwell Building Supplies is introducing a new stock-picking procedure across its warehouse. Two of its supervisors already use the procedure at Stanwell's other warehouse, and orders must keep going out while the warehouse staff learn it.

a. Recommend whether Stanwell Building Supplies should use on-the-job or off-the-job training to teach staff the new procedure, and justify your choice. 3 marks

b. Describe how employee observation could be used to manage the performance of Stanwell's warehouse staff. 3 marks

Question 4 (6 marks)

Ironstone Foundry is permanently closing an outdated production line, so the positions of six employees are no longer required.

a. Outline **one** reason the departure of Ironstone Foundry's six employees is a redundancy rather than a dismissal. 2 marks

b. In managing the six departures, Ironstone Foundry must deal with both *entitlement considerations* and *transition considerations*. Explain what each involves, and how Ironstone's responsibility for the two differs. 4 marks

Question 5 (6 marks)

Ironstone Foundry currently determines its employees' wages and conditions under the relevant industry award. Most of its remaining employees belong to a union.

a. Explain **one** way Ironstone Foundry's remaining employees could be affected if their wages and conditions were set by an enterprise agreement instead of the industry award. 3 marks

b. If Ironstone Foundry and its union cannot resolve a dispute, distinguish between mediation and arbitration as ways the dispute could be resolved. 3 marks

Question 6 (10 marks)

"Money spent on employees is an investment, not a cost."

With reference to the statement above, analyse the relationship between a business's investment in its employees and its achievement of objectives such as improving efficiency and increasing market share.

In your response, refer to:

- investment in training as a motivation strategy
- **one** performance management strategy
- the short-term and the long-term effects of these approaches on employee motivation.

End of Topic 2 Test A

Topic 2 Test A — Solutions

Question 1.

a. *(2 marks)* Human resource management is the management of the relationship between a business and its employees — the function responsible for attracting, developing, motivating, rewarding and retaining the people a business employs. *(1 mark for the idea of managing the employment relationship / the people a business employs; 1 mark for a second accurate element, such as recruiting, developing, motivating or retaining employees. A vague "looking after staff" earns at most 1.)*

b. *(4 marks)* Efficiency is how well a business uses its resources — producing outputs with the fewest inputs, or at the lowest cost per unit. By recruiting suitable cheesemakers and then training and motivating them, effective human resource management gives Willowvale a **skilled and motivated workforce**. Skilled, motivated staff **waste less milk, make fewer errors and produce more cheese from the same inputs**, which lowers Willowvale's **cost per unit** and so improves its efficiency. *(1 mark for identifying/defining efficiency as resource use / cost per unit; up to 2 marks for the causal chain — effective HRM produces skilled and motivated staff who work more productively and waste fewer resources; 1 mark for linking this to lower cost per unit / improved efficiency at Willowvale. Answers that merely assert "good HRM makes the business efficient" without the mechanism are capped at 2.)*

Question 2. *(6 marks — marked globally)* **A similarity** between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory is that both are **needs-based** theories: each traces motivation back to underlying human needs the manager has to satisfy, rather than to the targets an employee is set, and each therefore predicts that Larkspur's **above-market pay will not motivate on its own**. Under **Maslow's Hierarchy of Needs**, motivation moves up five levels — physiological, safety, social, esteem and self-actualisation — and only the **lowest level not yet satisfied** exerts any pull, because once a level has been met it stops motivating. Larkspur's high pay and secure positions have already met the **physiological and safety** levels, which is why more money would change nothing. The level now blocking the designers is **social**: they work alone and "rarely speak to one another", so Larkspur should build belonging through shared studio projects, joint design reviews and a collaborative culture. Only once that level is met will **esteem** and **self-actualisation** — recognition for good design, and briefs broad enough for a designer to develop and own an idea — begin to motivate. Under the **Four Drive Theory**, motivation comes from four innate drives that press on the employee **all at the same time**. The drive to **acquire** is already well satisfied by the above-market pay, so more money would add little; the drive to **bond** is poorly met, given how isolated the designers are, and would be served by collaborative work and a supportive studio culture; the drive to **comprehend** is poorly met because the briefs are narrow, and would be served by varied, stretching work the designers can learn from; and the drive to **defend** is helped by their secure positions but would be strengthened by allocating briefs openly and fairly. **A difference** lies in the **structure** each theory imposes on the manager. Maslow's levels are worked through in a **fixed order, lowest first**, so Larkspur must satisfy belonging before recognition or creative fulfilment can do any motivating at all; the four drives have **no order**, and must be acted on **together**, so Larkspur would address bond, comprehend and defend at once rather than in sequence. *(Full marks require: at least one genuine similarity AND one genuine difference — a "compare" that gives only differences, or that merely defines the two theories, is capped; an accurate account of both theories; and application to Larkspur's designers. Cap at about half if only one theory is used, or if the response is not applied to Larkspur.)*

Question 3.

a. *(3 marks)* Stanwell should use **on-the-job training**, with its two experienced supervisors coaching the warehouse staff in the new procedure while they work. This is justified because the skill is **already held inside the business**, so Stanwell can train its staff without buying the knowledge in; because the procedure is **carried out on Stanwell's own racking, stock and equipment**, it is best learned in the warehouse where it will actually be used; and because staff keep working as they learn, **orders continue to go out** and Stanwell avoids both course fees and lost dispatch time. The trade-off is that the quality of the training depends on how well the supervisors teach and some mistakes will be made on live stock, but the relevance and low cost of learning in place outweigh this. *(1 mark for recommending an appropriate option — on-the-job is the strongest answer given the in-house expertise and the need to keep dispatching; off-the-job is creditable only if genuinely justified. 2 marks for a real justification — arguing* why* the option suits Stanwell, e.g. the expertise is already held internally / the procedure is learned on the racking and stock staff will actually use / work continues during training — not merely describing the option. A bare "on-the-job training" with no justification earns 1.)*

b. *(3 marks)* Under **employee observation**, a manager or supervisor **directly watches** Stanwell's warehouse staff as they carry out the new stock-picking procedure, gathering **firsthand evidence** of how well they perform — their methods, accuracy and any errors. The manager can then give **immediate, specific feedback** and coach staff on the spot, correcting mistakes or unsafe practices as they occur. *(1 mark for identifying what observation is — the manager watches the employee working; up to 2 marks for describing the process applied to Stanwell — gathering firsthand evidence of how the procedure is performed and providing feedback/coaching. Answers that describe a different strategy (e.g. an appraisal or self-evaluation) are not creditworthy.)*

Question 4.

a. *(2 marks)* The departure is a **redundancy** because the **positions themselves are no longer required** — Ironstone has permanently closed the production line those six employees worked on — and the loss of the jobs is **no fault of the employees**. It is not a **dismissal**, because a dismissal is the business ending the employment for a reason **connected to the employee**, such as poor performance or misconduct, and no such reason applies to these six. *(Both terms must be referenced for 2 marks — the position no longer being required and no employee fault, contrasted with dismissal being for an employee-related reason. An answer that addresses only one of the two terms is capped at 1.)*

b. *(4 marks)* **Entitlement considerations** are the payments and benefits Ironstone is **legally required to give** the six employees when their roles end — the wages still owed to them, payment for annual leave and long-service leave they have accrued but not taken, the required period of notice or a payment in place of it, redundancy (severance) pay scaled to how long each has worked at the foundry, and any unpaid superannuation. **Transition considerations** are the **practical help Ironstone provides so the six can move into new work** — an outplacement or job-search program, written references, access to counselling, or redeployment into another part of the foundry where a vacancy exists. Ironstone's **responsibility for the two is not the same**: entitlements are a **debt the foundry must discharge**, fixed by law and enforceable by the employee, whereas transition support is **assistance the foundry chooses to offer** — good practice, and widely offered, but not something the six could demand. *(1 mark for explaining entitlement considerations with an example; 1 mark for explaining transition considerations with an example; 1 mark for the contrast itself — a legal debt the business must discharge as against assistance it chooses to offer; 1 mark for applying both to Ironstone's six redundant employees. Simply listing terms without the distinction is capped at 2.)*

Question 5.

a. *(3 marks)* An **award** sets an industry-wide **minimum** safety net of pay and conditions that applies to every foundry it covers, whereas an **enterprise agreement** is **bargained collectively at the workplace**. If Ironstone's remaining employees moved onto an agreement, they could **bargain for terms above the award minimum** — higher hourly rates, better shift or overtime loadings, or rostering that suits them better — because their union can negotiate for them with the combined strength of its members. They are protected in doing so: the Fair Work Commission will not approve the agreement unless it passes the **better off overall test**, so every employee covered must end up **better off overall** than they would have been under the award. The trade-off is that those terms are then **fixed for the life of the agreement**, so any increases the employees receive are the ones written into it rather than the annual increases to award rates. *(1 mark for the award/agreement distinction — an industry-wide minimum versus terms bargained at the workplace; up to 2 marks for a developed, causal effect on Ironstone's employees — e.g. the capacity to bargain above the award, protected by the better off overall test, or terms fixed for the agreement's life. A response that only defines the two instruments, with no effect on the employees, is capped at 1.)*

b. *(3 marks)* In **mediation**, an **independent, neutral third party (the mediator) helps** Ironstone and its union **discuss** the dispute and work towards **their own mutually acceptable agreement** — the mediator facilitates but does **not** impose a decision, so any outcome is **voluntary and generally non-binding**. In **arbitration**, an **independent third party (such as the Fair Work Commission) hears both sides** and then **makes a decision that is legally binding** on and imposed on the parties. The key difference is **who decides the outcome and whether it binds**: in mediation the parties decide (non-binding), whereas in arbitration the third party decides (binding). *(Both methods must be described for full marks; award up to 2 for accurate descriptions and 1 for the explicit point of difference — who decides / binding versus non-binding.)*

Question 6. *(10 marks — marked globally)*

Model response. The statement is largely supported. Money spent on employees behaves like an **investment** because it buys a lasting increase in what employees are **able** to do and in how much effort they are **willing** to give, and both of those feed directly into the results a business measures. The relationship, however, is **causal but conditional**: the return depends on what the money is spent on and on whether the business keeps the people it develops. This response analyses that relationship through **investment in training**, through the performance management strategy of **appraisals**, and through the **short- and long-term** effects of each on motivation, in relation to the objectives of improving efficiency and increasing market share.

Investment in training as a motivation strategy. Training is not only a way of building skill; it motivates, because paying for an employee's development signals that the business values them and intends them to have a future in it, and because it opens the way to more demanding, better-paid work. The causal chain runs from the spending to the objectives: money spent on training produces employees who are **more skilled and more committed**; more skilled, committed employees **work faster, make fewer errors and waste less material**; less waste and rework mean **more output from the same inputs and a lower cost per unit**, which is precisely what improving efficiency means. The same chain continues into **market share**: fewer defects and better-informed service produce a more reliable product and a better customer experience, so customers return and recommend the business, and sales are won from competitors. Training also lowers turnover, which protects efficiency a second way — the business is not repeatedly paying to recruit and bring new staff up to speed.

A performance management strategy: appraisals. In a formal appraisal the manager and employee review performance against agreed standards, recognise what has been done well and agree on what needs to improve. The causal chain here runs through **direction** rather than capability: the employee learns exactly how they are performing and what the business needs from them, so their effort becomes **focused on the things that matter** instead of being spread across work of little value; recognition of good performance satisfies the employee's need for esteem and so raises effort further; and the development needs the appraisal identifies determine where the next round of training money is spent, so the two strategies reinforce each other. Better-directed effort raises productivity and quality, which again lowers cost per unit (efficiency) and improves what the customer receives (market share).

Short-term and long-term effects on motivation. This is where the "investment" claim is strongest, and where the relationship is most conditional. A bonus or pay rise lifts motivation almost immediately, but the lift **fades** as employees adjust to the new pay and come to expect it, so the business must keep spending to keep the effect. Training and appraisal-based development work the other way around: in the **short term** they are a genuine cost and can even reduce output, because employees are away from their normal work, fees are paid and managers spend time preparing reviews — so efficiency may dip before it improves. In the **long term**, though, the capability and commitment they build **persist and compound**, and the reduced turnover means the business retains the skills it has paid for. It is this durability that makes the spending an investment rather than a cost.

The relationship, then, is a chain running from **investment in employees**, through **greater capability and sustained motivation**, to **higher productivity and quality**, and from there to **improved efficiency and increased market share**. It is not automatic: training that does not match what the business needs, appraisals that are dishonest or never followed up, or a failure to retain developed employees will all break the chain, and the spending really will have been a cost. Where those conditions are met, the statement holds — the money returns far more than it consumes.

*(Full marks require: a correct treatment of the command term — genuine **analysis** showing causal relationships, not a list of advantages and disadvantages; explicit engagement with the **statement**; all **three** dot points addressed, including a **named** performance management strategy and a real short-term/long-term contrast; respect for the plural "objectives", with at least two objectives treated; and a sustained, structured response. Higher-scoring answers plan first and integrate a breadth of course knowledge. Responses that ignore the statement, address only one dot point, or replace the causal links with a list of advantages and disadvantages are capped.)*

Topic 2 Test B — Case study

Reading time: 5 minutes. Writing time: 40 minutes. Total 30 marks. Answers must apply to the case study.

Case study

Hopfield Brewing Co. is a craft brewery and taproom based in regional Victoria, employing about 70 people: brewers, packaging-line workers, taproom hospitality staff and sales representatives. Founded eight years ago by its chief executive officer, Darius Kane, Hopfield has grown quickly, and its current objectives are to increase market share and improve efficiency.

That rapid growth has created problems. Staff turnover among taproom hospitality staff has risen from 12% to 30% over two years; exit interviews repeatedly mention low pay and a feeling that good work "goes unnoticed". Several skilled brewers have also resigned. They told Hopfield that their work had become repetitive and that the business offered them "no way to progress". To cut costs, Hopfield has installed an automated canning line, and as a result the positions of three packaging-line employees are no longer required. It has also introduced a new quality-testing protocol that every brewer must be certified in, even though no current employee knows how to perform it.

Most of Hopfield's brewers and packaging staff are union members, and their wages and conditions come from the relevant industry award. Management, led by human resource manager Elena Marsh, is considering negotiating an enterprise agreement. However, a dispute has arisen over new weekend shift rosters for the brewery and the packaging line, and direct negotiation between the two sides has so far failed to resolve it.

Question 1 (4 marks)

Explain how Hopfield could use **two** principles of Locke and Latham's Goal Setting Theory to improve the motivation of its taproom hospitality staff.

Question 2 (4 marks)

Hopfield needs its brewers certified in the new quality-testing protocol, which no current employee knows how to perform. Explain why off-the-job training would be the more appropriate option for Hopfield.

Question 3 (4 marks)

If Hopfield negotiates a new enterprise agreement, describe the role its human resource manager, Elena Marsh, and the employees' union would each play in the negotiation.

Question 4 (6 marks)

Hopfield is considering creating senior-brewer and head-brewer positions into which its brewers could be promoted. Discuss this proposal as a way of using career advancement to motivate the skilled brewers who remain.

Question 5 (6 marks)

Analyse how the way Hopfield manages the redundancy of its three packaging-line employees could affect the motivation of the employees who remain.

Question 6 (6 marks)

Direct negotiation between Hopfield and its union over the new weekend shift rosters has failed. Evaluate the use of mediation to resolve this dispute.

End of Topic 2 Test B

Topic 2 Test B — Solutions

Question 1. *(4 marks)* Locke and Latham's Goal Setting Theory holds that employees are motivated by the goals they work towards, provided those goals are properly framed. Two principles Hopfield could use are **clarity** and **feedback**. Applying **clarity**, Elena Marsh could set each taproom employee **specific, measurable goals** in place of a general expectation to do good work — for example, a target average serving time at the bar, or a standard for how quickly tables are cleared and reset on a busy Saturday. Because the goal states exactly what good work looks like, staff know what they are aiming at and can direct their effort at it instead of guessing. Applying **feedback**, Hopfield could then review each employee's progress against those goals regularly — a short weekly check-in with their manager — so staff learn how they are tracking and can correct whatever is falling short. Feedback also answers the complaint recorded in the exit interviews that good work **"goes unnoticed"**: performance measured against a clear goal is performance that can be seen and acknowledged, which gives staff a reason to sustain their effort and should slow the turnover that has risen from 12% to 30%. *(2 marks per principle — 1 mark for accurately explaining the principle, 1 mark for applying it to Hopfield's taproom staff. Any two of clarity, challenge, commitment, feedback and task complexity are creditable if genuinely applied. Naming principles without applying them to the case, or reproducing all five, is capped at 2. Goal Setting Theory does not address the separate complaint about low pay, and answers need not claim that it does.)*

Question 2. *(4 marks)* Off-the-job training is training conducted **away from the workplace and the employee's normal job**, usually delivered by external specialists. It is the more appropriate option for Hopfield because **no current employee knows how to perform the new quality-testing protocol**, so the **expertise does not exist in-house** and cannot be taught on the job by a colleague. An external course or certification program run by a specialist provider would give the brewers **expert, structured instruction** and the **recognised certification** the protocol requires, and would ensure the protocol is learned **correctly** from the outset. Although off-the-job training is more expensive and takes the brewers away from production while they attend, this is justified because the skill simply cannot be delivered internally. *(1 mark for identifying off-the-job training; up to 2 marks for explaining* why* it suits Hopfield — the expertise is not held in-house and expert instruction / certification is required; 1 mark for applying to Hopfield and recognising the trade-off. An answer that just defines the two training types without justifying the choice is capped at 2.)*

Question 3. *(4 marks)* **Elena Marsh**, as Hopfield's **human resource manager**, would act **on behalf of the employer** in the negotiation: she would represent Hopfield at the bargaining table, help determine the wages and conditions the business is willing and able to offer, and ensure any agreement meets the business's **legal obligations** (including that employees are left better off overall than the award). The **union** would act **on behalf of the brewers and packaging staff** who are its members: it would **bargain collectively** on their behalf, negotiating for the wages and conditions the employees want and using the members' combined strength to give them greater bargaining power than they would have individually. The two therefore sit on **opposite sides** of the same negotiation — Elena advancing Hopfield's interests, the union advancing the employees'. *(2 marks for the HR manager's role — represents the employer / negotiates on Hopfield's behalf; 2 marks for the union's role — represents the employees / bargains collectively. Each role must be linked to Hopfield's agreement. Reversing whose interests each advances earns no mark for that participant.)*

Question 4. *(6 marks)* **Career advancement** — giving employees the opportunity to progress into higher positions carrying more responsibility, status and pay — is exactly what the proposed **senior-brewer and head-brewer positions** would offer, and the proposal has clear advantages and disadvantages as a way to motivate the brewers who remain. **Advantages:** it answers directly the complaint that drove several brewers out — that Hopfield offered them **"no way to progress"** — because a promotion path makes a future at Hopfield visible where previously there was none. It gives the remaining brewers a reason to work hard now, since it is skill and effort that would earn one of the new positions, and a reason to **stay** rather than resign, which would slow a loss of experienced brewers Hopfield can ill afford while it is trying to increase market share. Because promotion is an ongoing prospect rather than a one-off reward, it also builds **loyalty and long-term commitment**, and it develops Hopfield's future leaders from within instead of forcing it to recruit them. **Disadvantages:** the proposal creates only a **small number of positions**, so most brewers still could not be promoted, and those repeatedly passed over may become **disappointed or resentful** and lose the very motivation the proposal was meant to build. A brewer promoted to head brewer may also **lack the supervisory skills** the position demands, so Hopfield would have to train and support them or risk poor leadership on the brewing floor. The new positions would also carry **higher wages**, an added cost at a time when Hopfield is cutting costs — it has just automated its canning line — so the business must be sure the retention gained is worth the wages paid. Overall, the senior-brewer and head-brewer positions are well matched to the reason Hopfield's brewers are leaving, but they cannot motivate every brewer and would work best alongside other strategies. *(Discuss = advantages* ***and*** *disadvantages of the proposed positions, applied to Hopfield's brewers. Award up to 3 for advantages and up to 3 for disadvantages, each genuinely linked to the case. Do not "double-dip" — using one point as both an advantage and its own disadvantage is capped; note that "builds long-term commitment" and "is slow to take effect" are the same property reversed. An evaluative judgement is not required for a "discuss", though a brief one does no harm.)*

Question 5. *(6 marks)* The way Hopfield manages the redundancy of the three packaging-line employees has a **causal effect** on the motivation of the employees who remain, because remaining staff watch how departing colleagues are treated and draw conclusions about their own security. If Hopfield manages the redundancy **well** — confirming the roles are **genuinely** no longer needed, paying the departing employees their **full entitlements**, and offering **transition support** such as outplacement, references or counselling, all communicated honestly — the remaining employees will **see that people are treated fairly**. This **increases their sense of job security and trust in management**, which in turn **sustains or lifts their motivation and commitment**. If, instead, Hopfield manages it **poorly** — abrupt or seemingly unfair cuts, underpaid entitlements or no support — the remaining employees may **fear they could be treated the same way**, causing **anxiety, reduced trust and lower motivation**, and possibly prompting more staff to resign. This is a serious risk at Hopfield, which is **already losing people** — several skilled brewers have resigned, and turnover among its taproom staff has risen from 12% to 30% — so mishandled redundancies could accelerate the loss of staff. The relationship is therefore a causal chain running from **how the leavers are treated**, through **remaining employees' perceptions of fairness and security**, to **their level of motivation**. *(Analyse = show the causal relationship, not a list of pros and cons. Award for a genuine causal chain — treatment of leavers → perceptions of fairness/security → motivation of remaining staff — applied to Hopfield, including its existing turnover problem. Answers that simply list "good things" and "bad things" without the causal links, or that discuss only the departing employees, are capped.)*

Question 6. *(6 marks)* Under **mediation**, a neutral third party sits with the two sides and **guides their discussion** of the roster dispute until they can settle it **themselves**; this has real strengths and weaknesses for Hopfield. **Strengths:** mediation is **relatively informal, quick, confidential and inexpensive**, and because the parties **reach their own agreement** rather than having one imposed, they are more likely to **accept and honour** it; the cooperative process helps **preserve the working relationship**, which matters greatly because Hopfield's brewers and packaging staff must keep working for it after the rosters are settled. It is therefore a sensible **next step** now that unassisted direct negotiation has failed but the relationship has not yet broken down. **Weaknesses:** a mediated outcome is **voluntary and generally non-binding**, so if one side later refuses to comply there is little to enforce it; and mediation **relies on both parties being willing to compromise in good faith** — and direct negotiation between them has **already failed**, which raises the risk that mediation will also fail and simply delay resolution. **Judgement:** on balance, mediation is an **appropriate method for Hopfield to try next**, because the parties must continue to work together and the dispute is not yet intractable, so a neutral mediator may bring them to a compromise that direct negotiation could not; however, if mediation fails, Hopfield may need to escalate to **arbitration** to obtain a binding decision that ends the dispute. *(Evaluate = weigh strengths against weaknesses* ***and*** *reach a judgement based on evidence from the case — not a generic "the advantages outweigh the disadvantages". Award up to 2 for strengths, up to 2 for weaknesses, and up to 2 for a supported, case-based judgement. Both sides must be applied to Hopfield's roster dispute.)*