



Factsheet:

Minimum Wages



What does the term minimum wages mean?

A minimum wage is an employees' base rate of pay for working ordinary hours. The minimum wage is dependent on the industrial instrument that applies, such as a modern award or enterprise agreement.

Each modern award will set out the minimum wage for employees who work under that award. The base rate of pay is usually dependent on an employee's:

- Job classification
- Employment category (full-time, part-time, casual, apprentice, trainee etc.) or,
- If the employee is an adult or a junior.

Who sets the minimum wages?

Minimum wages are reviewed annually by the Fair Work Commission (FWC). The FWC will consider rates of pay in:

- **Modern awards** – specify the minimum wage rates for employees covered by a relevant modern award
- **The National Minimum Wage** – this applies to award or agreement-free employees.

Employees and employers cannot agree to a wage that is less than the applicable wage rate from either a modern award or the national minimum wage.

Any application to change the minimum wages in modern awards or the national minimum wage will apply from the first full pay period on or after 1 July each year.

Any changes to the minimum wages are published before the 1 July deadline.

What minimum wages will apply for employees working under a modern award?

Since 1 January 2010, modern awards replaced most existing awards and created transitional pay scales.

In many circumstances the wages under a pre-modern award (usually a state award or a federal award) were different from the wages in the appropriate modern award.

Most modern awards contain a clause called Transitional Provisions. This clause is found towards the back of the modern award and is called schedule A. Transitional Provisions are due to cease operating at the end of 2014.

Both the employers and the employees need to be aware of the 1 July increases each year to make sure that each employee is being paid at least the minimum wage under their modern award.

What happens if an employee is paid above the award wage?

Under a modern award, the wages for each classification are the minimum wages. An employer can pay more than this wage but an employer cannot pay less.

Even though an employee is being paid above the award wage, both employers and employees need to be aware of any increases to the award wage.

This is important because as long as the employee is being paid above the award wage, the employer does not need to increase the employee/s wages on 1 July because the minimum requirement is already being met.



However, when the time comes that the employee/s wage is less than the minimum wage, your wages must increase to at least the minimum wage.

What about employees who are not covered under a modern award – what wages do they need to be paid?

The FWC does not only adjust the minimum wages under modern awards, the FWC also sets the National Minimum Wage. The national minimum wage is a minimum wage for employees who are not covered under a modern award or an agreement.

As at 1 July 2014, the federal minimum wage is \$16.87 per hour or \$640.90 per 38 hour week (before tax).

An employee cannot be paid less than the national minimum wage order. Again, the national minimum wage order is effective from 1 July each year and like a modern award minimum wage, the federal minimum wage will change from year to year.

What else needs to be added to the base rate of pay?

Penalty rates

Employees often get higher rates when they work late nights, early mornings, weekends or public holidays.

Penalty rates come from the modern award or agreement and they are different for each industry and job. Employees who are not covered by an award or agreement and who are covered by the national minimum wage do not get penalty rates unless their contract says they should.

Overtime

What is considered overtime is different under each award or agreement. Overtime is usually any work in excess of 38 hours in a week, or outside the ordinary hours listed in the award or agreement.

Overtime work is often paid at a higher wage (e.g. time and a half). Always check your award or agreement for details.

Instead of being paid an overtime rate, an employee may be able to take time off instead. This is called time in lieu.

Employees who are not covered by an award or agreement will not be paid overtime unless their contract says they do.

Allowances

Allowances are extra payment for:

- Doing certain tasks
- Using a certain skill
- Working in certain conditions
- Using your own tools at work.

For example, an employee may get an allowance for:

- Using their own car to carry work materials
- Wearing a special uniform or clothing that needs cleaning
- Supervising other staff
- Doing certain types of work
- Being a first aid officer at work.

Allowances come from awards and agreements. Always check the award or agreement for specific allowances as each industry will vary.

Useful websites and contacts

Fair Work Ombudsman

Hotline: 13 13 94 www.fairwork.gov.au

Work Cover NSW

Hotline: 13 10 50 www.workcover.nsw.gov.au

NSW Industrial Relations

Hotline: 131 628 www.industrialrelations.nsw.gov.au



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