

Wages And Salaries

A **wage** is income determined by the number of hours an employee works for a fixed **hourly** rate, and is usually paid weekly. Wage earners have the capacity to earn more income by working extra hours (**overtime**).

A **salary** is income determined as a **fixed annual amount**, which is then paid to the employee in weekly, fortnightly or monthly amounts. Salary earners do not have the capacity to earn extra income through overtime, but can attract other benefits, such as a company car, bonus payments or an expense account.

For **wage** calculations: 1 year = 52 weeks or 26 fortnights

For **salary** calculations: 1 year = 52.18 weeks or 26.09 fortnights

Days, weeks, months and years

1 year = _____ months = _____ weeks = _____ fortnights = _____ days

1 fortnight = _____ weeks

p.a. means per _____. This means per _____.

Monthly Income:

To calculate monthly income, **divide** the yearly income by 12, because there are 12 months in a year.

Do not multiply weekly income by 4.

Note: 1 month \neq 4 weeks.

Fortnightly Income:

To calculate **fortnightly** (2 week) income, there are two ways you can do this:

(i) **Multiply** the weekly income by 2.

(ii) **Divide** the yearly income by 26 (there are 26 fortnights in 1 year).

Weekly Income:

To calculate weekly income:

- (i) Divide the yearly income by 52 (there are 52 weeks in a year).
- (ii) Divide the fortnightly income by 2.

➤ **Do not** divide monthly income by 4
since 1 month \neq 4 weeks.

Example 1: Leanne earns a salary of \$42 400 per year (p.a.). How much does she earn:

- (i) each week?
- (ii) each fortnight?
- (iii) each month.

Example 2: Tony's first job pays \$7.27 per hour. If he works 38.5 hours each week, calculate his

- (i) weekly income.
- (ii) monthly income
- (iii) fortnightly income

Overtime pay

Employees who work for a **wage** earn **overtime** when they are required to work more than their **standard number of hours** or when they work on **weekends** and **public holidays**.

The two most common rates of **overtime** pay are:

- **Time-and-a-half** = $1.5 \times$ normal hourly rate
- **Double time** = $2 \times$ normal hourly rate

Example: Stan works 35 hours at \$12.94 per hour and 4 hours overtime at time-and-a-half.

(a) Calculate his rate of pay at time-and-a-half

(b) Calculate his total earnings.

Example: Mr Lee pays his employees normal rates on weekdays, **time-and-a-half** on Saturday and **double time** on Sunday.

Colin works 38 hours (Monday to Friday), 6 hours on Saturday and 4 hours on Sunday.

Calculate his total earnings if his normal rate of pay is \$14.50 per hour.

Example: Last week Rani worked her normal 38 hours, then 4 hours at time-and-a-half and 5 hours at double time. She was paid \$909.90 for the week. Find her **hourly rate of pay**.

STEP 1 Find the equivalent number of hours at normal time.

STEP 2 Divide her pay by your answer from step 1.