

Fact-sheet – How to define the minimum wage?



What is the objective?

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This is the lowest remuneration that employers can legally pay their workers, the price limit below which workers may not sell their labor. This wage consists of the basic wage and some additional allowances, depending on the country's regulation. Some income components, such as additional benefits, are not included in the calculation of the minimum wage. The pay slip delivered each month by the company to the workers should state the statutory basic wage and all the other components (overtime hour's payment, deduction etc.).

The minimum wage is defined by the national regulation but can also be fixed by a collective bargaining agreement, any state regulation or specific industry agreement - if this is in favor of the worker. The company should ensure the minimum wage is met for each category of workers.



Why is it important to define the minimum wage?

The minimum wages help to protect workers against unduly low pay. It can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women, by promoting the right to equal remuneration for work of equal value.



How to achieve the objective?

The company should designate a person in charge of local regulation who can ensure the updating of company's policy to comply with law in terms of remuneration.

Salary:

- This is a wage amount fixed per year. The salaried hours to be worked should be in the employment agreement; if an employment agreement does not have the salaried hours then the salary earned by the worker must still be equal to or higher than the minimum wage for each hour worked.

Wages & Penal rates:

- The hourly wage is calculated based on the number of hours the worker worked during the period. A basic salary is fixed by hour, day, week, month - which at least meets the minimum wage - and the calculation is done as per regular working hours paid at normal rate and per overtime hours paid as per premium rate. The normal and premium rates are percentages of the basic hourly rate fixed by contract, this percentage is fixed by law. The total wage is the combination of the basic wage, overtime hours wage, penal rate (which is a special rate granted for special work) and other allowances.

Piece Wages

- The wages are calculated according to the worker's productivity. A rate is fixed by the company (it can be per reference), agreed with the worker prior to the production and calculated based on production records. The facility should describe the calculation method to obtain the wage which will be paid to the worker. In any case the minimum salary should be guaranteed by contract to the worker, whatever his/her productivity. This minimum salary should meet the minimum wage. Moreover the total salary should be at least equal to the minimum salary as per contract + overtime payment as per the overtime hours he/she performed during the month.

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Common non-compliances

Non-compliance	Comment
The facility is paying a grade B worker with grade A salary.	The facility should ensure that each worker is paid according to his/her grade and his/her job position.
Piece rate workers’ wages do not meet the minimum wage due to lack of productivity.	The facility should ensure that the piece rate worker’s minimum wage is at least the one required per law during low season.
Allowance amount too high compared to the basic salary.	The facility should ensure to have the basic minimum wage at least matching the law and not use the allowances to reach this amount.



Good practices

- The facility implemented a minimum wage higher than the law: minimum wage is obviously the legal requirement but does not necessarily ensure sufficient remuneration to fight poverty. The minimum wage is the basic wage that when possible should be revised and increased for workers to fight poverty.
- By creating its own salary grid, that takes into consideration the cost of life, the structures of families, the housing reality of its employees, the facility is implementing a good practice which can have positive effects on workers turnover, productivity and quality of products. Some tools are also accessible to calculate a decent wage according to the regions.