

# National Minimum Wage



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Employers should be aware that the National Minimum Wage is in no way related to the Working Time Regulations. The two use entirely different measurement systems, and calculations of time worked under one set of regulations will not be relevant to the other.

that employers will have to pay their workers the minimum wage for every hour they work or a fair piece rate initially set at 100% of the minimum wage. The rate will increase to 120% of the minimum wage in April 2005 at which point most homeworkers will receive the minimum wage.

## National Minimum Wage (NMW) rates and exemptions

- The standard hourly NMW rate will increase to £4.85 with effect from 1 October 2004. This will apply to almost all workers aged 22 and above.
- A rate of £4.10 per hour will apply to workers aged 18 to 21.
- A new rate of £3.00 per hour for young workers aged 16 to 17 will come into force on 1 October 2004.
- Volunteers are excluded BUT ONLY if they do not receive any payment or benefit in kind apart from the following:
  - actual expenses or expenses reasonably estimated
  - provision of reasonable subsistence or accommodation, eg service team
  - Note that an honorarium counts as pay, and the recipient will therefore be entitled to the NMW
  - Training may be counted as pay if it is not directly related to the job as volunteer.

The Government has produced draft guidance (final guidance will be available shortly) on proposals to introduce fair piece rates for output workers, including homeworkers.

## What's included in the NMW

- Basic pay before deduction of income tax and national insurance
- Performance or incentive pay (but not allowances - see below)
- Accommodation provided for employees up to a maximum value of £3.75 per day (£26.25 per week).

## What's not included in the NMW

- Benefits-in-kind (e.g. meals, car) and vouchers (e.g. lunch)
- Payments for a time when worker is absent from work (sick/holiday pay)
- Overtime and shift or output related premia
- Allowances (eg for standby or on-call periods, special duties, London Weighting)
- Business travel expenses

## Fair Piece Rates

From October 2004, the Government is proposing

## The Scout Information Centre

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- Deductions by employers relating to tools, materials or services needed to do a job(eg uniform)
- Payments by employers:
  - under a loan agreement
  - as an advance of wages

### Has the NMW been paid?

- Employers must be able to demonstrate that they have paid an *average* of the NMW over a period of time known as the 'pay reference period' (PRP), rather than the NMW for each hour worked.
- The PRP is 31 days for all employees, unless they are paid more often, in which case the PRP is the pay period. For instance, the PRP is one week for weekly paid staff.
- There is no provision to agree a different period, as there is in the Working Time Regulations.
- Employers should keep records of all staff pay. For example;

National minimum wage standard hourly rate:

£4.85

Daily amount if 8 hours a day: £38.80

Weekly amount if 40 hours/week: £194.00

Monthly amount (22 working days at 8 hours)  
£853.60

Annual amount if 40 hours/week: £10,126.80  
(52.2 weeks/year)

### How the NMW will apply to different working circumstances

#### a) 'Time Work'

Most workers are paid on the basis of time worked. 'Time Workers' will be entitled to the NMW for all the time that they are available at a place of work, and are required to be available there. Therefore a 'time worker' who is on

standby or on call but away from their place of work will not be entitled to NMW for that period.

Note also:

- Workers who, by arrangement, sleep on the employer's premises are only entitled to NMW when they are actually working
- Rest breaks are treated as periods of absence. Hence any payments for rest breaks will not count towards the NMW.
- 'Time workers' will be entitled to NMW for time spent travelling on business, but not for time spent travelling to and from work.

(This also applies to output workers - see below.)

#### b) 'Output work'

Covers those employed on piece-work or commission. Very few in the Voluntary Sector.

#### c) 'Non-hours workers'

This relates to those workers who are not paid by either time or output. It could include, say, campsite wardens (youth hostel wardens are given as an example). It is advisable to come to an reasonable agreement with the employee as to the average number of hours worked in a pay reference period. This is used to calculate whether the NMW has been paid.

### Finally

Records must be retained for inspection for six years

### For Further Advice

To check on how the National Minimum Wage applies to you (or your staff), use the TIGER interactive website: [www.tiger.gov.uk](http://www.tiger.gov.uk)

or telephone the National Minimum Wage Helpline on 0845 6000 678.

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