

## 5. Compensation



BETTER WORK

*Wage payments are critical to workers' day-to-day lives. Minimum wages are set to ensure that workers can meet their own needs and those of their family. They may differ across groups of workers, sectors of economic activity or geographical location.*

*Workers must receive pay on time and in full for ordinary and overtime hours and paid leave. They must be paid in legal tender. Employers should tell workers about their wages and any deductions, and they should not restrict workers' use of their wages. Deductions should be made only under conditions allowed by law or collective agreement.*

### 5.1 Minimum Wages

The legally required minimum wage is the higher of that set by the government or that contained in an applicable collective agreement.

There may be different minimum wage rates set for some categories of workers, e.g., probationary workers, temporary workers or apprentices. If there is no specific rate, they should be paid at least at the same rate as regular workers. Workers paid by piece rate must be paid at least minimum wage for ordinary hours of work, even if their actual piece-rate earnings are below minimum wage.

### 5.2 Overtime Wages

Typically, workers receive higher pay for working beyond the required normal hours (overtime), on public holidays, weekly rest days and at night. The rate for these hours may be set by the government or by collective agreement (whichever is higher applies). Different rates may apply for regular overtime, and for overtime worked at night, on public holidays, and on weekly rest days. Piece rate workers also should be paid overtime pay at required premium rates.

### 5.3 Premium Pay

In some cases, additional compensation is required during regular working hours in the form of premium pay. For example, premium pay may be required under national law for regular working hours performed at night, on weekly rest days, or on public holidays.

### 5.4 Method of Payment

The form and method of payment refers to the type, timing and location of the payment. Regular pay periods should be set. Wages should be paid on time, directly to the worker, and at a convenient location.

National law or collective agreement may allow employers to provide meals, housing or other benefits to workers and to deduct the cost from workers' wages (in-kind payment). In-kind payments can make up only part of workers' wages, and the benefits provided must be fairly valued and meet the personal and family needs of the worker.

### 5.5 Wage Information, Use and Deduction

Workers should be able to use their wages as they choose. They may not be pressured to use their wages for goods or services provided by the employer.

The employer should inform workers about their wage payments and any deductions in a language they can understand, and should explain how workers' wages are calculated. Clear wage statements that include days worked, wages or piece rate earned, hours of overtime,

bonuses, allowances and legal or contractual deductions should be provided to workers. The employer should keep complete and accurate payroll records for at least 12 months.

### **5.6 Paid Leave**

Workers should be paid for legally mandated paid leave, including paid public holidays, annual leave, and sick leave. Workers also should be paid for maternity or paternity leave, and provided maternity-related benefits as required by national law.

### **5.7 Social Security and Other Benefits**

Social security or social insurance funds can include national funds to cover medical expenses, sick leave, maternity leave, invalidity benefits, unemployment benefits, retirement, compensation for work-related accidents and illnesses, and survivor's benefits. National law often requires contributions from both workers and employers. Employers typically are responsible for making their own contributions and for withholding workers' contributions from their wages. The employer must forward the funds withheld and employer contribution to the relevant social insurance fund in a timely manner.

### **Types of employer action that can lead to non-compliance**

- Not paying at least minimum wages to all workers (including those paid piece-rate) for ordinary hours of work.
- Not paying workers the correct rate for all of their overtime hours.
- Not paying the correct rate for regular hours or overtime hours worked at night, on weekly rest days or public holidays.
- Not paying workers regularly or on time, or making unauthorized deductions from wages.
- Pressuring workers to spend wages in a particular way (e.g., on company housing or shops).
- Keeping false, incomplete, or inaccurate payroll records, or double books.
- Breaching legal requirements for paid leave or social security contributions.

### **Key action points for employers**

- Check national law and relevant collective agreements for the minimum wage and correct rates of pay for ordinary hours, overtime, night work, leave payments, etc., as well as restrictions on deductions and in-kind payments.
- Pay all workers at least the applicable minimum wage.
- Pay the correct rate for regular and overtime hours worked at night, on weekly rest days and on public holidays.
- Pay workers regularly and on time.
- Inform workers about their wages and how they are calculated in a language they understand.
- Give workers clear wage statements.
- Ensure that workers are free to choose how they spend their wages.
- Ensure that any deductions are reasonable and in line with national law and collective agreements.
- Pay all legally required leave, including annual, sick and parental leave, and paid public holidays.
- Keep clear, complete, and accurate payroll records.
- Pay, collect and submit all relevant social security contributions.

### **Key references**

ILO Convention 95 and Recommendation 85 on Protection of Wages; ILO Convention 183 on Maternity Protection.