

Salary vs wage: Understanding the differences

What is the difference between salary and wages in Australia? While these two terms are often used interchangeably in conversation, they technically refer to different types of pay structures.

When you're thinking of [starting a new role](#), it's important to understand the different payment types you might encounter in your job search. This knowledge will help you make informed decisions when job seeking and eventually [accepting a job offer](#). In this article, we explore the difference between salary and wage, the advantages of each, and the laws and regulations that govern them in Australia.

What is a salary?

A [salary](#) refers to a fixed amount paid to an employee for a year of work. Salaries are generally paid on a weekly, fortnightly or monthly basis. A salary remains consistent – your salary figure won't change during the year, regardless of the number of hours worked (unless you get a raise).

Salary-based compensation is common across a number of sectors and roles, including corporate positions, the education sector and the government or public sector. It's the 'standard' payment type for permanent positions in Australia.

Advantages of a salary

There are a number of benefits to salaried position, including:

- **Consistent income:** with a fixed salary, employees can rely on a predictable income, which helps with budgeting and financial planning.
- **Stability:** salaried positions are usually permanent positions, and therefore come with more job security compared to hourly or contract-based work

arrangements.

- **Additional benefits:** many employers offer a range of benefits to salaried employees. This can include perks like gym memberships or childcare subsidies.
- **Bonuses and incentives:** salaried employees may be eligible for bonuses, incentives or profit-sharing schemes, providing opportunities for additional income.
- **Paid leave:** salaried employees receive paid annual and personal leave. They will also typically get paid public holidays, allowing them to take [time off](#) without losing income.

Disadvantages of a salary

While salaried employment can have a range of benefits, there are a few drawbacks to consider as well:

- **Fixed income:** a fixed salary is usually set for a year. Outside of bonuses, promotions or pay negotiations, there's no opportunity to earn more income.
- **Limited overtime pay:** salaried employees are typically exempt from [overtime](#) pay regulations, so they may not receive extra compensation for working beyond their regular hours (within reason).
- **Limited flexibility:** some salaried positions may have limited flexibility in terms of [work hours or schedules](#), with expectations of being available during specific times or days.

What are wages?

A wage is a form of compensation calculated on an hourly, daily or piece-rate basis. Jobs with hourly wages are typically seen as more flexible and can be unpredictable, with no set weekly hours. Under a wage structure, employees are usually paid for any overtime they perform as part of their role.

Wages are often associated with casual, non-permanent part-time, or contractor-style employment arrangements and are common in industries like retail, hospitality and construction. Wage-based positions are usually used to fill any temporary roles.

Advantages of wages

The benefits to a wage payment structure include:

- **Pay for every hour that you work:** unlike a salaried position, when you earn an hourly wage, you get paid for overtime.

- **More flexibility:** wage workers are usually able to choose shifts or tasks that suit them. Their hours can vary from week to week, with an employee working 30 hours one week, and then more or less the next.
- **Different rates:** hourly rates for public holidays, night shifts and weekends are higher than the base rates, allowing wage workers to earn more than permanent employees.
- **The ability to earn more money:** if you want to earn more money, you can ask for extra shifts, work for a second employer, or take on more projects.

Disadvantages of wages

While it does have benefits, there are some things to keep in mind when considering if the wage-based position works for you. These things include:

- **Inconsistent income:** unlike salaried employees, those on a wage may find their schedule changes, causing their income to vary week to week.
- **Cuts to hours:** if business is a bit slower than usual, then wage workers may find their hours are reduced.
- **Fewer benefits:** wage workers often don't get annual leave, and usually don't receive the same perks as salaried employees.

Wage-based positions are much more flexible, but far less stable than salaried positions. If work hours drop, an employee's wage will also decrease.

What is the difference between a wage and a salary?

When it comes to salary vs hourly pay, the difference is that a salary is a fixed yearly amount, whereas wages are an hourly amount that can change depending on penalty rates.

Salaried employment generally provides greater [job security](#) compared to a wage-based role, thanks to the longer-term employment contracts that come with it. A salaried role is paid in consistent instalments throughout the year, which makes it easier for people to set monthly budgets. Wages, on the other hand, can fluctuate based on your work hours.

While both salaried and wage-based roles provide opportunities for you to enjoy financial security, salaried positions tend to offer greater income stability, more [career advancement](#) opportunities and additional perks and benefits. Alternatively, wage earners, depending on their industry, position and work hours, may earn more

than their salaried co-workers with the same responsibilities. Ultimately, the ideal payment structure for you comes down to your personal preferences.

Do both salaried and wage-based roles pay super?

Regardless of whether you take home a salary or wage, your employer will pay super. Under the [super guarantee](#), employers have to pay super contributions of 11% of an employee's base-rate earnings when an employee is:

- over 18 years, or
- under 18 years and works over 30 hours a week.

The super guarantee applies to all types of employees, including [full-time](#), [part-time](#) and [casual](#) employees.

Are you legally required to receive salary or wages in Australia?

In Australia, several employment laws and regulations govern industrial and employment relations, including salary and wage payments, including:

- The Fair Work Act 2009,
- The National Employment Standards (NES),
- The Work Health and Safety Standards (WHS),
- State and Federal anti-discrimination laws, and
- The Privacy Act 1988.

Under the legislation, employers are required to pay their employees the correct pay rate in addition to any entitlements they're eligible for. The rate of pay is calculated based on the National Minimum Wage or the relevant award that covers their industry.

The wages and [entitlements an employee is eligible for](#) also depend on:

- age,
- industry,
- qualifications, and
- work duties and responsibilities.

The [National Employee Standards \(NES\)](#) sets out 12 entitlements that all employees must be provided with, including:

1. Maximum weekly hours

2. Requests for flexible working arrangements
3. Offers and requests to convert from casual to permanent employment
4. Parental leave and related entitlements
5. Annual leave
6. Personal/carer's leave, compassionate leave and family and domestic violence leave
7. Community service leave
8. Long service leave
9. Public holidays
10. Superannuation contributions
11. Notice of termination and redundancy pay
12. Fair Work Information Statement (the FWIS) and Casual Employment Information Statement (the CEIS)

Regardless of whether you receive a salary or wage, you're eligible to receive all entitlements under the NES, applicable Modern Award or relevant enterprise agreement for your job.

Protecting salaried and wage workers in the workplace

Labour laws and regulations are in place to protect both salaried employees and wage workers against unfair or unlawful treatment in the workplace. However, there are a couple of differences between salary vs wage employees.

Employers must provide salaried employees with a clear and legally binding [employment contract](#) that details the terms and conditions of employment, including the salary amount, payment frequency and any other relevant payment terms.

As for employees who earn a wage, their employers must comply with rules and regulations regarding overtime pay for employees who work additional hours beyond standard working hours. This includes paying employees the appropriate overtime rates under the Fair Work Act and the relevant awards or agreements.

What is minimum wage?

When it comes to the salary vs hourly rate in Australia, the Fair Work Commission sets out the national minimum wage for all employees. The minimum wage is the minimum amount that an employee can be paid for the work they're doing.

From 1 July 2023, the National Minimum Wage is \$882.80 based on a week of 38 ordinary hours (\$23.23 per hour). This is the base rate for adult employees in the national system who are award- or agreement-free.

There are a few exceptions to this rule, including:

- The [type of employment](#) (for apprentices or trainees)
- The employee's age if they're under 21 years
- The employee's work capacity (if they have a disability)

Each year, the Fair Work Commission reviews and adjusts the National Minimum Wage and minimum pay rates under awards to ensure employees can support themselves and their families. These changes are typically rolled out on the first full pay period on or after 1 July.

When considering your next job offer or compensation package, it's important to understand the difference between salary and wage-based payments. By understanding your entitlements and the industry standards, you'll be better positioned to [negotiate more effectively](#) during salary discussions, so you can secure fair and competitive compensation that reflects your skills, experience and responsibilities.

FAQs

What are the primary differences between a salary and a wage?

What is the difference between a salary and a wage? The main difference between these two compensation structures is:

- A salary refers to a specific amount that's paid in regular intervals throughout the year
- A wage can fluctuate and is typically paid on an hourly or per-piece basis

How do salary and wage affect employee benefits and job stability?

Salary-based compensation packages tend to include additional benefits and bonuses

that aren't available to employees who receive an hourly wage. This includes certain leave entitlements and added job-specific perks. Salaried positions often provide greater job stability and security thanks to longer-term employment contracts.

What legal considerations should both employers and employees be aware of in terms of salary and wage payments?

There are several legal considerations that employers and employees alike should be aware of when it comes to salary and wage payments. Employers must comply with the Fair Work Act 2009 and relevant regulations that are designed to protect the rights of their employees.

Additionally, minimum wage requirements are in place to ensure employees are fairly compensated for their work. There are also requirements around pay frequency and timing, access to pay slips and superannuation contributions to name a few.

How can understanding salary and wage structures influence career progression and decision-making?

Understanding salary and wage structures allows employees to make informed decisions when it comes to potential roles and [career pathways](#). Having a clear understanding of compensation structures is the basis for effective negotiations. By using this knowledge, people can maximise their earning potential, enhance [career satisfaction](#), and build a successful and fulfilling career.

What role does the minimum wage play in determining salary and wage levels?

The national minimum wage requirements ensure that all employees receive fair compensation for their work. The minimum wage sets a baseline for fair compensation, ensuring that all workers receive a minimum level of income deemed necessary to support themselves and their families. Ultimately, it serves as a safeguard against exploitative labour practices and helps prevent economic hardship.