

June 2014



In case you haven't heard re calculating minimum wage on farm.

Over the last year or so there has been a lot of discussion in the media around farm practices in relation to keeping wage records, hours worked on farms and in particular employees not earning minimum wage within their pay period.

This was not helped by rumours that MBIE (the Ministry of Business Innovation and Employment) were going to treat an accommodation allowance as a part of salary/wages differently from how IRD have traditionally viewed it. This created a lot of uncertainty for months and many employers were signing up new staff for the 2014/15 season unsure of exactly how to calculate the minimum wage.

Thankfully MBIE reached a decision in May and hopefully this has been well communicated out to the rural community now. If not then in brief minimum wage calculations continue to include accommodation allowances and are based on the total hours worked on either a weekly or fortnightly pay cycle. So for those of you seeking to work out if your employee is earning above minimum wage during calving and mating here is a very simple formula to use.

If the annual salary is \$39,000pa and your accommodation allowance is \$8,320pa then your gross annual package is \$47,320pa divide by 26 (if paid fortnightly) and divide again by the amount of the minimum wage (currently \$14.25) = 127.5 hours (rounded down) that your employee can work per fortnight without earning less than the required minimum wage.

So this is why it is essential to now keep good time records for your employees. Using the example above if your employee worked 130 hours over the fortnight then on that pay cycle the employer would have to pay the employee a further 2.5 hours pay at minimum wage to ensure the employee has at least earned that during the fortnight. This would be a gross cost of \$35.63 plus KiwiSaver if applicable. Not much for keeping good records, appreciated employees and no stress in dealing with MBIE.

Good record keeping on timesheets will also ensure good records regarding annual leave, sick leave, rostered days off and minimise disputes over these matters – which is all good news for rural employment.

Any questions or if you would like any assistance with employment matters please feel free to call me, John Brosnan, HR advisor at CooperAitken Ltd accountants in Morrinsville and Matatmata, DDI 07 9022 838.