

Earning Money

When you start to work and earn money you will be paid a salary or a wage, but how much you earn will depend on the following:

- **The type of job you do** – Generally, jobs that need more training or qualifications (e.g. doctor, solicitor) are more highly paid.
- **Where you live** – Salaries and wages are usually higher in large cities, such as London.
- **Your experience** – Usually, the more experience you have, the more you are paid.
- **Your employer** – It's usually up to employers to decide how much staff are paid.

What's the difference between 'salary' and 'wage'?

People who earn a salary...

- are given a set amount for their regular work. It's usually an annual amount split into twelve monthly payments
- usually work a certain number of hours each day, week or month
- are usually entitled to holiday pay, sick pay and maternity/paternity leave
- sometimes get bonuses or special benefits (e.g. company car, travel expenses, commission)
- are sometimes paid more or granted the same amount of time off for working overtime.

People who earn a wage...

- are given a daily or weekly payment for work they've done - the amount of time they work may vary so their payment may vary too
- may be paid more money for working overtime or outside of normal hours (e.g. they may get double the hourly rate for working weekends or nights)
- can also receive holiday and sick pay.

Gross and net pay

- The salary or wage you see advertised by an employer is actually the 'gross' or total amount. This is before anything has been taken out, and is very different to the amount you actually get (the 'net' amount).
- Income Tax and National Insurance Contributions are taken out of your pay before you receive it.
- Some people also have a company pension, where they put aside money from their pay for when they retire.

Income Tax

- The Government needs money to run the country (e.g. the National Health Service, maintaining highways and transport systems, the police force and national defence). It gets it by taxing income (the money you earn) from people in employment.
- Your rate of tax depends on your income. At present (May 2011), you don't pay any tax on the first £7,475 you earn because that's your Personal Allowance. Amounts above this, up to £35,000, are charged at 20% tax. Anything over that up to £150,000 is charged at 40% tax, after which it is taxed at 50%. However certain personal allowances can make the figures differ from person to person.

National Insurance Contributions

- As well as Income Tax, National Insurance Contributions (NICs) are taken. These are used by the Government to pay benefits, if you are unable to work, and for your State Pension when you retire. National insurance is usually around 12-13% of your income.