Kronos WAOT Facts

Overtime Considerations and Weighted Average overtime
(WAO & WAOT)

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WAO/WAOT Overview

Weighted Average Overtime (WAO) is required by federal law and is used when an employee has worked two or more different jobs that have different pay rates associated with them and the employee has worked Overtime (generally more than 40 hours for the week).

Weighted Average Overtime (WAOT) calculation tools assist when making overtime calculations to match an interpretation of FLSA overtime requirements. This feature is new to Workforce Central in 6.2. If this configuration is required to be set up, it is best to get a trained Kronos configuration expert to assist.

To observe more details on how a specific configuration is calculating WAOT, see a **rules analysis report** for a time period that is earning WAOT. FLSA Overtime will cost to primary position only, meaning if an employee has Standard Allocation FLS setup while other compensation codes will follow standard allocation FLSA will not.

Recommended Practice: Workforce Timekeeper
When the feature Weighted Average Overtime is used, it is recommended that two separate bonus types are created: Discretionary and Non-Discretionary.   Discretionary bonuses can then be excluded from counting toward weighted average overtime calculations. This is only applicable if discretionary bonuses are offered. Kronos recommends to use the weighted average overtime to allocate to position other than the primary.

WAO Configuration settings on Pay Code

Pay Code Definition

To get more information on what this configuration does, edit a pay code in **Setup>Pay Policies>Pay Codes> Definition** and click on (EXAMPLE) in the Weighted Average Calculation section.

Things to Consider

Determine which Overtime situations and pay codes should have the blended rate applied:

a   Over 40 in a week

b   Over 8 in a day

c   etc.

Determine which pay codes should have their wages used as part of the blended rate calculation

a   Regular

b   Tips

c   etc.

Calculation is as follows:

a   Compute Total Regular Hours - Add up the all Regular Hours worked in the time frame being computed (daily/weekly)

b   Compute Total Wages - Using all the pay codes identified in step #2 above add up the total wages.

c   Compute the Weighted Average Rate - Divide the Total Wages by the Total Regular hours.(Weighted Average Rate = Total Wages / Total Regular Hours)

d   Compute the Weighted Average Overtime Rate - Divide the Weighted Average Rate by 2.0 (Weighted Average Overtime Rate = Weighted Average Rate / 2)

e   Compute the Overtime Wages - Multiply the number of overtime hours worked by the Weighted Average Overtime Rate. (Overtime Wages = Overtime Hours * Weighted Average Overtime Rate)

(Weighted Average Rate = Total Wages / Total Regular Hours)

(Weighted Average Overtime Rate = Weighted Average Rate / 2)

(Overtime Wages = Overtime Hours * Weighted Average Overtime Rate)

WAO/WAOT Overview

When looking at the Weighted Average Calculation section of the pay code definition:

<u>Pay using weighted average rate</u>
 * This is selected for an Overtime pay code, and not for a "Regular" or "Standard" pay code that contributes toward the WAOT rate. It is important to properly select Daily or Periodic when using this option. When using WAOT in a configuration that makes use of both Daily and Weekly overtime, a customer may require different pay codes for Weekly and Daily OT payments.

<u>Wages for the pay code contribute to weighted average rate</u>
-This is selected for a Regular or Standard pay code whose wages will contribute toward a WAOT rate.
-This is also selected for an Overtime Pay code when the pay code distribution only pays the OT code for an overtime condition. In such a configuration the Multiplier of the Overtime Pay Code should be 1.5.
-This is not selected for an Overtime pay code when the pay code distribution pays both regular, and a half-rate pay code for OT hours. In such a configuration the Multiplier of the Overtime Pay Code should be .5. Include the effect of Multiplier and Add in the pay code's contribution.
-When the pay code is a Regular code with a multiplier of 1, then this option is moot.
-When the pay code is an Overtime Code with a multiplier of 1.5 or .5 then this should not be selected.

-When the pay code is a special Double-time and has a multiplier of 2 then a customer might need the contribution for each hour to be double the base wage, in which case, this is selected.

WAOT CALCULATIONS

1. Determine which Overtime situations and pay codes should have the blended rate applied: EXAMPLE: Over 40 in a week AND Over 8 in a day.
2. Determine which pay codes should have their wages used as part of the blended rate calculation: Regular, Tips, etc.

Calculation is as follows:

-Compute Total Regular Hours - Add up the all Regular Hours worked in the time frame being computed (daily/weekly)

-Compute Total Wages - Using all the pay codes identified in step #2 above add up the total wages.

-Compute the Weighted Average Rate - Divide the Total Wages by the Total Regular hours.

    (Weighted Average Rate = Total Wages / Total Regular Hours)

-Compute the Weighted Average Overtime Rate - Divide the Weighted Average Rate by 2.0

    (Weighted Average Overtime Rate = Weighted Average Rate / 2)

-Compute the Overtime Wages - Multiply the number of overtime hours worked by the

    Weighted Average Overtime Rate. (Overtime Wages = Overtime Hours * Weighted Average Overtime Rate)

OT Allocation

Prorated: Allocates hours based on a percentage of the hours worked in the shift or department. A formula is used to determine the distribution: $A = B(C/D)$

Example: Joe has worked his 40 hours in his home department of Shipping. Joe then comes in on Saturday and works 2 hours in Shipping (his home department), 2 hours in Receiving, 2 hours in Manufacturing and a final 2 hours in the mailroom. In this case, the overtime hours are not applied to the First In OR the Last In, but are divided equally between the 4 departments where Joe worked during the Overtime. Each department is charged for 2 hours of Joe's overtime, which is an equal percentage of the total of 8 hours overtime.

Note: Below the Overtime Allocation is the Processing Order. The Processing Order was used prior to v6.1 to determine the order of processing of Overtimes. It is not recommended that Processing Order be used for transfers WITH Overtime Allocation.

OT Allocation

Chronological: Overtimes set to process as Chronological will process Last In, First Out. This method is close to the way WTK Processing Order worked in version 6.0 and earlier.

Example: Joe normally works 8 AM to 5 PM, Monday through Friday. After working his normal shifts in his home department of Shipping all week, on Friday afternoon Joe is transferred to the Receiving department at 3:00 PM. Joe works until 7:00 PM in the Receiving department, which causes Joe to get 2 hours of Overtime for the time from 5:00 PM until 7:00 PM. In this case, all Overtime is charged to the Receiving department, which is where Joe was working when the Overtime was incurred.

Reverse Chronological: Overtimes set this way will process Overtime beginning with the first hours worked, working towards the last hours worked until all Overtime is allocated. First In, First Out.

Example: Joe (from the example above) works his normal shifts in his home department of Shipping all week, and is transferred on Friday afternoon to the Receiving department at 3:00. Joe again works until 7:00 PM in the Receiving department, causing him to get 2 hours of Overtime for the time from 5:00 PM until 7:00 PM. In this case, all Overtime is charged to the Shipping department, which is where Joe worked most of his hours for the week. Although the hours of Friday spent in Receiving caused the Overtime, in this case the transfer department does not get charged for the Overtime.

Best Practices

Recommended Practice: Workforce Timekeeper

In earlier software versions, customers may have used their payroll systems or configured CONNECT or WIM (Workforce Integration Manager) to calculate weighted average overtime. If they are using these methods it is recommended that they do not change to Weighted Average Overtime in WTK (Workforce Timekeeper) when they upgrade. Considerable reconfiguration may be required when an existing customer upgrades and adds this feature.

(Ie.modification of existing overtime pay codes, modification of the pay code distribution, modification of interfaces that may be impacted)

Weighted Average Overtime in WTK is recommended for upgrading customers only if:

• The customer needs to see the employee's rates with calculations in the timecard.
• The customer compares departmental costs that include projected versus actual and weighted average overtime is a part of that calculation. Or,
• Weighted average overtime rates will feed into Workforce Analytics.

Weighted Average Overtime in WTK is recommended to all new customers under any of the conditions listed above.

Remember

Note #1: Weighted average overtime is sometimes referred to as **FLSA overtime**, or abbreviated as WAOT or WAO in Kronos WFM. *Weighted Average Overtime (WAOT) calculation tools assist when making overtime calculations to match an interpretation of FLSA overtime requirements. This feature is new to Workforce Central in 6.2. and higher*

Note #2: Weighted Average Overtime is based on **WORKED HOURS**, Hours entered via a Pay Code edit are not seen as a Worked Hour type, but hours entered via a Duration Pay Code are.

When looking at the Weighted Average Calculation section of the pay code definition:
  Pay using weighted average rate
* This is selected for an Overtime pay code, and not for a "Regular" or "Standard" pay code that contributes toward the WAOT rate. It is important to properly select Daily or Periodic when using this option. When using WAOT in a configuration that makes use of both Daily and Weekly overtime, a customer may require different pay codes for Weekly and Daily OT payments.
  Wages for the pay code contribute to weighted average rate
* This is selected for a Regular or Standard pay code whose wages will contribute toward a WAOT rate.
* This is also selected for an Overtime Pay code when the pay code distribution only pays the OT code for an overtime condition. In such a configuration the Multiplier of the Overtime Pay Code should be 1.5.
* This is not selected for an Overtime pay code when the pay code distribution pays both regular, and a half-rate pay code for OT hours. In such a configuration the Multiplier of the Overtime Pay Code should be .5.
  __ Include the effect of Multiplier and Add in the pay code's contribution.
* When the pay code is a Regular code with a multiplier of 1, then this option is moot.
* When the pay code is an Overtime Code with a multiplier of 1.5 or .5 then this should not be selected.
* When the pay code is a special Doubletime and has a multiplier of 2 then a customer might need the contribution for each hour to be double the base wage, in which case, this is selected.

Reference Documents

KRONOS-Compensation Code Overtime Calculation Methods.pdf

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