# Compensation Code Overtime Calculation Methods

There are three different methods for calculating overtime in **_Workforce Payroll._**

- **Overtime/double-time**

- **FLSA overtime**

- **Weighted average overtime**

See the following for details to decide which overtime calculation method is appropriate for your organization.

| Options | Rate | GL | Hours |
|---|---|---|---|
| Overtime Double-time | Employees always work at same rate. | Cost to where the work is performed. | Overtime hours are configured and calculated in the timekeeping application. |
| Weighted Average Overtime | Employees work at multiple rates. | Cost to where the work is performed. | Overtime hours are configured and calculated in the timekeeping application. |
| FLSA Overtime | Employees work at multiple rates. | Cost to primary position only. | Payroll calculated overtime hours. Cannot be used for double time. |

**Note:** To calculate the overtime hours and pay rate for an overlapping work week which also spans across previous pay periods, the FLSA Overtime is restricted to do a lookback within the same check group. However, Weighted Average Overtime can do a lookback across different check groups to calculate the overtime rate.

## About weighted average overtime
When an employee is paid at two or more different rates during a work week, the regular rate of pay is calculated by determining the weighted average. The weighted average calculation is the total compensation amounts divided by the total hours. You can configure the compensation amounts and hours that you want to be included in this calculation. You also can configure the start day of the work week and the length.

### Enter an employee's time
When you enter time sheet information for a nonexempt employee, you need to enter the total regular hours and the overtime hours. For example, an employee who works 46 hours in a 40-hour work week, would enter 46 hours of regular time and 6 hours of overtime.

The overtime hours are configured and calculated in the timekeeping application and transferred to a batch in Workforce Payroll to be paid. When time is transferred from the timekeeping application, select the option to transfer daily totals to capture the hours per

day. If the pay period is weekly, you can select the summary option since it is only for a single work week.

## Weighted average overtime calculation example

Alice works in a nonexempt position at a company that has a biweekly pay period, each work week is 40 hours. The work week starts on Sunday and ends on Saturday. Alice is paid at multiple rates. During Week 1, she worked 46 hours and received a bonus of $100.00. During Week 2, she worked 48 hours. The hours are entered in a batch as follows:

**Week 1**

| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
|-----|-----|------|-----|-------|-----|-----|
|  | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 8 hrs at $7.00 | Regular - 8 hrs at $7.00 Bonus - $100.00 |  |

**Week 1 totals**

| | |
|---|---|
| Regular | 30 hours @ $10.00 |
| Regular | 16 hours @ $7.00 |
| Overtime | 6 hours |
| Bonus | $100.00 |

The system calculates the employee pay as follows:

**Week 1 calculation**

**1. Calculate dollar amounts:**

| | |
|---|---|
| $10.00 x 30 hrs | $300.00 |
| $7.00 x 16 hrs | $112.00 |
| Bonus | $100.00 |
| Total | **$512.00** |

**2. Weighted average calculation to determine regular rate of pay:**

## Week 1 calculation

| | |
|---|---|
| $512.00 divided by 46 hours | $11.13 per hour |

### 3. Calculation of overtime pay:

| | |
|---|---|
| $11.13 x 6 hours x .5 (rate factor for weighted average overtime) | $33.39 (premium pay for overtime) |

## Week 2

| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
|---|---|---|---|---|---|---|
| | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 10 hrs at $10.00 Overtime - 2 hours | Regular - 10 hrs at $7.00 Overtime - 2 hours | Regular - 8 hrs at $7.00 | |

### Week 2 totals

| Regular | 30 hours @ $10.00 |
|---|---|
| Regular | 18 hours @ $7.00 |
| Overtime | 8 hours |

The system calculates the employee pay as follows:

## Week 2 calculation

### 1. Calculate dollar amounts:

| | |
|---|---|
| $10.00 x 30 hrs | $300.00 |
| $7.00 x 18 hrs | $126.00 |
| Total | **$426.00** |

### 2. Weighted average calculation to determine regular rate of pay:

| | |
|---|---|
| $426.00 divided by 48 hours | $8.88 per hour |

| Week 2 calculation |
| --- |

**3. Calculation of overtime pay:**

| $8.88 x 8 hours x .5 (rate factor for weighted average overtime) | $35.52 (premium pay for overtime) |
| --- | --- |

The employee's biweekly earnings statement will print as follows:

|  | Hours/Units | Pay Rate | Current Amount |
| --- | --- | --- | --- |
| Bonus |  |  | $100.00 |
| Overtime | 6 hours | $5.57* | $33.39 |
| Overtime | 8 hours | $4.44* | $35.52 |
| Regular | 60 hours | $10.00 | $600.00 |
| Regular | 34 hours | $7.00 | $238.00 |

*Rate is displayed as regular rate of pay times the rate factor. In the example above, $11.13 times .5 equals $5.57 and $8.88 times .5 equals $4.44.

## Weighted average overtime compensation code properties

There are several properties that are used in the weighted average calculation. These properties are required at the code level and are optional at the pay agency or pay group levels. Because Workforce Payroll sets default properties for all levels, you would only make changes for the following reasons:

- You need to change the default settings.

- You need different properties per pay agency or pay group.

The weighted average overtime compensation code properties are:

- **Day Work Week Start**—The day on which the work week starts (Sunday = 1, Monday = 2, and so on.). The system uses this property and the Work Week Duration property to determine the start and end of the work week. The default value is Monday (2).

- **Work Week Duration**—The number of days in the pay period. Enter 7 for a one-week cycle, 14 for a two-week cycle. The default value is 7.

- **Rate Factor**—The amount above a 1.0 rate factor by which to calculate premium pay for overtime. The default value is .5.

For all other compensation codes, properties that need to be configured to determine the compensation amounts and hours that will be included in the weighted average overtime calculation are:

- **Exclude Quantity for FLSA Calc**—Indicates if the calculation for weighted average should exclude the quantity (for example, unit or hours) in the calculation.

- **FLSA OT Earnings Indicator**—Indicates if the amount for this compensation code will be included for the weighted average overtime calculation. For some compensation codes, the default is Y (Yes); other compensation codes, the default is N (No).

## Set up a weighted average overtime compensation code

Overtime hours are configured and calculated in the timekeeping application and transferred into a batch in Workforce Payroll to be paid. The calculation is created based on the work week, and the work week must be part of the pay period.

To set up a weighted average overtime compensation code:

1. Copy the Lib Weighted Average Overtime library code.

2. Attach the weighted average overtime compensation code to the appropriate organization nodes.

3. Access the properties tab, review and update the following properties:

o   Day Work Week Start

o   Work Week Duration

o   Rate Factor (The default for the rate factor is.5, if you are setting up double-time, change the rate factor to 1.0.)

> **Note:** If your organization requires that these properties be different for each pay agency or pay group, the properties can be updated at the compensation code, pay agency, or pay group level.

4. Click **Save**.

5. Assign a general ledger account.

6. Map the compensation code to the pay code for transferring the hours from the timekeeping application to Payroll.

7. Determine the compensation amounts and hours that need to be included in the calculation of the weighted average overtime, and then review and update all other compensation codes accordingly. The properties to review and update as necessary are:

o   Exclude Quantity for FLSA Calc

o   FLSA OT Earnings Indicator

## About FLSA Overtime

Workforce HR/Payroll uses a predefined FLSA compensation code and corresponding calculation rule that contain the property values necessary to calculate standard FLSA overtime for nonexempt employees. A nonexempt employee is one whose primary position is nonexempt

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**Note:** If you do not want the system to use standard FLSA calculation for nonexempt employees, go to the Definition tab of the FLSA compensation code and select the Inactive check box. With FLSA calculation inactive, you must make batch transaction entries for both the regular hours and the overtime hours in the batch. The system will then calculate overtime based on the time sheet entries for regular pay and overtime. It will use the properties you've set up for regular pay and overtime compensation codes, including the rate factor to be used for calculating overtime.

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### Enter an employee's time

When you enter time sheet information for a nonexempt employee, you only need to enter the total amount of hours the employee worked for the selected pay period. Using the "properties set up for the FLSA compensation code" , the system automatically breaks out the hours into regular pay and overtime pay. For example, if an employee works 50 hours in a 40 hour work week, you enter 50 regular hours and the system will calculate 10 hours of overtime.

### Start of work week and semi-monthly/monthly pay schedules

When you are using semi-monthly or monthly pay schedules, the start date of a work week will not always coincide with the start date of a pay period. This results in incomplete work weeks. Workforce HR/Payroll calculates FLSA overtime earned during an incomplete work week in the *next* pay period.

The two figures below show a semi-monthly pay schedule for June and July. June's pay periods end 6/15 and 6/30. Seven day work weeks start on Monday. In this example, work week 5 is an incomplete work week (28th through the 30th). If an employee worked overtime in work week 5, the system takes the hours from the 28th to the 4th to calculate the overtime for that week. However, it calculates the FLSA earnings for work week 5 in the *next* pay period (July's pay period 13).

**June 1999**

| Sun | Mon | Tue | Wed | Th | Fri | Sat |
|-----|-----|-----|-----|-----|-----|-----|
| 29 | 30<br>Work week 1 starts | 1 | 2 | 3 | 4 | 5 |
| 6 | 7<br>Work week 2 starts | 8 | 9 | 10 | 11 | 12 |

| June 1999 | | | | | | |
|-----------|------|------|------|----|-----|-----|
| **Sun** | **Mon** | **Tue** | **Wed** | **Th** | **Fri** | **Sat** |
| 13 | 14 Work week 3 starts | 15 End of pay period 11 | 16 | 17 | 18 | 19 |
| 20 | 21 Work week 4 starts | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 Work week 5 starts | 29 | 30 End of pay period 12 | 1 | 2 | 3 |

| July 1999 | | | | | | |
|-----------|------|------|------|----|-----|-----|
| **Sun** | **Mon** | **Tue** | **Wed** | **Th** | **Fri** | **Sat** |
| | | | | 1 | 2 | 3 |
| 4 | 5 Work week 1 starts | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 Work week 2 starts | 13 | 14 | 15 End of pay period 13 | 16 | 17 |
| 18 | 19 Work week 3 starts | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 Work week 4 starts | 27 | 28 | 29 | 30 | 31 End of pay period 14 |

## FLSA calculation example

Here is an example that shows a standard entry for overtime and the method by which Workforce Payroll calculates standard FLSA overtime.

Alice works in a nonexempt position at a company that has a biweekly pay period. Each work week is 40 hours. The work week is Sunday to Saturday. The OT Daily Threshold property is set to 8 and the OT Work Week Threshold property is set to 40. Alice is paid at multiple rates. During Week 1, she worked 46 hours and received a bonus of $100.00. During Week 2, she worked 48 hours. The hours are entered as follows:

| Week 1 | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| | Regular - 10 hrs at $10.00 | Regular - 10 hrs at $10.00 | Regular - 10 hrs at $10.00 | Regular - 8 hrs at $7.00 | Regular - 8 hrs at $7.00 Bonus - $100.00 | |

For Week 1, Workforce Payroll calculates 6 hours of overtime.

| Week 1 totals | |
|---------------|---|
| Regular | 30 hours @ $10.00 |
| Regular | 16 hours @ $7.00 |
| Overtime | 6 hours |
| Bonus | $100.00 |

The system calculates the employee pay as follows:

## Week 1 calculation

**1. Calculate dollar amounts:**

| | |
|---|---|
| $10.00 x 30 hrs | $300.00 |
| $7.00 x 16 hrs | $112.00 |
| Bonus | $100.00 |
| Total | **$512.00** |

**2. FLSA calculation to determine regular rate of pay:**

| | |
|---|---|
| $512.00 divided by 46 hours | $11.13 per hour |

**3. Calculation of overtime pay:**

| | |
|---|---|
| $11.13 x 6 hours x .5 (rate factor for weighted average overtime) | $33.39 (premium pay for overtime) |

For Week 2, Workforce Payroll calculates 8 hours of overtime.

**Week 2**

| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
|-----|-----|------|-----|-------|-----|-----|
| | Regular - 10 hrs at $10.00 | Regular - 10 hrs at $10.00 | Regular - 10 hrs at $10.00 | Regular - 10 hrs at $7.00 | Regular - 8 hrs at $7.00 | |

**Week 2 totals**

| Regular | 30 hours @ $10.00 |
|---------|-------------------|
| Regular | 18 hours @ $7.00 |
| Overtime | 8 hours |

The system calculates the employee pay as follows:

**Week 2 calculation**

**1. Calculate dollar amounts:**

| $10.00 x 30 hrs | $300.00 |
|-----------------|---------|
| $7.00 x 18 hrs | $126.00 |
| Total | **$426.00** |

**2. FLSA calculation to determine regular rate of pay:**

| $426.00 divided by 48 hours | $8.88 per hour |
|-----------------------------|----------------|

**3. Calculation of overtime pay:**

| $8.88 x 8 hours x .5 (rate factor for weighted average overtime) | $35.52 (premium pay for overtime) |
|------------------------------------------------------------------|-----------------------------------|

The employee's biweekly earnings statement will print as follows:

| | Hours/Units | Pay Rate | Current Amount |
|--|-------------|----------|----------------|
| Bonus | | | $100.00 |
| Overtime | 6 hours | $5.57* | $33.39 |

|  | Hours/Units | Pay Rate | Current Amount |
|---|---|---|---|
| Overtime | 8 hours | $4.44* | $35.52 |
| Regular | 60 hours | $10.00 | $600.00 |
| Regular | 34 hours | $7.00 | $238.00 |

*Rate is displayed as regular rate of pay times the rate factor. In the example above, $11.13 times .5 equals $5.57 and $8.88 times .5 equals $4.44.

## FLSA compensation code properties

The properties for the FLSA compensation code are set at the pay agency and pay group level. They cannot be set at the code level. Workforce Payroll sets default properties for all levels, so you should only have to change them if you either need to change from the default settings or need different properties per pay agency or pay group.

- **Day Work Week Start**—The day on which the work week starts (Sunday = 1, Monday = 2, and so on.). The system uses this property and the Work Week Duration property to determine the start and end of the work week. The default is Monday (2).

- **Work Week Duration**—The number of days in the pay period. Enter 7 for a one-week cycle or a cycle whose pay period and work week duration are not aligned. Enter 14 for a two-week cycle. The default value is 7.

> **Note:** When the pay period and the work week duration are not perfectly aligned, as is often the case with semimonthly or monthly pay periods, a value of 7 must be used as the work week duration.

- **Rate Factor**—The amount above a 1.0 rate factor by which to calculate premium pay for overtime. The default for standard FLSA overtime is .5.

- **OT Daily Threshold**—The number of (daily) hours to determine when overtime will be paid. When work hours per day exceed this number, overtime will be paid. The default value is 40. If you are using 8/80 FLSA overtime, enter 8.

- **OT Work Week Threshold**—The number of (weekly) hours to determine when overtime will be paid. When work hours per week exceed this number, overtime will be paid. The default for standard FLSA overtime is 40. If you are using 8/80 FLSA overtime, enter 80. Workforce HR/Payroll calculates overtime for both the 8 hour daily overtime and the 80 hour period overtime and pays the greater amount to the employee. It calculates the same way for the 8 hour daily overtime and the 40 hour period overtime, paying the greater amount to the employee.

For all other compensation codes, properties that need to be configured to determine which compensation amounts and hours will be included in the weighted average overtime calculation are:

- **Exclude Quantity for FLSA Calc**—Indicates if the calculation for weighted average should exclude the quantity (for example, unit or hours) in the calculation.

- **FLSA OT Earnings Indicator**— Indicates if the amount for this compensation code will be included for the weighted average overtime calculation. For some compensation codes, the default is Y (Yes); other compensation codes, the default is N (No).