Computing Regular Rate of Pay

Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Computing Regular Rate of Pay

Reference Number: MTAS-1529

There are various methods of computing an employee's regular rate of pay. The regular rate is a rate per hour. The regulations provide guidance on computing regular rates of pay for (1) hourly employees, (2) hourly rate and bonus employees, (3) salaried employees working a fixed workweek of 40 hours, (4) salaried employees paid for all hours worked but working more than 40 hours in a workweek, (5) salaried employees working a fi xed workweek of less than 40 hours, (6) a fixed weekly salary for a fixed workweek of more than 40 hours, (7) semimonthly salary pay, (8) monthly salary pay, (9) irregular hours, (10) piecework, (11) day rate and job rates, (12) an employee working at two or more rates, (13) payments other than cash, and (14) overtime based on authorized basic rates. 29 C.F.R. § 778.109.

Hourly Employee

Reference Number: MTAS-2087

Computing Regular Rate of Pay - Hourly Employee

The regular rate for an hourly employee is the hourly rate plus any other form of compensation received by the employee, such as non-discretionary bonuses, shift premiums, etc. For all hours over 40 worked in a week, the employee must be paid at least one and a half (1½) times the regular rate. 29 C.F.R. § 778.110(a).

Example:
An employee is paid $8 per hour. The employee would be paid $12 for each hour worked during the workweek over 40: ($8 X 1.5 = $12). In other words, the employee is entitled to be paid an amount equal to $8 an hour for 40 hours and $12 an hour for any hours over 40.

Hourly Rate and Bonus

Reference Number: MTAS-2088

Computing Regular Rate of Pay - Hourly Rate and Bonus
An employee paid an hourly rate plus a bonus would be paid a regular rate of pay base on the example below. 29 C.F.R. § 778.110(b).

Example:
An employee works 46 hours in a workweek and receives a bonus of $19.20 in addition to earnings at an hourly rate of $7.25 per hour. The regular rate would be $7.67 per hour. This is computed as 46 hours X $7.25 = $333.50 + 19.20 bonus = $352.70. This total divided by 46 hours yields a regular rate of $7.67. The employee would be entitled to receive a total wage of $375.86: (46 hours X $7.67) + (6 hours X $3.84) = $352.82 + 23.04 = $375.86.

Salaried Employee - Fixed Work Week

Reference Number: MTAS-2089

Computing Regular Rate of Pay - Salaried Employee Working a Fixed Workweek of 40 Hours
If an employee is employed solely on a weekly salary basis, the regular rate is determined by dividing the salary by the number of hours that the salary is intended to cover. 29 C.F.R. § 778.113(a).

Example:
If an employee is paid a salary of $400 a week to work 40 hours, the regular rate of pay is $10 an hour. If the employee works 48 hours in one week, the employee is entitled to an overtime premium of $15 per hour, which amounts to $120 (8 hours X $15 = $120).

Salaried Employee - More than 40 Hour Work Week

Reference Number: MTAS-2090

Computing Regular Rate of Pay - Salaried Employee Working More Than 40 Hours a Week

If an employee receives a salary for all hours worked, then the regular rate varies according to the number of hours worked in a week. The employee's regular rate is determined by dividing the weekly salary and other forms of compensation by the number of hours worked.29 C.F.R. § 778.114.

Example:

If an employee works 50 hours for a weekly salary of $500, the regular rate is $10 an hour. Overtime for this employee is based on half-time and would be $5 an hour for 10 hours, which is $50. The regular rate of an employee who is paid a salary for all hours worked varies each week depending on the hours actually worked.

Salaried Employee - Less than 40 Hour Work Week

Reference Number: MTAS-2091

Computing Regular Rate of Pay - Salaried Employee Working a Fixed Workweek of Less Than 40 Hours

The regular rate for an employee working a fixed workweek of less than 40 hours can be determined in one of two ways depending on the understanding between the employer and the employee. The conventional method is to divide the fixed weekly wage and other forms of compensation by the number of hours in the workweek. 29 C.F.R. § 778.114.

Example:

An employee works a 35-hour workweek for a salary of $300. Under the act, the employee's maximum straight-time workweek is 40 hours. The employee's regular rate is $8.57 per hour ($300 divided by 35 hours). If the employee works overtime, he is entitled to $8.57 per hour for hours 36 through 40 and $12.86 ($8.57 X 1½) for each additional hour over 40.

The other method of calculating the regular rate for workweeks of less than 40 hours depends on an agreement between the employer and the employee that the salary paid an employee represents compensation for all hours worked up to 40 per week. Then, the employee can work any amount of time up to 40 hours per week without additional compensation. The rate of pay also would be based upon a 40-hour work week and not the lesser workweek actually labored.

Fixed Weekly Salary - More than 40 Hour Work Week

Reference Number: MTAS-2092

Computing Regular Rate of Pay - Fixed Weekly Salary For a Fixed Workweek of More Than 40 Hours

The regular rate for an employee working a fixed workweek of more than 40 hours is half-time for hours regularly worked over 40 and time and one half for additional hours. 29 C.F.R. § 778.114(b)

Example:

An employee is paid $480 for a 48-hour week. The applicable statutory straight-time workweek is 40 hours. The employee's rate is $10 per hour ($480 divided by 48 hours = $10). The weekly wage is $520, calculated as: $480 + [(½ X $10) X (48–40)]. For hours worked over 48, the employee must be paid time and a half, or $15 per hour, and is not eligible for half-time pay since the salary did not represent payment for hours worked in excess of 48 per week.

Semimonthly Salary Pay

Reference Number:

MTAS-2093

Computing Regular Rate of Pay - Semimonthly Salary Pay
The regular rate for an employee paid a semi-monthly salary is computed by breaking the salary into weekly portions. Thus, the salary is multiplied by 24 (the number of semi-monthly periods in the year) and divided by 52 (the number of weeks in a year). To find the regular rate, divide the weekly salary by the number of hours in a workweek. 29 C.F.R. § 778.113(b).

Example:
If an employee earns $700 semi-monthly and works 40 hours per week, the employee's regular rate is $8.08: ($700 X 24)/52 = $323.08 weekly rate; $323.08/40 = $8.08 hourly rate.

Monthly Salary Pay

Reference Number: MTAS-2094

Computing Regular Rate of Pay - Monthly Salary Pay
To compute the regular rate for an employee who is paid monthly, the employee's salary must be multiplied by 12 (the number of months in the year) and divided by 52 (the number of weeks in the year). This figure must then be divided by the number of hours in a workweek. 29 C.F.R. § 778.113(b)

Example:
If an employee earns $1,500 a month and has a statutory straight-time workweek of 40 hours, the employee's regular rate would be $8.65: ($1,500 X 12)/52 = $346.15 per week; $346.15/40 = $8.65 hourly rate. If the employee worked 44 hours in a workweek, the employee would be entitled to overtime pay for four hours at time and a half: ($8.65/2 = $4.33; 4.33 + 8.65 = $12.98 overtime rate), 4 X $12.98 = $51.92. The employee's salary for the month would be $1,551.92. The employee also might be eligible for half-time treatment if his salary represented all hours worked.

Employee Working at Two or More Rates

Reference Number: MTAS-2096

Computing Regular Rate of Pay - Employee Working at Two or More Rates
When, in a single workweek, an employee performs two or more different types of work for which different straight-time rates have been established, the employee's regular rate for that week can be calculated as the weighted average of such rates. The weighted average is the earnings from all such rates added together, and the total is divided by the total number of hours worked at all jobs. 29 C.F.R. § 778.115.

Example: Employee works two jobs (Admin Asst and Janitor). Employee earns $15/hr as Admin Asst for 40 hours of work. The employee earns $9/hr as Janitor for 8 hours week. Total hours worked during workweek is 48. Under the weighted average method, earnings from the Admin. Asst position (40 X $15.00 =$600) is added to earning from the Janitor job (8 X $9.00 = 72.00) to get a total of $672.00. The total is divided by the total hours worked (48 hours) to arrive at the weighted average regular rate of pay of $14.00 per hours.

The earnings total of $672.00 represents the straight-time pay earned for the 48 hours worked, so only half-time pay for the 8 overtime hours is needed to assure that the required time and a half is paid for overtime hours worked. Half-time for the weighted average regular rate is $7.00 per hour ($14.00 ÷ 2), which must be multiplied by the 8 overtime hours ($7.00 x 8 = $56.00) and added to the straight-time pay to get the total pay for the workweek. Therefore, using the weighted average method, total pay for the workweek would be $728.00 (56.00 + $672.00).

Irregular Hours

Reference Number: MTAS-2095

Computing Regular Rate of Pay - Irregular Hours

The regular rate for an employee who works irregular hours but is paid a salary on a fixed monthly basis is computed by converting the wages into weekly figures. The regular rate is computed for each week by dividing the weekly wage by the hours actually worked in a week. Overtime must be paid each week without offsetting it from other weeks in which fewer than 40 hours were worked unless the employer is proceeding under the 207(k) exemption for public safety officers or the 207(j) provision for hospitals and nursing homes. 29 C.F.R. § 778.114(b).

Example:

An employee is paid a monthly salary that in February translates to a weekly salary of $500. However, the employee works irregular hours. In week one, the employee works 40 hours. No overtime is due and the employee is paid $500. In week two, the employee works 50 hours. The employee's regular rate for week two is $10 ($500 divided by 50), and he is entitled to a $50 half-time overtime premium ($10 x ½ x 10). The employee's total compensation for week two equals $550. In week three, the employee works 40 hours and is entitled to no overtime. In week four, the employee works 48 hours, resulting in a regular rate of $10.41 per hour ($500 divided by 48). The employee is entitled to a half-time overtime premium of $41.64 ($10.41 x ½ x 8). The employee's total compensation for week four is $541.64. The employee's salary plus overtime premiums for the month total $2,091.64.

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