Federal and State Wage-Hour Laws
Section 2

Table of Contents

Introduction 2

Topics from Content Outline 2

Knowledge, Skills and Abilities 2

Federal Wage-Hour Law 3

Employer and Employee Coverage 3

Exempt and Nonexempt Employees 4

Minimum Wage 5

Overtime Pay Requirements 7

- General requirements 7
- Changing workweeks 7
- Regular Rate of Pay 8
- Weighted average method 9
- Pieceworkers 9
- Fluctuating Workweeks 10
- Daylight Savings Time 10
- Compensatory Time off 11

Compensable Time Issues 11

Child Labor Restrictions 12

Enforcement and Penalties 12

Public Contracts Laws 13

Test Your Knowledge 13

Validate Your Progress 17

Introduction

Welcome to Section 2 of the CPP study group. Section 2—Federal and State Wage-Hour Laws—covers content that is critical to build the foundation for calculating gross pay. Once identifying the traits of an employee in Section 1, this unit gets into classifying what type of employee a worker is (exempt or nonexempt) and then applying the rules of the Fair Labor Standards Act. FLSA goes beyond exempt versus nonexempt. After studying this unit, you will be able to calculate gross earnings with the regular rate of pay, understand child labor laws and apply special rules of overtime to special sectors

Throughout this document, you will be given highlighted content to supplement *The Payroll Source*. While this content will not cover everything you need for the exam, it is a good tool to help facilitate studying. Different icons will point out special items

- Example
- Form to know
- Legislation to know
- Number to know
- Test your knowledge

Topics from Content Outline

Core Payroll Concepts

- Fair Labor Standards Act

Knowledge, Skills and Abilities

Fair Labor Standards Act

- Knowledge of employee classification (exempt/nonexempt)
- Knowledge of definition of workweek
- Knowledge of definition of fluctuating workweek
- Knowledge of definition of 8/80 rule
- Knowledge of requirements for changing workweek
- Knowledge of compensatory time in lieu of overtime pay
- Knowledge of compensable time (meal, rest, waiting period, unauthorized overtime)
- Knowledge of work time rounding practices
- Knowledge of regular rate of pay components
- Knowledge of minimum wage requirements
- Knowledge of federal minimum wage rate
- Knowledge of allowable tip credit
- Knowledge of tip pay requirements
- Knowledge of effect of tip credit on minimum wage
- Knowledge of overtime requirements
- Knowledge of child labor restrictions
- Knowledge of white-collar exemption classifications
- Knowledge of white-collar exemption job duties
- Knowledge of salary requirements for exempt employees

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Knowledge of public sector workweek and compensatory time off
Knowledge of components governed under FLSA

Regulatory
Knowledge of DOL regulations affecting payroll
Knowledge of FMLA regulations

Record retention
Knowledge of FLSA requirements
Knowledge of FMLA requirements

Penalties
Knowledge of DOL penalties

Compensation/Benefits
Ability to calculate gross pay
Ability to calculate FLSA regular rate of pay
Ability to calculate FLSA overtime premium pay
Ability to calculate piece rate pay
Ability to calculate hour worked (e.g. regular, overtime)
Ability to calculate pay for specific hours worked (e.g. regular, overtime)

Federal Wage-Hour Law

Fair Labor Standards Act is administered and enforced by whom? **Wage and Hour Division of the US Department of Labor**

The FLSA does…

- Set federal minimum wage
- Set overtime rates
- Require recordkeeping by employers
- Place restrictions on the types of work children can do and the hours they work
- Mandate equal pay for equal work
- FMLA

The FLSA does not…

- Require employers to provide paid vacation, sick days, jury days, etc.
- Regulate how often employees must be paid or termination pay laws (not including paid by payday)
- Restrict hours employees over 16 years of age may be required to work

Employer and Employee Coverage

There are two types of coverage

1. Enterprise coverage
   a. If at least two employees are employed in jobs closely related and directly essential to interstate commerce
   b. If the business has annual gross sales of at least $500,000.

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

c. Some are covered regardless of annual sales volume: hospitals, nursing homes, schools, etc.

2. Individual employee coverage - an employee is covered by the FLSA if he or she is engaged in interstate commerce or in the production of goods for interstate commerce.

Exempt and Nonexempt Employees

✎ Exempt/Nonexempt status is based on what? **Job function & not job title**

White collar exemptions

1. Administrative employees
   a. Salary level: at least $455 per week – can be paid in equivalent amounts for periods longer than one week (i.e. biweekly – ($910.00/Semi monthly - $985.83) Must be paid full salary for any week in which the employee performs work; however, need not be paid for any workweeks when no work is performed(i.e. furloughs are whole week and are ok)
   b. Primary duties: performance of office or non-manual work directly related to general business; exercise of discretion & independent judgment
   c. Examples: insurance claims adjustors, executive assistants, team leaders
2. Executive employees
   a. Salary level: at least $455 per week – can be paid in equivalent amounts for periods longer than one week (i.e. biweekly – ($910.00/Semi monthly - $985.83) Must be paid full salary for any week in which the employee performs work; however, need not be paid for any workweeks when no work is performed(i.e. furloughs are whole week and are ok)
   b. Primary duties: management of a department; regularly directs the work of two or more employees; authority to hire or fire other employees
   c. Management activities: interview employees, disciplining employees, planning and controlling the budget, directing the work of employees, etc.
3. Professional employees
   a. Salary level: at least $455 per week – can be paid in equivalent amounts for periods longer than one week (i.e. biweekly – ($910.00/Semi monthly - $985.83) Must be paid full salary for any week in which the employee performs work; however, need not be paid for any workweeks when no work is performed(i.e. furloughs are whole week and are ok)
   b. Primary duties: performance of work requiring an advanced knowledge in a field of science or learning; performance of work requiring invention, imagination or talent
   c. Learned professional examples: nurses, dental hygienists, accountants, chefs, athletic trainers, funeral directors, etc.
   d. Creative professionals examples: actors, musicians, painters, novelists,
   e. Highly skilled computer professionals: salary of at least $455 per week or $27.63 per hour and primary duty of 1) design, development, etc of computer systems or programs, 2) application of systems analysis

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

techniques and procedures, 3) creation or modification of computer programs and 4) combination of these duties.

Retail and service industry exemption - Employees are exempt from overtime if

1. Regular rate of pay on a weekly basis is 1 ½ times the federal minimum wage rate
2. More than half their pay for a representative period (at least one month) comes from commissions

Public sector exempt employees – exempt if

- publicly elected
- persons selected by elected personnel to be on staff
- persons appointed by elected personnel for policies
- persons who are immediate advisors to an elected official
- persons employed by a state or local legislative branch, other than legislative library or a school board
- Because of Principles of public accountability section 541.710 you can deduct from salary without loss of exemption

Computer Employees

- Salary Level at least $455 per week – can be paid in equivalent amounts for periods longer than one week(i.e. biweekly-$910.00 semimonthly $985.83)
- An hourly rate not less than $27.63 per hour
- Application of systems analysis techniques and procedures, including consulting with users to determine hardware, software or system functional specifications
- Design, development, documentation, analysis creation testing, or modifications of computer systems or programs
- Design, documentation, testing, creation or modification of computer programs related to machine operating systems

Minimum Wage

✎ The federal minimum wage is **$7.25 per hour**.

Federal Contractor Employee minimum wage changed 1-1-15 to **$10.10**

Lower "opportunity" wage for teenagers

✎ The minimum wage for newly hired employees under the age of **20** is **$4.25** per hour for the first **90** consecutive calendar days after they are hired, unless the employee is covered by a state law requiring a higher minimum wage.

✎ The determination as to whether an employee has been paid minimum wage is based on what frequency? **Workweek**

✎ A nonexempt employee works 32 hours in one week for $164.80, which equals $5.15 per hour. The employee works 40 hours the second week and earns $400.00, or $10.00 per hour. For the biweekly period, the employee works 72 hours and is paid wages of $564.80, or $7.84 per hour. Is the employer in violation of FLSA? **Yes**.

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

If the state minimum wage is higher than the federal minimum wage, then the state minimum wage prevails.

Tips and the Tip Credit

✎ Under FLSA, employers are required to pay tipped employees a minimum wage of **$2.13** per hour, which equals a tip credit of **$5.12**.

✎ Employees of federal contractors who are considered tipped employees must receive a minimum wage of **$4.90** per hour, which equals a tip credit of **$5.20**.

✎ This can be done as long as the earnings received in tips make up the remainder of the minimum wage for the week.

✎ To be considered a tipped employee, the individual must make **$30** per month in tips.

For the employer to take advantage of the tip credit, the following conditions must apply:

1. Tipped employee must make enough in tips to make minimum wage.
2. Employee must be informed about credit.
3. Tips must be kept by employee (pooling ok)
4. Credit card tips paid by next payday

✎ Situation #1: An employer pays a nonexempt employee an hourly rate of $3 an hour. In a week where the employee works 35 hours, the employee earns tips in the amount of $70.

- Can the employer take the tip credit? **35 (hrs) x 3.00 (rt) + 70 (tips) = 175.00 / 35 (hrs) = 5.00 per hour…No!**
- If not, what is the minimum hourly wage that the employee must be paid? **35 (hrs) x 7.25 (min wage) = 253.75 - 70 (tips) = 183.75 / 35 (hrs) = 5.25/hour**

✎ Situation #2: The following week the employer still intends to pay the employee an hourly rate of $3 an hour. This week the employee works 37 hours and earns tips in the amount of $200.

- Can the employer take the tip credit? **37 (hrs) x 3.00 (rt) x + 200 (tips) / 37 (hrs) = 8.41 per hour…Yes!**

Equal Pay for Equal Work

FLSA also includes provisions for equal pay for equal work

Requires equal pay for men and women doing equal work under similar working conditions.

🏛 Equal Pay Act enforced by **Equal Employment Opportunity Commission**

Overtime Pay Requirements

General requirements

✎ General rule is that overtime must be paid at a rate of **1 ½ times the regular rate of pay** for all hours ***physically worked*** **over 40 in a workweek**.

✎ A workweek is defined as a **regularly recurring period of 168 hours, or seven consecutive 24-hour periods**.

Exemptions for hospitals and nursing homes – commonly known as the 8/80 rule

- Requires agreement between employer & employee that this rule will be used
- If not in writing, employer must keep some record of the agreement
- Employees are paid overtime for hours in excess of **8 per day or 80 in a 14-day** period.

✎ How much overtime in the scenario below?

EE A	Sun	Mon	Tue	Wed	Thur	Fri	Sat
Week 1	0	10	7	8	5	8	6
Week 2	0	0	6	8	9	8	7

- Hours > 8/day = **3 hours (Mon/wk 1 = 2 & Thurs/wk 2 = 1)**
- Hours > 80/14 days = **2 hours (Wk 1 = 44 & Week 2 = 38)**
- Overtime to be paid = **3 hours**

✎ How much overtime in the scenario below?

EE B	Sun	Mon	Tue	Wed	Thur	Fri	Sat
Week 1	6	6	6	8	8	8	0
Week 2	0	8	8	8	6	6	0

- Hours > 8/day **= 0 hours**
- Hours > 80/14 days = **4 hours (wk 1 = 42 & week 2 = 42)**
- Overtime to be paid = **4 hours**

Changing workweeks

Employers cannot change workweeks to avoid paying overtime to employees.

If workweek change is required, steps must be taken to ensure the employee receives all overtime pay to which he or she is entitled:

1. Add the overlapping days to the old workweek.
2. Calculate the overtime hours and pay due for the old and new workweeks on this basis.
3. Add the overlapping days to the new workweek.

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

4. Calculate the overtime hours and pay due for the old and new workweeks on this basis.
5. Pay the employee the greater amount from step 2 or step 4.

✎ How much overtime in the scenario below when the workweek is changed from Monday through Sunday to Sunday through Saturday?

Mon	Tue	Wed	Thur	Fri	Sat	Sun
	8	8		8	8	8
8	8	8		8	8	

- Overlapping day to old workweek = **0 hours**
- Overlapping day to new workweek = **8 hours**
- Overtime to be paid = **8 hours**

Regular Rate of Pay

In general, the regular rate of pay is an hourly pay rate determined by dividing the total regular pay actually earned for the workweek by the total number of hours worked. The calculation of the regular rate of pay is sometimes difficult when other types of payments besides cash wages need to be included in determining the regular rate.

Essentially, the Fair Labor Standards Act indicates that employees should receive additional overtime premium when additional earnings are paid on behalf of the hours worked that resulted in overtime. A complete view should be looked at to see what earnings were paid holistically (regular wages, differentials, premiums, production bonuses) in recognition of all hours worked.

For example, if an employee was paid a production bonus in addition to regular wages in order to produce the work done in a 43 hour workweek, then that overtime premium should be based on what he/she collectively took home as wages for working the 43 hours.

Included in regular rate of pay

- Shift Differentials
- Nondiscretionary bonuses (doesn't mean guaranteed)
- Payments in a form other than cash
- Retroactive pay
- On-call pay
- Supplemental disability payments
- Longevity pay
- Beeper pay

Not included in regular rate of pay

- Gifts

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

- Paid time off
- Reimbursed expenses
- Discretionary bonuses
- Benefit plan contributions
- Stock options
- Overtime compensation
- Premium pay for extra days worked or union contract
- Retirement and Insurance plans

📖 In one work week a nonexempt employee worked 45 hours and was paid $12.50 per hour. In the same workweek, the employee received a $150 non-discretionary bonus and a $75 discretionary bonus. Under FLSA, calculate the amount of gross earnings.

1. 12.50 (hrly rate) x 45 (hrs wrkd) = 562.50
2. 562.50 (reg earns) + 150.00 (nondis bonus) = 712.50
3. 712.50 / 45 (hrs wrkd) = 15.83 (reg rt)
4. 15.83 (reg rt) x .5 = 7.92 (ot rt) x 5 (ot hrs) = 39.60 (ot prem)
5. 562.50 (reg earns) + 39.60 (ot prem) + 150.00 (nondis bonus) + 75.00 (dis bonus) = 827.10

Weighted average method

Employees working more than one rate - must use weighted average method or pay all overtime at the higher rate. This is the total regular pay for all hours worked divided by the total hours worked

📖 Example: A nonexempt employee works 8 hours a day for five days at a rate of $10 an hour. The employee in the same workweek works an extra 8 hours at a rate of for $11 an hour.

- What is the employee's regular rate of pay?
    1. 8 (hrs) x 5 (days) x 10.00 (rt) = 400.00
    2. 8 (hrs) x 11.00 (rt) = 88.00
    3. 400.00 + 88.00 = 488.00
    4. 488.00 / 48 = 10.17
- What are the employee's earnings for the week?
    1. 10.17 (reg rt) x .5 = 5.09 x 8 (hrs) = 40.68 (ot prem)
    2. 488.00 (reg earns) + 40.68 (ot prem) = 528.68 (ttl earns)

Pieceworkers

Employees being paid per item produced, reviewed, etc

Two options for calculating regular rate of pay when piece rates are involved:

1. Calculate piecework first and then calculate regular rate of pay

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

2. Pay piece rate at 1 ½ times the rate for each piece made during overtime hours

📖 Example – Option 1: A nonexempt employee makes $.80 for each frisbee that is made, plus an extra $.25 for each frisbee over 400 in a regular 48-hour workweek. In one workweek, the employee assembled 438 frisbees.

What rate should overtime be calculated at?

1. 438 (items) x .80 (pc rt) = 350.40
2. 38 (bns items) x .25 = 9.50
3. 350.40 (pcs) + 9.50 (pc bns) = 359.90 (pc earns)
4. 359.90 (pc earns) / 48 (hrs) = 7.50 (reg rt)

What is the employee's total earnings for the week?

1. 7.50 (reg rt) x .5 = 3.75 x 8 (ot hrs) = 30.00 (ot prem)
2. 359.90 (reg earns) + $30.00 (ot prem) = 389.90 (total earns)

📖 Example – Option 2: Heidi, a nonexempt employee makes $2 for each pair of scissors assembled. In one 48-hour workweek, the employee assembled 156 scissors in the first 40 hours and 8 in the next 8 hours.

What are Heidi's total earnings for the week?

1. 156 (items) x 2.00 (pc rt) = 312 (pc earns in 40 hrs)
2. 2.00 (pc rt) * 1.5 (prem fctr) = 3.00 (ot pc rt)
3. 3.00 (ot pc rt) x 8 (ot pcs) = 24.00
4. 312.00 (pcs in 40 hrs) + 24.00 (ot pcs) = 336.00

Fluctuating Workweeks

Employee paid a fixed weekly rate and hours vary from week to week - calculate hourly rate based on salary & hours worked & use that rate for any overtime due

📖 A salaried nonexempt employee is paid a fixed salary of $750.00 per week for working anywhere from 35 – 45 hours per week.

Calculate the employees total earnings for the week when the employee works 44 hours.

1. 750.00 (sly) / 44 (hrs) = 17.05 (reg rt)
2. 17.05 (reg rt) x .5 = 8.53 x 4 (hrs) = 34.12 (ot prem)
3. 750.00 (sly) + 34.12 (ot prem) = 784.12 (ttl earns)

Daylight Savings Time

When clocks jump ahead an hour, if employee is paid for full shift, don't count extra hour as paid.

When clocks go back an hour, employee must be paid for the extra hour.

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Compensatory Time off

Because the workweek is the FLSA's basic unit of time used in determining whether overtime pay is due an employee, employers generally cannot "pay" overtime earned in one workweek by giving the employee time off from work in another workweek.

Exceptions

1. Time off in the same pay period – must be given 1 ½ times the number of hours off
2. Public sector –
   - Can receive 1 ½ hours of paid compensatory time instead of cash
   - Limited to 240 hours of comp time (or 160 hours of regular hours worked) for public employees
   - Limited to 480 hours of comp time (or 320 hours of regular hours worked) for public safety, emergency response and seasonal employees

Compensable Time Issues

Unauthorized overtime

✎ If an employer forbids an employee to work overtime and the employee works overtime, does the employer still have to pay the employee an overtime premium? **Yes**

✎ If an employer stipulates that overtime must be approved ahead of time and the employee works the overtime without approval, does the employer still have to pay the employee an overtime premium? **Yes**

Meal and Rest Periods – if the employee is relieved of duties, there's no need to pay

Travel time

- Travel home to work – generally non-compensable
- Travel as part of job – compensable
- Travel to and from home in a company vehicle – is not compensable
- Travel away from home – compensable for those hours that coincide with the employee's regular working hours, even if it's a non-working day

On-call time – compensable if the employee is restricted

Waiting time

- Engaged to be waiting - compensable time

  🕮 Employer requires employees to remain at work while they are waiting for a power outage to be fixed
- Waiting to be engaged – non-compensable time

  🕮 Employer is told that a power outage might last for four hours and let's employees leave during the outage and requests they come back later

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Meetings and training sessions – compensable unless all of the following are met…

- Meeting, lecture, etc. is held outside of the employee's regular working hours
- Attendance is voluntary
- Meeting, lecture etc. is not directly related to the employee's job
- Employee does not perform any productive work

Preliminary and postliminary activities

- Regulated as part of what legislation? **Portal-to Portal Act of 1947**
- Changing clothes is considered compensable time if changing clothes is integral and indispensable to the employee's principle activity
- Cleaning up is compensable if the work is integral and indispensable to the principle activities
- Wage and Hour division has accepted rounding practices of nearest tenth or quarter rounding as long as it's consistent

Receiving medical attention – compensable if spent on the employer's premises while waiting for medical attention

Child Labor Restrictions

Under 18 restrictions? **No hazardous jobs**

Under 16 restrictions? **In school: can't work during school hours, limited to 3 hours/day, 18 hours/wk (7a - 7p) and Out of school: 8 hours/day & 40 hrs/wk (7a - 9p)**

Under 14 restrictions? **Prohibited with restrictions**

Enforcement and Penalties

Enforcement usually comes as a result of employee complaints – can receive damages equal to missed wages and damages.

FLSA also indicates that it's unlawful to discriminate against or discharge an employee who has filed a complaint.

What is the statute of limitations on FLSA complaints? **Up to two years earlier (three years if the violation was willful)**

What is the fine for employers who willfully violate the minimum wage and overtime provisions? **Up to $1,100 per violation**

What is the fine for child labor violations? **Up to $11,000 for each violation and up to $50,000 for each violation that causes the death or serious injury of a minor**

What is the fine for willfully violating the FLSA? **Up to $10,000 and officers imprisoned for up to six months for second and later offenses**

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Public Contracts Laws

Walsh-Healey Public Contracts Act

- Governs the wages and hours of employees of manufacturers and dealers furnishing the federal government with materials, supplies, and equipment under contracts exceeding $10,000
- Requires covered employees to be paid 1½ times their basic (regular) rate of pay for all hours physically worked over 40 in a workweek.

Davis-Bacon Act

- Sets prevailing minimum wage standards for laborers and mechanics working on federally financed construction contracts of $2,000 or more.
- The regular rate is the hourly rate plus fringe benefits unless the total is greater than that required by the Secretary of Labor.

Contract Work Hours and Safety Standards Act

- Requires contractors with the federal government (not those already covered by Walsh-Healey or Davis-Bacon) to pay employees overtime of at least 1½ times their "basic rate" for hours worked over 40 in a workweek.
- Overtime must be paid only for work covered by the contract

Service Contract Act

- Applies to employers that contract with the federal government to provide services to a federal agency. It applies to contracts over $2,500.
- Requires that employees be paid prevailing minimum wages and fringe benefits based on the wages and benefits for similar employment in the locality or on a collective bargaining agreement

Copeland Anti-Kickback Act

- Protects the wages due employees of contractors and subcontractors on federally-financed construction contracts. Coverage is broader than the Davis Bacon Act.

Test Your Knowledge

Yes/No - For each item below, indicate "yes" or 'no" if it is covered under the federal wage-hour law

1. **Yes** Sets federal minimum wage
2. **Yes** Mandates equal pay for equal work
3. **No** Provides regulations for employers to consider vacation time as hours worked for overtime
4. **No** Requires employers to pay employees on days when employees are sick
5. **Yes** Places restrictions on labor performed by children
6. **No** Requires employers to pay 1 ½ times the reg rate of pay on more than 40 hours in a pay cycle
7. **No** Sets the pay frequency required
8. **Yes** Requires record-keeping by employers

Multiple Choice

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

1 A nonexempt employee earns $7.75 per hour worked and also earns a piece rate of $0.35 for each item produced. Calculate the total earnings paid to the employee when 170 items are produced in a 43 hour workweek.

A. $346.96
B. $392.75
C. $404.39
D. $406.46

2 A nonexempt employee is paid $.60 for each piece produced and makes an extra $.20 for each piece produced over 400. In one workweek, the employee makes 438 items while working 48 hours. Under FLSA, what is the employee's gross pay?

A. $270.40
B. $284.72
C. $292.96
D. $297.44

3 A 19 year old nonexempt employee works for an employer that utilizes the lower opportunity minimum wage. In the employee's third week at work, a total of 42 hours is worked. According to FLSA guidelines, calculate the employee's gross pay for the week.

A. $178.50
B. $182.76
C. $245.71
D. $255.89

4 A 25 year old nonexempt employee works for an employer that utilizes the lower opportunity minimum wage. In the employee's fourth week at work, a total of 47 hours is worked. According to FLSA guidelines, calculate the employee's gross pay for the week.

A. $199.75
B. $214.66
C. $347.75
D. $366.13

5 During a workweek, a nonexempt tipped employee works 37 hours and earns $50 in tips. The employer utilizes the tip credit. How much per hour must the employee be paid?

A. $2.13
B. $5.90
C. $7.25
D. $8.60

6 An employee works the following hours during a workweek and is paid $8.50 for each hour worked.

- Sunday = 0 hours
- Monday = 8 hours
- Tuesday = 10 hours
- Wednesday = 7 hours
- Thursday = 8 hours
- Friday = 9 hours
- Saturday = 4 hours

Using FLSA guidelines, calculate the employee's gross earnings for the week.

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

A. $391.00
B. $403.75
C. $408.00
D. $416.50

7 A nonexempt employee works in a hospital that has elected the special overtime provision allowed for hospitals and nursing homes. The employee is paid $12.00 per hour and works the following schedule:

Week #	Sun	Mon	Tues	Wed	Thurs	Fri	Sat
1	12	8	6	10	3	0	2
2	0	10	8	8	8	6	8

Using FLSA guidelines, calculate the employee's gross earnings for the biweekly period.

A. $1,068.00
B. $1,116.00
C. $1,122.00
D. $1,200.00

8 A nonexempt employee is paid $10.25 per hour and works 46 hours in one workweek. In that workweek, the employee is paid $500.00 for a discretionary bonus and $75.00 for on-call pay. Using FLSA guidelines, calculate the employee's gross earnings for the week.

A. $1,046.50
B. $1,077.28
C. $1,082.14
D. $1,114.78

9 In one workweek, a nonexempt employee works 33 hours at $11.75 per hour and 9 hours at $12.50 per hour. Using FLSA guidelines, calculate the employee's gross earnings for the week.

A. $512.01
B. $512.16
C. $512.39
D. $512.75

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

10 An employee is paid $1.25 for each item produced. In addition, the employee has a normal workweek of 40 standard hours. In one workweek, an employee worked 46 hours and produced 500 items. Using FLSA guidelines, calculate the employee's gross earnings for the week.

A. $625.00
B. $665.80
C. $671.92
D. $747.34

11 A nonexempt employee is paid $13.75 per hour. In a workweek when the employee works 43 hours, the employee is also paid the following earnings:

- On-call pay = $55.00
- Discretionary bonus = $125.00
- Nondiscretionary bonus = $87.00
- Shift differential = $0.75 per hour on all hours worked

Using FLSA guidelines, calculate the employee's gross earnings for the week.

A. $911.14
B. $916.09
C. $917.20
D. $921.55

12 A nonexempt employee is paid $8.25 per hour. In a workweek when the employee works 47 hours, the employee is also paid the following earnings:

- Discretionary bonus = $175.00
- Reimbursed expenses = $65.00
- Benefit plan contributions = $25.00

Using FLSA guidelines, calculate the employee's gross earnings for the week.

A. $681.66
B. $694.63
C. $699.51
D. $701.40

13 An exempt employee earns an annual salary of $46,000 based on a 40 hour workweek. Calculate the employee's gross earnings for a week in which the employee works 43 hours.

A. $884.62
B. $951.16
C. $917.80
D. $984.16

14 A nonexempt employee is paid a weekly rate of $1,000 for a 35 hour workweek. Calculate the employee's gross earnings for a week when the employee worked 42 hours.

A. $1,000.00
B. $1,028.58
C. $1,228.52
D. $1,299.97

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

15 A nonexempt employee is paid an hourly rate of $18.00 per hour and works the following hours:

- Week 1: 36 hours
- Week 2: 45 hours

In addition, during week 2 the employee earns a nondiscretionary production bonus in the amount of $75.00. According to FLSA guidelines, calculate the employee's gross earnings.

A. $1,542.00
B. $1,542.47
C. $1,578.00
D. $1,582.20

Validate Your Progress

Fair Labor Standards Act

- ☐ Knowledge of employee classification (exempt/nonexempt)
- ☐ Knowledge of definition of workweek
- ☐ Knowledge of definition of fluctuating workweek
- ☐ Knowledge of definition of 8/80 rule
- ☐ Knowledge of requirements for changing workweek
- ☐ Knowledge of compensatory time in lieu of overtime pay
- ☐ Knowledge of compensable time (meal, rest, waiting period, unauthorized overtime)
- ☐ Knowledge of work time rounding practices
- ☐ Knowledge of regular rate of pay components
- ☐ Knowledge of minimum wage requirements
- ☐ Knowledge of federal minimum wage rate
- ☐ Knowledge of allowable tip credit
- ☐ Knowledge of tip pay requirements
- ☐ Knowledge of effect of tip credit on minimum wage
- ☐ Knowledge of overtime requirements
- ☐ Knowledge of child labor restrictions
- ☐ Knowledge of white collar exemption classifications
- ☐ Knowledge of white collar exemption job duties
- ☐ Knowledge of salary requirements for exempt employees
- ☐ Knowledge of public sector workweek and compensatory time off
- ☐ Knowledge of components governed under FLSA

Regulatory

- ☐ Knowledge of DOL regulations impacting payroll
- ☐ Knowledge of FMLA regulations

Record retention

- ☐ Knowledge of FLSA requirements
- ☐ Knowledge of FMLA requirements

Penalties

- ☐ Knowledge of DOL penalties

Compensation/Benefits

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

- ☐ Ability to calculate gross pay
- ☐ Ability to calculate FLSA regular rate of pay
- ☐ Ability to calculate FLSA overtime premium pay
- ☐ Ability to calculate piece rate pay
- ☐ Ability to calculate hour worked (e.g. regular, overtime)
- ☐ Ability to calculate pay for specific hours worked (e.g. regular, overtime)

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Answers to multiple choice questions

Qstn #	Option	Explanation
1	A	Forgot to include piece rate dollars in total earnings
	B	Did not include overtime premium
	C	Did not include piece rate in regular rate of pay
	D	**KEY** 43 hrs x 7.75 rate = 333.25 (reg) 43 hrs – 40 hours = 3 hours (ot) .35 piece rate x 170 items = 59.50 333.25 (reg) + 59.50 (piece rate) = 392.75 (total earns) 392.75 (total earns) / 43 (hrs worked) = 9.13 (reg rate) 9.13 (reg rate) x .5 = 4.57 (ot prem rate) x 3 (ot hours) = 13.71 (ot premium) 333.25 (reg) + 13.71 (ot) + 59.50 (piece work) = 406.46
2	A	Did not calculate ot premium
	B	Didn't pay premium for addl items
	C	**KEY** .60 (piece rate) x 438 (base qty) = 262.80 (sly) .20 (prem rt) x 38 (premium qty) = 7.60 (prem) 262.80 (sly) + 7.60 (prem) = 270.40 (earns) / 48 (hrs wrkd) = 5.63 (reg rt) 5.63(reg rt) x .5 = 2.82 (ot rt) x 8 (ot hrs) = 22.56 (ot prem) 270.40 (earns) + 22.56 (ot prem) = 292.96
	D	Reg rt of pay based on 40 hours
3	A	Did not calculate overtime premium
	B	**KEY** 4.25 (low opp min wg) x 42 (hrs wrkd) = 178.50 (reg sly) 4.25 (low opp min wg) x .5 = 2.13 (ot prem rt) x 2 (ot hrs) = 4.26 (ot premium) 178.50 (reg sly) + 4.26 (ot prem) = 182.76 (total sly)
	C	Used regular minimum wage & did not calculate overtime premium
	D	Used regular minimum wage
4	A	Used lower opportunity minimum wage & did not calculate overtime premium
	B	Used lower opportunity minimum wage
	C	Did not calculate overtime premium
	D	**KEY** 7.25 (min wg) x 47 (hrs wrkd) = 340.75 (reg sly) 7.25 (min wg) x .5 = 3.625 (ot rate) x 7 (ot hrs) = 25.38(ot prem) 340.75 (reg sly) + 25.38 (ot prem) = 366.13

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Qstn #	Option	Explanation
5	A	Selected tip credit minimum wage
	B	**KEY** 7.25 (min wg reqd) x 37 (hrs wrkd) = 268.25 (min wg earns) 268.25 (min wg earns) – 50.00 (tips) = 218.25 (other earns reqd) 218.25 (other earns reqd) / 37 (hrs wrkd) = 5.90 (min wg reqd)
	C	Selected federal minimum wage
	D	Added tips to earnings to calculate regular rate of pay
6	A	Did not calculate overtime premium
	B	Overtime calculated on hours worked over eight per day
	C	Overtime calculated on weekend hours only
	D	**KEY** 8 + 10 + 7 + 8 + 9 + 4 = 46 (hrs wrkd) 46 (hrs wrkd) x 8.50 (hrly rt) = 391.00 (reg sly) 8.50 (hrly rt) x .5 = 4.25 (ot rt) 46 (hrs wrkd) – 40 = 6 (ot hrs) 4.25 (ot rt) x 6 (ot hrs) = 25.50 (ot prem) 391.00 (reg sly) + 25.50 (ot prem) = 416.50 (total sly)
7	A	Did not calculate overtime premium
	B	Calculated overtime on hours in excess of 8 per day
	C	**KEY** 12 + 8 + 6 + 10 + 3 + 2 = 41 (hrs wrkd wk 1) 10 + 8 + 8 + 8 + 6 + 8 = 48 (hrs wrkd wk 2) Overtime > 80 in 14 days = 41 + 48 = 89 – 80 = 9 Overtime > 8 per day = 4 (Sun wk1) + 2 (Wed wk1) + 2 (Sun wk2) = 8 41 (hrs wrkd wk 1) + 48 (hrs wrkd wk 2) = 89 (total hrs wrkd) 89 (total hrs wrkd) x 12.00 (hrly rt) = 1068.00 (reg sly) 12.00 (hrly rt) x .5 = 6.00 (ot rt) x 9 (ot hrs) = 54.00 (ot prem) 1068.00 (reg sly) + 54.00 (ot prem) = 1122.00
	D	Calculated overtime on hours worked on weekend
8	A	Did not calculate overtime premium
	B	Overtime calculated at hourly rate and not regular rate of pay
	C	**KEY** 10.25 (hrly rt) x 46 (hrs wrkd) = 471.50 (reg sly) 471.50 (reg sly) + 75.00 (on call) = 546.50 / 46 (hrs wrkd) = 11.88 (reg rt) 11.88 (reg rt) x .5 = 5.94 (ot rt) x 6 (ot hrs) = 35.64 (ot prem) 471.50 (reg sly) + 35.64 (ot prem) + 500.00 (disc bonus) + 75.00 (on call) = 1082.14 (earns)
	D	Included discretionary bonus in regular rate of pay
9	A	Calculated all overtime at lower rate of 11.75
	B	**KEY** 33 (hrs wrkd) x 11.75 (rt) = 387.75 (earns) 9 (hrs wrkd) x 12.5 (rt) = 112.50 (earns) 387.75 + 112.50 = 500.25 (earns) 33 + 9 = 42 (total hrs wrkd) 500.25 (earns) / 42 (total hrs wrkd) = 11.91 (reg rt of pay) 11.91 (reg rt of pay) x .5 = 5.96 (ot rt) x 2 (ot hrs) = 11.92 (ot prem) 500.25 (earns) + 11.92 (ot prem) = 512.17 (total earns)
	C	Averaged two hourly rates & used that for overtime rate
	D	Calculated all overtime at higher rate of 12.50

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Qstn #	Option	Explanation
10	A	Did not calculate overtime premium
	B	**KEY** 500 (items) x 1.25 (rt per item) = 625.00 (earns for items) 625.00 (earns for items) / 46 (hrs wrkd) = 13.59 (reg rt) 13.59 (reg rt) x .5 = 6.80 (ot rt) x 6 (ot hrs) = 40.80 (ot prem) 625.00 (earns for items) + 40.80 (ot prem) = 665.80 (total earns)
	C	Calculated regular rate of pay on 40 hours
	D	Calculated overtime at time and a half
11	A	Overtime calculated on hourly rate and not regular rate of pay
	B	Didn't include shift in regular rate of pay
	C	**KEY** 13.75 (hrly rt) + .75 (shift) = 14.50 (hrly rt & shift) x 43 (hrs wrkd) = 623.50 (earns) 623.50 (earns) + 55.00 (on call) + 87.00 (nondisc bonus) = 765.50 765.50 / 43 (hrs wrkd) = 17.80 (reg rt) 17.80 (reg rt) x .5 = 8.90 (ot rt) x 3 (ot hrs) = 26.70 (ot prem) 623.50 (earns) + 26.70 (ot prem) + 55.00 (on call) + 125.00 (disc bns) + 87.00 (nondisc bns) = 917.20
	D	Included discretionary bonus in regular rate of pay
12	A	**KEY** 47 (hrs wrkd) x 8.25 (hrly rt) = 387.75 (earns) 8.25 (hrly rt) x .5 = 4.13 (ot rt) x 7 (ot hrs) = 28.91 (ot prem) 387.75 (earns) + 28.91 (ot prem) + 175.00 (disc bns) + 65.00 (exp) + 25.00 (ben contribs) = 681.66
	B	Included discretionary bonus in regular rate of pay
	C	Included discretionary bonus & reimbursed expenses in regular rate of pay
	D	Included all other earnings in regular rate of pay
13	A	**KEY** 46000.00 (annl sly) / 52 (wks per yr) = 884.62 (wkly sly)
	B	Calculated hourly rate & multiplied times hours worked
	C	Paid overtime earnings at half-rate
	D	Paid overtime earnings at one and a half rate
14	A	Paid standard weekly salary
	B	Didn't pay regular salary on hours greater than 35
	C	**KEY** 1000.00 (wkly sly) / 35 (std hrs) = 28.57 (hrly rt) 28.57 (hrly rt) x 42 (hrs wrkd) = 1199.94 (reg sly) 28.52 (hrly rt) x .5 = 14.29 (ot rt) x 2 (ot hrs) = 28.58 (ot prem) 1199.94 (reg sly) + 28.58 (ot prem) = 1228.52 (earns)
	D	Paid overtime on hours greater than standard hrs

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only

Qstn #	Option	Explanation
15	A	Overtime hours based on biweekly period & did not include bonus in reg rt
	B	Overtime hours & regular rate based on biweekly period
	C	Didn't include bonus in reg rt for week 2
	D	**KEY** 36 (hrs wk 1) x 18.00 (hrly rt) = 648.00 (wk 1 earns) 45 (hrs wk 2) x 18.00 (hrly rt) = 810.00 (wk 2 earns) 810.00 (earns wk 2) + 75.00 (nondisc bns) = 885.00 885.00 / 45 (hrs wk 2) = 19.67 (reg rt) 19.67 (reg rt) x .5 = 9.84 (ot rt) x 5 (ot hrs wk 2) = 49.20 (ot prem) 648.00 (wk 1 earns) + 810.00 (wk 2 earns) + 49.20 (ot prem) + 75.00 (nondisc bns) = 1582.20 (total earns)

Information contained herein is exclusive property of the Columbus Area Chapter
Use of material is to be used by study group members only