

## UNDERSTANDING “WEIGHTED AVERAGE” CAN HELP SCALE DOWN OVERTIME LIABILITY

**QUESTION:** Robert does clean-up work in the evening for my hardware store, and he also does general office work during the day. I pay him two different rates for his different jobs. Because his cleaning work is meant to take place after his full-time office job shift, I just pay him overtime based on his hourly “clean-up” rate (which is lower than his rate for the office work). Isn’t that the way I’m supposed to do it?

**ANSWER:** No, that is not the way you are supposed to calculate Robert’s overtime. But fortunately for you, and as regular readers know, this happens to be the final topic in our “overtime” series.

Over the last couple of weeks, we’ve discussed overtime calculations for non-exempt salaried and commissioned employees. Today, we’ll review how to calculate overtime for employees who work for the same employer at two different rates of pay.

As you know, overtime is calculated based on a “regular” rate, which is always an hourly rate. For employees who are earning only one rate of pay per hour, you don’t need to do any calculation at all to find the regular rate: That hourly wage **IS** the regular rate, and you pay 1.5 times that amount for all hours over 40 in a workweek.

But for non-exempt employees who earn two (or more) rates of pay for doing different jobs, employers must use a specific computation for determining the regular rate. This computation, which is actually quite simple, consists of totaling the straight time earnings at each rate of pay during the workweek, and then dividing that amount by the number of hours worked in the workweek. The result, which is called the “weighted average,” becomes the employee’s regular rate for the week, and you must pay an additional .5 times that rate for all overtime hours worked that week.

For example, if an employee works 16 hours at \$10.00 per hour and 30 hours at \$12.00 per hour, the total straight time amount earned is \$520.00. That amount is then divided by the total number of hours the employee worked (46) resulting in a weighted average hourly rate of \$11.30.

Since the employer has already paid the straight time rate for all 46 hours worked, only an additional half-time (.5) of the weighted average is due for the six overtime hours. So the calculation goes like this:

- $\$11.30$  (the regular rate)  $\times .5 = \$5.65$ . Thus, \$5.65 is the half-time rate.
- $\$5.65 \times 6$  hours of overtime = \$33.91. That is the amount of overtime owed to the employee for the workweek.

- Therefore, the total wages earned for the 46 hours, including the six overtime hours, is \$520.00 (the straight-time pay) plus \$33.91 (the overtime pay) for a total of \$553.91.

As another example, let's say you pay Robert \$10.00 per hour for his general office work and \$8.00 per hour for his after-hours cleaning. For this workweek, he works 40 hours in the office and 7 hours on clean-up duty. You would therefore calculate the overtime due to him as follows:

- 40 hours in office @ \$10.00 per hour = \$400.00.
- 7 hours clean-up duty @ \$8.00 per hour = \$56.00.
- Total straight time compensation is \$400.00 + \$56.00 = \$456.00.
- Total number of hours worked is 40 + 7 = 47.
- Divide \$456.00 by 47 and you get a regular rate of \$9.70. (We are almost done!)
- $\$9.70 \times .5 = \$4.85$ , and  $\$4.85 \times 7$  overtime hours = \$33.96
- Therefore, the total compensation due Robert this workweek is  $\$456.00 + \$33.96 = \$489.96$ .

As if that wasn't enough fun, what if an employee works a total of over 40 hours per week for different employers? Each employer owes the employee overtime only when the employee works more than 40 hours a workweek for that employer...unless it is a "joint employment" situation.

And what is joint employment? You guessed it – that will be the topic for next week's column (and by the way, it has nothing to do with medical marijuana).

For more information on this and other important information affecting Oregon employers, including seminars conducted by our Technical Assistance staff, please visit our website at [www.oregon.gov/boli/ta](http://www.oregon.gov/boli/ta). You can also call us at 971-673-0824.