

## Extra Time Can Lead to “Accidents,” Both in the Dog Park and in Overtime Calculations

**QUESTION:** I run a dog spa and boutique, and the vast majority of my customers own silky terriers. Needless to say, those little critters require a great deal of shampooing, and I give my employees a bonus if they shampoo more than 10 dogs in a week. I figure that’s more than enough to take care of any overtime I might owe them.

However, a new employee who has been to a BOLI seminar insists that this is not the proper way to compute overtime. If he’s trying to impress me, he’s not doing a very good job, but if he’s trying to keep me out of trouble, I’m all ears! Is he correct?

**ANSWER:** Yes, he is. Both federal and state law requires employees to be paid overtime for all hours over 40 in a workweek. It is not enough to just throw in an extra dollar amount and figure it takes care of any overtime owed. Rather, the law requires that you use specific formulas when calculating overtime.

Overtime must be paid at time and ½ the “regular rate.” If an employee's wages are all figured on a straight hourly rate, that rate becomes the “regular rate,” and you pay time and a half of that rate for all hours over 40.

For example, if your employee makes \$10 an hour, that is her regular rate. If she worked 50 hours in a workweek, she will already have been paid the regular rate for each hour ( $\$10 \times 50$ ) for a total of \$500.

All that is left now is to pay the half-time rate. This is done by dividing the regular rate by 2 (to get \$5), and multiplying that sum by the number of overtime hours worked ( $10 \times \$5 = \$50$ ). Your employee will thus be owed a total of \$550 for the workweek: \$500 of straight time and \$50 of overtime.

However, if that same employee earns an additional \$100 that week as a shift differential and another \$50 as a bonus for washing the most silky terriers, overtime must be calculated differently. In this case, you use a “weighted average” formula, which means that you simply add up all the dollars the employee earned that week and divide that sum by the number of hours worked, as follows:

- \$500 hourly wages, plus
- \$100 production bonus, plus

- \$50 dog-washing bonus,

For a total of \$650 straight-time wages for the week.

You then divide \$650 by the number of hours the employee worked that week (50) to come up with 13. \$13 is now your regular rate.

Since the employee has already been paid her straight-time hourly wages, all you do is divide 13 by 2 (to get \$6.50) and multiply that figure by the number of overtime hours worked (10). Add that amount (\$65.00) to the straight-time wages (\$500) to come up with a total of \$565 total wages owed for that week.

For more information, attend an upcoming Wage and Hour Law seminar in Coos Bay on April 1, Newport on April 2, or Tualatin on April 10. For information, visit BOLI's Technical Assistance for Employers website at [www.oregon.gov/BOLI/TA](http://www.oregon.gov/BOLI/TA).