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Implications and Effectiveness of Half-time Pay for Salaried Employee Overtime

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My Motivation

- Interviewing and applying for jobs
 - Completely unfamiliar with the pay structure
- Want to be an educated manager

Influence of Pay

- SHRM research report in May 2014
 - 60%
 - 36%
 - 4 generations



FLSA

- Fair Labor Standards Act
 - Signed by President Franklin D. Roosevelt
 - 1938
- Minimum wage, overtime pay, recordkeeping, and youth employment standards



Hourly Rate

- Compensated for each hour worked
 - Overtime for hours over 40 in a week
 - Low consistency but more flexibility
- Includes wide variety of jobs
 - Entry level → Professionals (lawyers & accountants)



Hourly Rate

- Ambiguous payroll expenses
 - Difficult for an employer to accurately predict week to week
- Uncertainty for employee
 - No guaranteed hours or income





- Monday-Friday 8-5 comes to mind
 - Consistent hours
 - Teaching and other professions
- Overtime is a potential non-factor
 - If non-exempt, rate of time and one-half

Exemptions

- Positions
 - Executive, computer, administrative, outside sales, etc
- Wage
 - Pending move from \$23,660 to \$47,476 annually
 - December 1, 2016, but pending due to federal judge

Salary

- Overtime is paid at time and one-half of regular wage
 - If hours fluctuate, the organization is at a loss



Fluctuating Workweek

- Paid salary
- Hours fluctuate
 - Both above and below 40 hours
- Overtime is compensated at 0.5*regular rate



Example < 40

- 30 hours worked, \$800 weekly salary
 - Paid \$800

Example > 40

- 50 hours worked, \$800 weekly salary
 - $\$800/40 = \$20/\text{hr}$ regular rate
 - $\$20 * 0.5 = \$10/\text{hr}$ overtime rate
- 50 hours – 40 hours = 10 hours overtime
 - $10\text{hrs} * \$10 = \100 overtime pay
- $\$800 + \$100 = \$900$ total week compensation

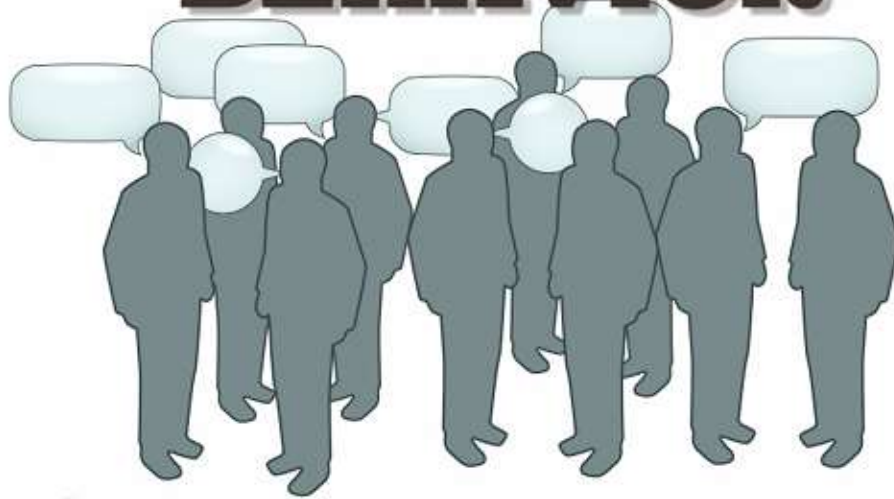
Requirements

- 1) The fixed salary must be paid each week and does not vary based on the number of hours worked.
- 2) There is a clear, mutual understanding between employee and employer that the fluctuating workweek method is being used.

Requirements

- 3) The employee will be paid the fixed salary regardless of hours worked.
- 4) The fixed salary must be sufficient to provide compensation above minimum wage.
- 5) The employee's hours must fluctuate from week to week both above and below 40 hours

(OB) ORGANIZATIONAL BEHAVIOR



Justice

Ethics

Trust

Job Satisfaction and Performance

- Pay satisfaction → job satisfaction
- Policies and implementation → job satisfaction

Justice

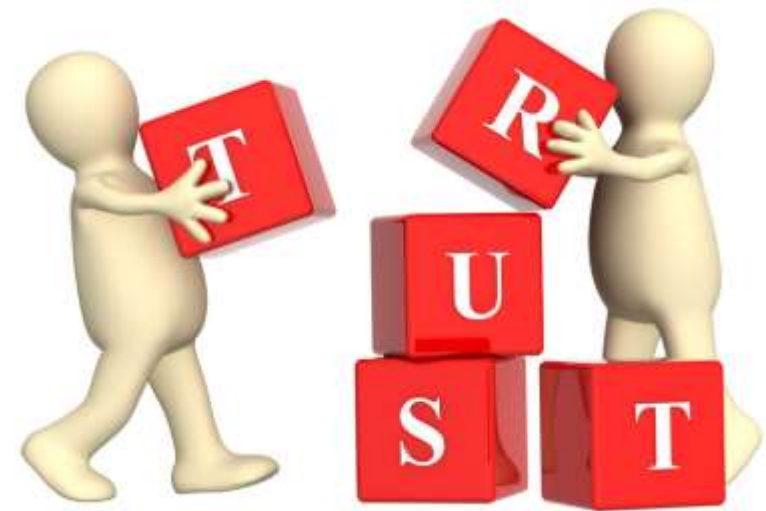
- Reflects the perceived fairness of an authority's decision making
 - High levels of justice → Decision outcomes are fair
 - Gauge distributive justice by asking whether decision outcomes such as pay are allocated using proper norms



- Degree to which behaviors are in accordance with generally accepted moral norms
 - Reputation

Trust

- Cognition-based
 - Assessment of an authority's trustworthiness
 - Ability → area of expertise
 - Benevolence → wants to do good
 - Integrity → adhering to a set of values



Fluctuating Workweek

- Employee desires more stable and consistent income
 - Ability
 - Benevolence
- Payroll will be more predictable
 - Ethics + Trust = Justice
- Win-win
 - Guaranteed salary, simplified overtime, eliminates peaks and valleys in payroll

Situation for use

- Time to complete certain jobs varies
- Seasonal highs and lows
 - Golf course employees
 - Seasonal hours, ex) 50 summer 30 winter



Implementation

- Clear, mutual understanding
 - Cognition-based trust
- Fixed salary does not vary based on number of hours worked
 - Integrity
- Paid the salary regardless of hours worked

Implementation

- Hours fluctuate above and below 40
 - Benevolence
- Provide compensation above minimum wage
 - Includes overtime rate

Resolution

- Situations where hourly or salary is not ideal
 - Fluctuating workweek
- Pay is important to job satisfaction
- Pay policy is important to job satisfaction
 - Justice – Ethics – Trust





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Questions?