

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACTPurpose

This section describes the overtime compensation provisions of the Fair Labor Standards Act, for use as guidelines in the payroll function, to the extent that the provisions of the Act apply. Specific guidelines should be adhered to as disseminated by the U. S. Department of Labor through its interpretative bulletins, regulations, and other reference guides.

Legal Provisions

1. The U. S. Congress enacted the Fair Labor Standards Act of 1938, hereinafter referred to as the Act, to establish minimum wages, overtime pay, recordkeeping, and other related policies for the general well-being of workers.
2. The Fair Labor Standards Amendments of 1966, effective on February 1, 1967, amended the Act to extend its coverage to include certain State employees of the University of Hawaii, the Department of Education and the Department of Health. Section 13(a)(1) of the Act provides for the exemption from the minimum wage and overtime provisions of the Act of employees employed in bona fide executive, administrative and professional capacities (including teachers and academic administrative personnel in schools). The State's Department of Personnel Services determines and identifies these exempt employees.
3. As of May 1, 1974, the Act was amended under Public Law 93-259 to cover all State employees.
4. On June 24, 1976, the United States Supreme Court held unconstitutional a federal district court decision that upheld the May 1, 1974 amendment. The Supreme Court's decision thus eliminated the coverage of FLSA provisions for minimum wage and overtime for almost all State employees.
5. The Supreme Court in 1985 overruled the 1976 decision (Garcia v. San Antonio Metropolitan Transit Authority et al.) Coverage of FLSA provisions for minimum wage and overtime was therefore extended again to State employees.
6. In response to the concerns of many State and local government employers and representatives, the Fair Labor Standards Amendments of 1985 were enacted, with an effective date of April 15, 1986. The primary payroll effects of these amendments relate to compensatory time off, multiple job situations, and volunteer services. Otherwise these amendments do not affect the general application of the Act to State employees.
7. The Act is administered by the local office of the U. S. Department of Labor's Wage and Hour Division.

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

Overtime Pay Requirements

1. Maximum hours provisions.

The Act provides for the payment of overtime for work performed in excess of 40 hours in a workweek at a rate not less than time and one-half of the basic pay rate of an employee. Although the Act does not require overtime payment for hours worked in excess of 8 hours a workday, State laws, Personnel Rules and Regulations, and collective bargaining agreements require payments.

2. Each workweek stands alone.

The Act takes a single workweek as its standard and does not permit averaging of hours over two or more weeks.

3. Determining the workweek.

An employee's workweek is a fixed and regularly recurring period of 168 hours (seven consecutive 24-hour periods) and may begin on any day of the week and at any hour of the day.

4. Compensatory time.

State and local government employers may give their employees compensatory time off in lieu of immediate overtime pay in cash, if such allowance is by collective bargaining contract or by other agreement or understanding between employer and employee before work is performed. Certain requirements and limitations on accumulated compensatory time apply.

5. Time of payment.

Payment of overtime compensation must be made as soon after the regular pay period as is practical, but may not be delayed beyond the next pay day after such computation can be made.

"Regular Rate" of Pay

Before overtime pay can be computed, it is necessary to determine the employee's "Regular Rate", since the Act requires payment for overtime hours at not less than one and one-half times the "Regular Rate" of pay.

1. The "Regular Rate" of pay includes all remuneration paid to the employee, unless specifically excluded by the Act. The types of pay that are included and those that are excluded are listed below.

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

- a. Included in the "Regular Rate" based on State laws, DPS Rules and Regulations, and collective bargaining agreement provisions are:
- (1) Regular Pay (Basic Pay).
  - (2) Perquisites or wages-in-kind that are considered as part of the wages.
  - (3) Hazard Pay Differential.
  - (4) Split Shift Differential.
  - (5) Night Shift Differential.
  - (6) Overseas Differential.
  - (7) Stipend.
  - (8) Temporary Assignment Pay.
  - (9) Stand-By Time Pay.
  - (10) Cost of Living Allowance (COLA).
  - (11) Airport Fire Differential.
  - (12) Working Condition Differential.
  - (13) Compression Differential.
  - (14) Related Shortage Differential.
  - (15) Shortage Differential.
  - (16) Temporary Differential.
  - (17) Conversion Differential.
  - (18) Other types of pay that are not excluded from the provisions under the Act under Section 7(e).
- b. Payments that may be excluded from the "Regular Rate" under Section 7(e) of the Act. (Reference Section 778.200, WHPC Publication 1262, Overtime Compensation).
- (1) Sums paid as gifts or in the nature of gifts for special occasions.
  - (2) Payments made for occasional periods when no work is performed due to vacation, holiday, illness, failure of the employer to provide sufficient work, or other similar cause.
  - (3) Payment or bonuses at the discretion of the employer and not based on a contract or collective bargaining agreement.

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

- (4) Contributions made by the State for retirement, life, accident, or health insurance or for similar benefits for employees.
- (5) Premium pay for hours worked in excess of eight hours in a day.
- (6) Premium pay for hours worked on holidays, Saturdays, Sundays, or regular days of rest.
- (7) Extra compensation based on a premium rate of less than one and one-half times the regular workday or workweek rate of a collective bargaining agreement for work performed outside of the agreed-upon workday or workweek.

2. The "Regular Rate" is an hourly rate.

The regular hourly rate of pay of an employee is determined by dividing his total remuneration for employment (except statutory exclusions as referenced in l.b. above) in any workweek by the total number of hours actually worked by the employee in that workweek for which such compensation was paid.

Where payments are made to employees in the form of goods or facilities which are regarded as part of wages, the reasonable cost to the employer or the fair value of such goods or facilities must be included in the regular rate.

Computation of Overtime Pay

There are various approaches that are acceptable and may be used in determining the extra half-time for overtime earned and in obtaining the total pay due an employee under the Act. Listed below are three illustrative approaches:

1. The detailed approach that most closely follows the language of the Act.
2. The same approach as 1. above, except that the same factors are included in a faster and more efficient computation formula.
3. Use of the U. S. Department of Labor's coefficient table (TABLE I: COEFFICIENT TABLE FOR COMPUTING EXTRA HALF-TIME FOR OVERTIME).

STATE OF HAWAII  
Accounting Manual

Volume III  
Part 200: Gross Payroll

Page 231.05

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

Computation of Overtime Pay (cont'd.)

Use of the coefficient table (approach #3 below) is probably the most practical approach to be used by the State departments and agencies, because it is best suited for reporting payroll expenditures by type of pay.

Examples of Computation of Overtime Pay

For example, an employee is placed on standby time on Saturday for four hours. During his standby time period, the employee is called in on an emergency and works three hours, for which he is entitled to overtime pay and standby time payment. There are no other "includable" items of pay for the employee in determining his "Regular Rate" of pay under FLSA provisions. The basic payroll information for the employee is:

Position:	X-Ray Technician, SR-16D
Monthly rate of pay:	\$789.00
Semi-monthly rate of pay:	\$394.50
Normal working days:	Monday through Friday
Normal working hours:	7:45 a.m. to 4:30 p.m.

1. The detailed approach.

- a. Determine the total straight-time earnings for all hours worked as follows:

Pay for all straight-time hours worked.

Basic pay for 40 hours	40 hrs. x \$4.55	\$182.00
Straight-time pay for hours worked in excess of 40 hrs.	<u>3</u> hrs. x \$4.55	<u>13.65</u>
	<u>43</u> hrs. x \$4.55	\$195.65

Standby time pay is 25% of the daily rate (25% x \$36.40)	<u>9.10</u>
---	-------------

Total straight-time earnings for all hours	<u>\$204.75</u>
--	-----------------

- b. Compute the "Regular Rate" of pay based on the total straight-time earnings in a. above:

\$204.75 ÷ 43 hours worked	<u>\$ 4.76</u>
----------------------------	----------------

July 1, 1974

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

Computation of Overtime Pay (cont'd.)

- c. Compute the half-time (overtime premium) pay based on the rate in b. above:

$$\frac{1}{2} \times \$4.76 \times 3 \text{ hours} \qquad \qquad \qquad \underline{\$ 7.14}$$

- d. Compute the overtime pay:

$$\begin{array}{r} 3 \text{ hours} \times \$4.55 \text{ (basic hourly rate)} \\ \text{Add: Half-time pay as computed in c. above} \end{array} \qquad \begin{array}{r} \$ 13.65 \\ \underline{7.14} \end{array}$$

$$\text{Total overtime pay} \qquad \qquad \qquad \underline{\underline{\$ 20.79}}$$

- e. Add the various categories of pay for the 43 hours worked, including standby time pay, to obtain the total pay due the employee:

$$\begin{array}{r} \text{Basic pay for 40 hours straight-time worked} \\ \text{Standby time pay} \\ \text{Overtime pay} \end{array} \qquad \begin{array}{r} \$182.00 \\ 9.10 \\ \underline{20.79} \end{array}$$

$$\text{Total pay due the employee} \qquad \qquad \qquad \underline{\underline{\$211.89}}$$

2. Shorter approach using computation formula.

- a. Determine the total straight-time earnings for all hours worked:

$$\begin{array}{r} \text{Regular pay for all straight-time hours} \\ \text{worked (43 hours} \times \$4.55) \\ \text{Standby time pay is 25\% of the daily rate} \\ \text{(25\%} \times \$36.40) \end{array} \qquad \begin{array}{r} \$195.65 \\ \underline{9.10} \end{array}$$

$$\text{Total straight-time earnings for all hours} \qquad \qquad \qquad \underline{\underline{\$204.75}}$$

- b. Compute the extra half-time that is due for overtime after 40 hours by using the following formula:

$$\begin{array}{r} \text{Total straight-time} \\ \text{earnings} \\ \hline \text{Total number of} \\ \text{hours worked} \end{array} \qquad \begin{array}{r} \text{Total number of} \\ \text{overtime hours} \\ \hline 2 \end{array} \qquad \qquad \qquad \begin{array}{r} \$204.75 \\ 43 \end{array} \times \frac{3}{2} \qquad \qquad \qquad \underline{\underline{\$ 7.14}}$$

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

Computation of Overtime Pay (cont'd.)

- c. Add total straight-time earnings and the extra half-time overtime pay to obtain the total pay due the employee:

Total straight-time earnings	\$204.75
Extra half-time pay for overtime earned	<u>7.14</u>
Total pay due the employee	<u>\$211.89</u>

3. Use of the U.S. Department of Labor's coefficient table.

- a. Determine the total straight-time earnings for regular workweek and standby:

Basic pay for regular straight-time worked (40 hours x \$4.55)	\$182.00
Standby time pay is 25% of the daily rate (25% x \$36.40)	<u>9.10</u>
Total straight-time earnings for regular workweek and standby	<u>\$191.10</u>

- b. Compute the overtime pay:

Overtime pay in excess of 40 hours (43 hrs. - 40 hrs. = 3 hrs. x \$4.55 x 1½)	\$ 20.48
Premium on standby time pay: Multiply the standby time pay with the coefficient for 43 hours worked ((\$9.10 x .035)	<u>.32</u>
Total overtime pay	<u>\$ 20.80</u>

- c. Total pay due the employee:

(Add a. and b. above: \$191.10 + \$20.80)	<u>\$211.90</u>
---	-----------------

STATE OF HAWAII  
Accounting Manual

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

TABLE I: COEFFICIENT TABLE FOR COMPUTING EXTRA HALF-TIME FOR OVERTIME

U.S. DEPARTMENT OF LABOR WAGE AND HOUR DIVISION												
COEFFICIENT TABLE FOR COMPUTING EXTRA HALF-TIME FOR OVERTIME												
This Form has been prepared for use by employers who may find the coefficient table to be a time-saver when computing the extra half-time for hours worked over 40 in a workweek.												
Hours	Even	1/4	1/2	3/4	1/10	2/10	3/10	4/10	6/10	7/10	8/10	9/10
<b>40</b>		0.003	0.006	0.009	0.0012	0.0025	0.0037	0.0049	0.0074	0.0086	0.0098	0.0110
41	0.012	.015	.018	.021	.0134	.0146	.0157	.0169	.0192	.0204	.0215	.0227
42	.024	.027	.029	.032	.0249	.0261	.0272	.0283	.0305	.0316	.0327	.0338
43	.035	.038	.040	.043	.0360	.0370	.0381	.0392	.0413	.0423	.0434	.0444
44	.045	.048	.051	.053	.0465	.0475	.0485	.0495	.0516	.0526	.0536	.0546
45	.056	.058	.060	.063	.0565	.0575	.0585	.0595	.0614	.0624	.0633	.0643
46	.065	.068	.070	.072	.0662	.0671	.0680	.0690	.0708	.0717	.0726	.0736
47	.074	.077	.079	.081	.0754	.0763	.0772	.0781	.0798	.0807	.0816	.0825
48	.083	.085	.088	.090	.0842	.0851	.0859	.0868	.0885	.0893	.0902	.0910
49	.092	.094	.096	.098	.0927	.0935	.0943	.0951	.0968	.0976	.0984	.0992
50	.100	.102	.104	.106	.1008	.1016	.1024	.1032	.1047	.1055	.1063	.1071
51	.108	.110	.112	.114	.1086	.1094	.1101	.1109	.1124	.1132	.1139	.1146
52	.115	.117	.119	.121	.1161	.1169	.1176	.1183	.1198	.1205	.1212	.1219
53	.123	.124	.126	.128	.1234	.1241	.1248	.1255	.1269	.1276	.1283	.1289
54	.130	.131	.133	.135	.1303	.1310	.1317	.1324	.1337	.1344	.1350	.1357
55	.136	.138	.140	.141	.1370	.1377	.1383	.1390	.1403	.1409	.1416	.1422
56	.143	.144	.146	.148	.1435	.1441	.1448	.1454	.1466	.1473	.1479	.1485
57	.149	.151	.152	.154	.1497	.1503	.1510	.1516	.1528	.1534	.1540	.1546
58	.155	.157	.158	.160	.1558	.1564	.1569	.1575	.1587	.1593	.1599	.1604
59	.161	.162	.164	.165	.1616	.1622	.1627	.1633	.1644	.1650	.1656	.1661
60	.167	.168	.169	.171	.1672	.1678	.1683	.1689	.1700	.1705	.1711	.1716
61	.172	.173	.175	.176	.1727	.1732	.1737	.1743	.1753	.1759	.1764	.1769
62	.177	.179	.180	.181	.1779	.1785	.1790	.1795	.1805	.1810	.1815	.1820
63	.183	.184	.185	.186	.1830	.1835	.1840	.1845	.1855	.1860	.1865	.1870
64	.188	.189	.190	.191	.1880	.1885	.1890	.1894	.1904	.1909	.1914	.1918
65	.192	.193	.195	.196	.1928	.1933	.1937	.1942	.1951	.1956	.1960	.1965
66	.197	.198	.199	.200	.1974	.1979	.1983	.1988	.1997	.2001	.2006	.2010
67	.201	.203	.204	.205	.2019	.2024	.2028	.2033	.2041	.2046	.2050	.2054
68	.206	.207	.208	.209	.2063	.2067	.2072	.2076	.2085	.2089	.2093	.2097
69	.210	.211	.212	.213	.2106	.2110	.2114	.2118	.2126	.2131	.2135	.2139
70	.214	.215	.216	.217	.2147	.2151	.2155	.2159	.2167	.2171	.2175	.2179
71	.218	.219	.220	.221	.2187	.2191	.2195	.2199	.2207	.2211	.2214	.2218
72	.222	.223	.224	.225	.2226	.2230	.2234	.2238	.2245	.2249	.2253	.2257
73	.226	.227	.228	.229	.2264	.2268	.2271	.2275	.2283	.2286	.2290	.2294
74	.230	.231	.232	.232	.2301	.2305	.2308	.2312	.2319	.2323	.2326	.2330
75	.233	.234	.235	.236	.2337	.2340	.2344	.2347	.2354	.2358	.2361	.2365
76	.237	.238	.239	.239	.2372	.2375	.2379	.2382	.2389	.2392	.2396	.2399
77	.240	.241	.242	.243	.2406	.2409	.2413	.2416	.2423	.2426	.2429	.2433
78	.244	.244	.245	.246	.2439	.2442	.2446	.2449	.2455	.2459	.2462	.2465
79	.247	.248	.249	.249	.2472	.2475	.2478	.2481	.2487	.2491	.2494	.2497
80	.250	.251	.252	.252	.2503	.2506	.2509	.2512	.2519	.2522	.2525	.2528
81	.253	.254	.255	.255	.2534	.2537	.2540	.2543	.2549	.2552	.2555	.2558
82	.256	.257	.258	.258	.2564	.2567	.2570	.2573	.2579	.2582	.2585	.2587
83	.259	.260	.261	.261	.2593	.2596	.2599	.2602	.2608	.2611	.2613	.2616
84	.262	.263	.263	.264	.2622	.2625	.2628	.2630	.2636	.2639	.2642	.2644
85	.265	.265	.266	.267	.2650	.2653	.2655	.2658	.2664	.2666	.2669	.2672

**TO CONVERT INTO WEEKLY EQUIVALENT:** Multiply SEMIMONTHLY salary by 0.4615; MONTHLY salary by 0.2308; ANNUAL salary by 0.01923.

**TO CONVERT INTO STRAIGHT-TIME HOURLY EQUIVALENT FOR 40 HOURS:** Multiply WEEKLY salary by 0.025; SEMIMONTHLY by 0.01154; MONTHLY salary by 0.00577; ANNUAL by 0.00048.

**TO CONVERT INTO TIME AND ONE-HALF HOURLY RATE BASED ON 40 HOUR WEEK:** Multiply WEEKLY salary by 0.0375; SEMIMONTHLY by 0.0173; MONTHLY salary by 0.00866; ANNUAL by 0.000721.

**CAUTION:** Be sure straight-time earnings are not below legal minimum.

(SEE INSTRUCTIONS ON REVERSE SIDE) Form WH-134 (Rev. 7/70)

STATE OF HAWAII  
Accounting Manual

SECTION 231: OVERTIME COMPENSATION UNDER  
THE FAIR LABOR STANDARDS ACT

TABLE I: COEFFICIENT TABLE FOR COMPUTING EXTRA HALF-TIME FOR OVERTIME

INSTRUCTIONS																											
<p><b>General.</b> In determining the extra half-time that is due for overtime pay after 40 hours, the method of calculation commonly used is to divide the straight-time earnings by the total number of hours worked and multiply the result by the number of overtime hours divided by two. For instance, the computation for 48 hours would be <math>\frac{\text{Earnings } 8}{48} \times \frac{1}{2}</math>; for 50 hours, <math>\frac{\text{Earnings } 10}{50} \times \frac{1}{2}</math>; for 47 <math>\frac{1}{4}</math> hours,</p>																											
<p><math>\frac{\text{Earnings } 7 \frac{1}{4}}{47 \frac{1}{4}} \times \frac{1}{2}</math>. The table on the reverse side contains the decimal equivalents of the fraction,</p>																											
<p><math>\frac{\text{O.T. Hours}}{\text{Total Hrs.} \times 2}</math>.</p>																											
<p>For example, the decimal for 48 hours is <math>\frac{8}{48 \times 2} = \frac{1}{12} = .083</math>; for 50 hours it is <math>\frac{10}{50 \times 2} = \frac{1}{10} = .1</math>;</p>																											
<p>and for 47 <math>\frac{1}{4}</math> hours <math>\frac{7 \frac{1}{4}}{47 \frac{1}{4} \times 2} = \frac{7.75}{95.5} = .081</math>.</p>																											
<p><b>How to use:</b> (a) Multiply the straight-time earnings for an overtime week by the applicable decimal and the result will be the extra half-time due. Thus, by using the decimals in the table (on the reverse side) the computations performed are, in effect, exactly the same as if the equivalent fractions were used, with the advantage of having eliminated the long division necessitated by the fractions. For example:</p>																											
<p>(1). A pieceworker earns varying wages each week. In a 43<math>\frac{1}{10}</math> hour week he earned \$82.34 straight-time. The coefficient for 43<math>\frac{1}{10}</math> hours is .0444. .0444 X \$82.34 = \$3.66, additional half-time due. \$82.34 + \$3.66 = \$86.00, the pieceworkers total pay for the week.</p>																											
<p>(2). Jones is paid a weekly salary of \$95.00. He worked 51<math>\frac{1}{2}</math> hours. The coefficient for 51<math>\frac{1}{2}</math> hours is .112. .112 X \$95.00 = \$10.64. \$95.00 + \$10.64 = \$105.64, Jones total pay for the week.</p>																											
<p>(b) The decimal table can also be used effectively when back wages are due because of additions to wages (such as a weekly bonus) that were not included in the regular rate in computing overtime. For example:</p>																											
<p>(1). An employee worked 48 hours and received a production bonus of \$9.60 which was not included in the regular rate. Thus, \$9.60 X .083 = \$0.80, the additional half-time due on the bonus.</p>																											
<p>(2). Jones in the same week (example (a), (2) above) received a production bonus of \$25.00. .112 X \$25.00 = \$2.80, the additional half-time due on the bonus. \$95.00 + \$10.64 + \$25.00 + \$2.80 = \$133.44, Jones' total earnings. A further short-cut (combining (a), (2), and (b), (2)) would be: \$95.00 + \$25.00 = \$120.00 X .112 = \$13.44 + \$120.00 = \$133.44, Jones' total earnings.</p>																											
<p>(c) <b>Short-cuts For Computing Back Wages.</b> When both the overtime hours and the earnings vary, individual weekly computations must be made. However, if an employee is paid at a constant hourly rate, time can be saved by adding the unpaid overtime hours during the period and multiplying the total by one-half the hourly rate. When the weekly hours vary and the straight-time earnings are constant, add the decimals for the overtime weeks and multiply the total by the earnings for 1 week. When the weekly hours are constant but the earnings vary, add the earnings for the overtime weeks and multiply the total by the decimal for 1 week. For example:</p>																											
<p><b>VARYING HOURS—CONSTANT EARNINGS</b></p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Hours</th> <th style="text-align: left;">Decimal</th> <th style="text-align: left;">Earnings</th> </tr> </thead> <tbody> <tr> <td>42</td> <td>0.024</td> <td>\$95.00</td> </tr> <tr> <td>43</td> <td>.035</td> <td>95.00</td> </tr> <tr> <td>46</td> <td>.065</td> <td>95.00</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: right;">.124 x \$95.00 = \$11.78</td> </tr> </tbody> </table>	Hours	Decimal	Earnings	42	0.024	\$95.00	43	.035	95.00	46	.065	95.00			.124 x \$95.00 = \$11.78	<p><b>CONSTANT HOURS—VARYING EARNINGS</b></p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Hours</th> <th style="text-align: left;">Earnings</th> </tr> </thead> <tbody> <tr> <td>47</td> <td>\$86.50</td> </tr> <tr> <td>47</td> <td>87.15</td> </tr> <tr> <td>47</td> <td>97.00</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: right;">\$270.65 x .074 = \$20.03</td> </tr> </tbody> </table>	Hours	Earnings	47	\$86.50	47	87.15	47	97.00			\$270.65 x .074 = \$20.03
Hours	Decimal	Earnings																									
42	0.024	\$95.00																									
43	.035	95.00																									
46	.065	95.00																									
		.124 x \$95.00 = \$11.78																									
Hours	Earnings																										
47	\$86.50																										
47	87.15																										
47	97.00																										
		\$270.65 x .074 = \$20.03																									

GPO 814-435