How do I stay compliant with FLSA guidelines in any industry?

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The FLSA is a labor law enforced by The United States Department of Labor. The Act states that an employee is entitled to an average of their overall weekly earnings for any overtime hours, called the FLSA rate. With the FLSA rate the employee benefits from the average weekly rate for all hours and earnings (including one-time payments such as bonuses and commissions in the week) for their overtime earnings.

Calculating the FLSA rate becomes more complex when employees typically work several rates within a pay period. All of these rates need to be accounted for when determining the weekly FLSA compliant overtime rate to avoid a Department of Labor violation.

> **Example of a FLSA rate scenario:**
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> Employee worked the previous week-
>
> Monday 8 hours @ $20/hr
> Tuesday: 10 hours @ $15/hr
> Wednesday: 10 hours @ $18/hr
> Thursday: 8 hours @ $20/hr
> Friday: 9 hours @ $17/hr
> Total: 45 hours and gross earnings of $803 for the week.
>
> If the employee had 5 hours of overtime the FLSA compliant rate of pay would be $803/45 = $17.84 which is used to pay the OT hours (at 1.5x or .5x depending on how payroll is set up)

Most Time and Attendance Systems cannot handle the complexity of assigning the correct FLSA rate based on multiple wage-decision factors.

To add further complexity:

- many systems can accommodate weekly or biweekly payrolls, but not semi-monthly.
- many systems can accommodate adjustments within the current period, but not historical, or prior periods.
- many cannot handle client-specific, custom logic.
- In California, FLSA regulations require overtime be paid when an employee works more than 8 hours in a day rather than more than 40 hours in a week.

How can IDI help?

IDI can automate your time-consuming processes! Our Time Bank™ FLSA solution calculates the proper overtime earnings, or FLSA rate, when complexities such as different job rates and incentives or bonuses must be factored into determining the average weekly rate.

Our Retro FLSA solution can include multiple “look backs” when bonuses or commissions paid in one period need to be applied against a prior period as required by FLSA guidelines for overtime eligible employees who receive monthly, quarterly, or annual payments.

When bonuses are **non-discretionary** (expected, pre-determined criteria, such as attendance or productivity bonus) they should be included in the overtime earned by non-exempt employees during the bonus period. **Discretionary** bonuses are not expected, and are at the sole discretion of the employer (e.g., end-of-year bonus, "spot bonus" for job well done), and do not require a recalculation of the overtime earnings for each time period in the entire year to include the bonus in the overtime.

When Time Bank is run at the end of the pay period, it retrieves the time and labor information from the time system and associates the specific rates of pay, including any premiums and benefit earnings, with the contract, job, and worker classification, performs any lookbacks, and calculates the weekly average rate of pay, or FLSA rate, used for all overtime hours in accordance with FLSA guidelines.

With the click of a button, Time Bank reads the rates from a stored user-maintained table or from a client-provided comma-delimited file, the calculation is made, and the results are passed to payroll.

Contact IDI Sales

ADDITIONAL RESOURCES:

Department of Labor

IDI Non Industry-Specific Blog