

## FLSA Overtime Differential Calculation

Per the Fair Labor Standards Act (FLSA), employers are required to pay overtime for non-exempt staff at a special rate that reflects an employee's average hourly rate of pay within a given workweek. In M-Pathways, this special rate is called the FLSA Rate.

In order to calculate the average hourly rate of pay, the University of Michigan includes various non-discretionary lump-sum payments in the calculation of overtime. Amounts such as on-call, cash bonuses, and nursing weekend and unanticipated-needs premiums are types of non-discretionary payments that are included in the calculation of overtime if paid at the "time-and-one-half" rate. As a result, any overtime worked during a workweek in which a non-discretionary amount is also paid, will require the overtime premium to be calculated and paid, based upon the average hourly rate of pay for that workweek.

For example, if an employee worked 40.0 scheduled hours, 2 hours of overtime, and also received \$65.00 of on-call pay during the workweek, he/she would be entitled to additional overtime as follows:

40 hours x \$14.00 per hour	= \$ 560.00	
2 overtime hours x \$14.00 (straight-time portion)	= \$ 28.00	
On-Call pay	= <u>\$ 65.00</u>	
	\$ 653.00	Adjusted Base Pay
divided by:	42	Paid Hours
	= \$ 15.547619	Average Hourly Rate of Pay
less:	<u>\$ 14.000000</u>	Actual Hourly Rate of Pay
equals:	\$ 1.547619	Overtime Differential Rate
times:	<u>2.0</u>	Overtime Hours
equals:	\$ 3.095	
times:	<u>.5</u>	Overtime Rate
equals:	\$ 1.548	
or:	<u>\$ 1.55</u>	Overtime Differential Due

The regular shortcode and account will be charged for this payment. If an employee is paid from multiple shortcodes, each shortcode will be charged prorata. This overtime adjustment is similar to the overtime differential that is paid each year for longevity payments.

No entries are required by Departments/Timekeepers for this process. If you have any questions, please call your respective Payroll office. For Hospital employees, please contact Hospital Payroll at 764-3125. For Campus employees, please contact your Pay Specialist in the University Payroll Office by clicking on the "Contact Us" tab at the top of our website.