

Weighted Average Wage for Overtime Computation

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Teamwork's payroll output allocates overtime with a method consistent with FLSA overtime requirements. <https://www.dol.gov/agencies/whd/fact-sheets/23-flsa-overtime-pay>

The overtime wage can be a source of confusion to both employers and employees. The rate used for overtime may align with the role / rate being worked when overtime occurs. To adhere to federal requirements, overtime must be paid using a weighted average, or allocated proportionately across **all** roles and wage rates worked in a workweek.

Where an employee in a single workweek works at two or more different types of work for which different straight-time rates have been established, the regular rate for that week is the weighted average of such rates. That is, the earnings from all such rates are added together and this total is then divided by the total number of hours worked at all jobs. In addition, section 7(g)(2) of the FLSA allows, under specified conditions, the computation of overtime pay based on one and one-half times the hourly rate in effect when the overtime work is performed. The requirements for computing overtime pay pursuant to section 7(g)(2) are prescribed in [29 CFR 778.415 through 778.421](#) .

There are two paths to finding a weighted overtime average, which are identical in their conclusion. Examples are shown below:

| | | | | |
|---|--------------|---|----------------|-----------------|
| | Hours | | | |
| Hours Worked at Rate 1 (\$10) | 21 | | | |
| Hours worked at Rate 2 (\$20) | 21 | | | |
| Total Hours | 42 | | | |
| Overtime Hours | 2 | | | |
| Method One | Hours | | OT Rate | OT Wages |
| Use Blended Overtime Rate ($\$15 \times 1.5 = \22.50) | 2 | x | \$ 22.50 | \$ 45.00 |
| Method Two | | | | |
| Distribute the overtime proportionately across the hours and wages worked | | | | |
| | Hours | | OT Rate | OT Wages |
| 50% OT to Rate 1 | 1 | x | \$ 15.00 | \$ 15.00 |
| 50% OT to Rate 2 | 1 | x | \$ 30.00 | \$ 30.00 |
| Total Overtime | | | | \$ 45.00 |

Teamwork uses Method Two shown above, which allocates overtime proportionately to

the hours and wage rates worked by an employee, **regardless of the role being worked when overtime occurs.**

Note: Teamwork does NOT factor Gratuities and Services fees in the calculation of regular pay for overtime calculations at this time. Merchant's should ascertain with legal and accounting professionals if gratuities and services fees should be included in overtime calculations, and verify that the payroll processor provides the computation, or that the necessary manual steps are taken.