

## CALCULATING EMPLOYEE'S HOURLY RATE

### Salary to Hourly

$$\frac{\text{Salary}}{\text{Total Work Hours} + \frac{1}{2} \text{ Scheduled Overtime Hours}} = \text{Hourly Rate}$$

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Example if employee usually works 50 hours/week:

First determine the Total Work Hours and Scheduled Overtime Hours.

#### Total Work Hours

$$50 \text{ hours/week} \times 52 \text{ weeks/year} = \mathbf{2600 \text{ hours/year}}$$

#### Scheduled Overtime Hours

$$10 \text{ hours/week} \times 52 \text{ weeks/year} = \mathbf{520 \text{ hours/year}}$$

Next determine the Hourly Rate.

$$\begin{aligned} \text{Hourly Rate} &= \frac{\text{Salary}}{\text{Total Work Hours} + \frac{1}{2} (\text{Scheduled Overtime Hours})} \\ &= \frac{\text{Salary}}{2600 + \frac{1}{2} (520)} \\ &= \frac{\text{Salary}}{2860} \end{aligned}$$

Example:  $\frac{\$36,000 \text{ Salary}}{2860} = \$12.59/\text{hour (regular rate)}$

$$\$12.59/\text{hour} \times 1.5 = \mathbf{\$18.89/\text{hour overtime rate}}$$

PROOF

Employee works 50 hours/week, and is paid \$12.59/hour plus overtime versus a \$36,000 annual salary.

$$\$12.59/\text{hour} \times 40 \text{ regular hours} = \$503.60$$

$$\$18.89/\text{hour} \times 10 \text{ overtime hours} = \$188.90$$

$$\text{Total Weekly Earnings} = \mathbf{\$692.50}$$

$$\mathbf{\text{Annual Earnings} = \$692.50/\text{week} \times 52 \text{ weeks/year} = \$36,010.}$$