

EXAMPLE OF THE EFFECT OF A LUMP-SUM BONUS PAYMENT

ON OVERTIME LIABILITY

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ASSUME: 1) AN EMPLOYEE IS PAID A \$1000 BONUS.
2) THE EFFECT OF THE BONUS ON OVERTIME LIABILITY IS COMPUTED RETROACTIVELY.

THE EMPLOYEE WORKED THE FOLLOWING HOURS IN THE PERIOD DURING WHICH THE BONUS WAS EARNED:

<u>WEEK</u>	<u>HOURS THE EMPLOYEE WORKED:</u>	<u>BONUS</u>	<u>BONUS PER HR.</u>	<u>X OT HRS.</u>	<u>X .5</u>	<u>EQUALS ADDITIONAL O/T PAY DUE</u>
1	25					
2	40					
3	43			3		
4	42			2		
5	50			10		
6	40					
7	40					
8	45			5		
9	40					
10	<u>40</u>			—		
	405	\$1,000	\$2.47	X 20	X .5	\$24.70

THE \$1000 BONUS OVER 405 HOURS EQUATES TO \$2.47 PER HOUR. THEREFORE, THE EMPLOYEE'S REGULAR RATE INCREASES BY \$2.47 FOR THE PERIOD AS A RESULT OF THE BONUS PAYMENT.

THE BONUS-PER-HOUR AMOUNT IS MULTIPLIED BY THE NUMBER OF OVERTIME HOURS WORKED DURING THE PERIOD (20) AND THE RESULT IS MULTIPLIED BY .5 TO DETERMINE THE EMPLOYEE'S ADDITIONAL OVERTIME PAYMENT.

IN THIS CASE, \$24.70 IS THE **TOTAL** ADDITIONAL PAYMENT THAT THE EMPLOYEE IS DUE FOR THE 10-WEEK PERIOD.