Compensation Fundamentals

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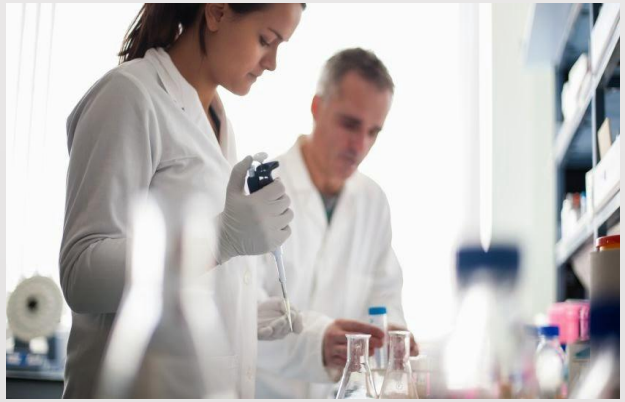
Julie L. Marlin

Fair Labor Standards Act (FLSA)



- Exempt means exempt from overtime
  - salaried
- Non-exempt means a job is not exempt from receiving overtime
  - hourly
- Overtime begins when a non-exempt employee works more than forty hours in a given week
  - ✔ The FLSA mandates a rate of time and one half the regular rate of pay for all hours worked over forty
  - ✔ Hours worked is important here: if an employee takes a paid day off during any given week, these eight hours do not count towards a forty-hour work week. FLSA applies to hours actually worked.

Who is covered?

- All employees of certain enterprises having workers engaged in interstate commerce, producing goods for interstate commerce, or handling, selling, or otherwise working on goods or materials that have been moved in or produced for such commerce by any person, are covered by the FLSA
- Domestic service workers such as day workers, housekeepers, chauffeurs, cooks, or full-time babysitters are covered if: (1) their cash wages from one employer in calendar year 2010 are at least $1,700 (this calendar year threshold is adjusted by the Social Security Administration each year); or (2) they work a total of more than eight hours a week for one or more employers

Source: *Digital Reference Guide to the Fair Labor Standards Act (dol.gov)*

Criteria: Exempt vs. Non-exempt

Exempt

- Learned professional with advanced degree, e.g. Master's, PhD
- Licensed professional, e.g. RN, CPA
- Exercises independent judgement
- Makes decisions on matters of significance
- Manages others: hiring/ firing authority

Non-exempt

- Does not exercise independent judgement or make decisions on matters of significance
- Work is routine in nature

Salary Range Placement

MINIMUM	MIDPOINT	MAXIMUM
Entry level. Typically meets minimum qualifications of the role. Needs guidance and training to perform key responsibilities of the job. Building experience and proficiency.	Experienced and advancing to competent. Requires little to no guidance. Independently performs job functions. Possesses all required knowledge and skills.	Fully proficient. Represents a large premium to market and is reserved for expertise, exceptional performance, and/ or critical skills.

Midpoint = Market 50th percentile

Hiring guidelines:

- If candidate just meets the minimum requirements, consider hiring at 85% of the midpoint
- If candidate exceeds the minimum requirements of the job, consider offering pay equal to 90-100% of midpoint
- If candidate exceeds the minimum requirements and is considered seasoned or expert level, may consider hiring between 100-110% of midpoint
- As always, when formulating an offer, you must consider current incumbents' salaries and their overall years of experience; internal equity is critical when formulating offers

Questions?