



Quick Quiz: Day-Rate Pay Plans

Insights

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The Big Corporation decides that it will start paying its Field Service Technicians on a day-rate basis, instead of on an hourly basis. Under the day-rate plan, a Technician will now receive a fixed amount of money for each workday in which he or she performs any work, regardless of the number of hours the Technician works in the workday. The day-rate payments represent compensation for all hours worked in a workday and in a workweek.

A Technician's schedule is to work ten hours a day, five days a week. Management therefore sets each Technician's day-rate payment based upon (i) eight hours times the Technician's hourly rate at the time of the change, plus (ii) 1.5 times that hourly rate times two hours. For example, Technician Tom's day-rate sum is set at $[(\$20 \times 8 \text{ hrs.}) + (\$20 \times 2 \text{ hrs.} \times 1.5)] = \220 .

During the first workweek under the new plan, Technician Tom performs work on five workdays and works exactly 50 hours, for total day-rate pay of $(5 \text{ days} \times \$220) = \$1,100$. How much more must The Big Corporation pay Tom in order to comply with the federal Fair Labor Standards Act?

[Editor's Note: Click [here](#) for the answer.]

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