

How Do I Calculate Overtime If I Pay a Shift Differential?

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The Department of Labor (DOL) has specific rules on how overtime must be paid. Overtime is paid at 1.5 times a worker's "regular rate" not their hourly rate. If you do not pay overtime correctly, you may be required to pay the amount owed, plus 200% in liquidated damages and if the employee hired an attorney, the attorneys' fees; as previously mentioned in the [New Jersey Passes Wage Theft Law](#) blog.

Here is the formula for calculating overtime pay for employees who work a shift differential: $OT = (\text{Straight-Time Pay} / \# \text{ of hours worked}) \times 1.5$

Below is an example of how to calculate an employee's wages during a week where he/she worked regular shifts and night shifts.

Example: Jane is a licensed practical nurse at a nursing home. When she works the day shift, which is 8 hours long, she gets paid a regular hourly wage of \$20. But when she works the 8-hour night shift, there is a shift differential of 10%, so she gets paid \$22 for those hours worked.

This week, Jane worked 4 day shifts and 2 night shifts. That is a total of 48 hours. How much overtime wages does Jane get?

Step #1 – Calculate Straight-Time:

First, calculate the Jane's "straight-time" pay, which is how much she would make per hour without overtime added. Use this number to figure out Jane's overtime wage:

- 4 days x 8 hours-per-day x \$20-per-hour = \$640
- 2 nights x 8 hours-per-night x \$22-per-hour = \$352

Without overtime, Jane should get a total straight time pay of \$992 (\$640 + \$352)

Step #2 – Calculate Regular Rate:

To calculate Jane's "regular rate," use her straight-time pay divided by the number of hours she worked:

- $\$992 / 48 \text{ hours} = \20.67

Step #3 – Calculate Overtime Rate:

Multiple Jane's regular rate by 1.5 (because overtime must be paid at one-and-a-half times a worker's regular rate), to ascertain her overtime rate:

- $\$20.67 \times 1.5 = \31

Step #4 – Total wages to be paid:

- 4 days x 8 hours-per day x \$20-per-hour = \$640

- 1 night x 8 hours-per night x \$22-per-hour = \$176—This is 40 hours, any additional hours are paid at the overtime rate
- 1 night x 8 hours-per night x \$33 (\$31 overtime rate + \$2 shift differential)-per-hour = \$264

TOTAL WAGE to be paid: \$1,080

Takeaway: Calculating overtime is necessary but can be complex. If you have any questions, please reach out to [Tracy Armstrong](#) or any of our [Employment Law](#) attorneys.

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