

Hourly Pay

Some jobs pay on an **hourly** basis. An employee receives a specific amount of money for each hour he/she works.

Find the **gross pay** (the total amount of money earned) for each of the following hours worked.

	<u>Hourly Wage</u>		<u>Number of Hours</u>		<u>Gross Pay</u>
1.	\$6.50	<i>Times</i>	36	<i>$6.50 \times 36 =$</i>	<u><i>\$234.00</i></u>
2.	\$9.15		39		<u> </u>
3.	\$5.95		25		<u> </u>
4.	\$12.35		32		<u> </u>

The number of hours an employee works may not always be a whole number. In this case it is necessary to multiply by a mixed number (the whole number of hours and the fractional part of the hour worked). The answer may need to be rounded to the nearest cent.

	<u>Hourly Wage</u>		<u>Number of Hours</u>		<u>Gross Pay</u>
5.	\$8.00		$15 \frac{1}{2}$	<i>15.50</i>	<u> </u>
6.	\$10.50		$22 \frac{3}{4}$	<i>22.75</i>	<u> </u>
7.	\$13.00		$34 \frac{1}{4}$	<i>34.25</i>	<u> </u>
8.	\$8.85		$18 \frac{1}{2}$	<i>18.5</i>	<u> </u>

Time Worked

Employees who earn an hourly rate are paid according to the number of hours they work. Consequently, to determine the total amount of money earned, it is necessary to be able to figure the total number of hours worked.

Determine the total number of hours this employee worked.

DAY	TIME IN	TIME OUT	TIME IN	TIME OUT	TOTAL HOURS
MON.	8:00	12:00	1:00	5:00	_____
TUES.	8:30	1:30	2:30	6:30	_____
WED.	8:00	12:00	1:00	7:00	_____
THURS.	7:00	12:00	1:00	4:00	_____
FRI.	9:00	12:00	1:00	5:00	_____

TOTAL HOURS FOR WEEK: _____

The total number of hours an employee works in a day may not be full hours. To find the total number of hours worked, it may be necessary to add mixed numbers. First determine the number of whole hours worked in a day, then add the number of partial hours worked. Adding the hours worked each day for the week will give the total hours worked for that week.

Determine the total number of hours this employee worked.

DAY	TIME IN	TIME OUT	TIME IN	TIME OUT	TOTAL HOURS
MON.	8:30	12:00	1:00	6:30	_____
TUES.	8:00	1:30	2:15	6:30	_____
WED.	7:30	12:00	1:00	5:30	_____
THURS.	7:15	12:30	1:00	4:30	_____
FRI.	8:30	12:15	1:00	5:00	_____

TOTAL HOURS FOR WEEK: _____

Deductions

Salary earned is called **gross pay**. (This is what an employee is told he or she will earn.) Take-home pay is called **net pay**. This is the amount an employee actually receives. Net pay is found by subtracting **deductions** from gross pay. Deductions are amounts of money withheld from gross pay for things like taxes, union dues, and health insurance.

Certain deductions are mandatory and others are optional. Additionally, some deductions only apply to certain workplaces. The following list provides definitions for a few deductions. This list does not cover all possibilities.

<u>Deductions</u>	<u>Purpose</u>
Federal Income Tax	The government requires employers to withhold a certain amount of an employee's pay for federal income tax. The amount withheld depends on the level of income, marital status, and the number of withholding allowances (the number of children or other people the employee supports) that are claimed.
State Tax	Depending on where the employee lives, a state income tax may be a required deduction. The amount withheld varies from state to state, depending upon the individual state's tax laws.
FICA (as of 2003)	FICA is a required deduction by the federal government with few exceptions. It consists of two components; the first is a Social Security tax which is charged at a rate of 6.2% on the first \$87,000 of an employee's annual income. This cap increases annually. An additional 6.2% is matched by the employer. The second component is a Medicare tax which is charged at a rate of 1.45% and is also matched by the employer. Wages earned for the entire year are subject to the Medicare tax.
Health Insurance	If an employee is required to pay all or part of his/her health insurance, the payment may be collected through a payroll deduction.
Union Dues	If an employee is part of a labor union, his/her dues may be collected through a payroll deduction.
Voluntary Contributions	An employee may choose to have deductions taken from his/her pay for things such as: savings plans, child care, health care expenses not covered by insurance, and charitable donations. Opportunities for these deductions vary by employer.

Find the net pay in the following problems. Then find the person's estimated annual take-home pay assuming the person works **50 weeks per year**. Round to the nearest cent.

Example:

Gross Pay	40 hours at \$8.50/hour (40 x 8.50 = \$340.00)	<u>\$ 340.00</u>
Federal Tax	16% of gross pay (340 x .16 = \$54.40)	<u>\$ 54.40</u>
State Tax	4.4% of gross pay (340 x .044 = \$14.96)	<u>\$ 14.96</u>
FICA	6.2% + 1.45% = 7.65% of gross pay (340 x .0765 = \$26.01)	<u>\$ 26.01</u>
Dependent Care	\$25.00	<u>\$ 25.00</u>
United Way Contribution	\$5.00	<u>\$ 5.00</u>
Total Deductions:	(54.40 + 14.96 + 26.01 + 25.00 + 5.00 = 125.37)	<u>\$ 125.37</u>
What is the net pay?	(340.00 - 125.37 = 214.63)	<u>\$ 214.63</u>
What is the annual take-home pay?	(214.63 x 50 = 10,731.50)	<u>\$ 10,731.50</u>

1. Gross Pay	\$560.00 (per week)	_____
Federal Tax	16% of gross pay	_____
State Tax	4.4% of gross pay	_____
FICA	7.65% of gross pay	_____
Health Insurance	\$45.00	_____
Total Deductions:		_____

What is the weekly net (take-home) pay? _____

What is the annual net (take-home) pay? _____

2.	Gross Pay	35 hours at \$6.50/hour	_____
	Federal Tax	16% of gross pay	_____
	State Tax	4.4% of gross pay	_____
	FICA	7.65% of gross pay	_____
	Tax Exempt Annuity	15% of gross pay	_____
	Total Deductions:		_____

What is the weekly net (take-home) pay? _____

What is the annual net (take-home) pay? _____

3.	Gross Pay	40 hours at \$11.75/hour	_____
	Federal Tax	16% of gross pay	_____
	State Tax	4.4% of gross pay	_____
	FICA	7.65% of gross pay	_____
	Union Dues	\$8.76	_____
	Total Deductions:		_____

What is the weekly net (take-home) pay? _____

What is the annual net (take-home) pay? _____

Overtime

In most jobs employees are entitled under federal law to **overtime** pay. Overtime pay is the amount of money earned for hours worked each week beyond the employee's typical hours (usually 40 hours). Different jobs pay different amounts of money for overtime work; however, time and a half (1.5 times an employee's hourly wages) and double time (2 times an employee's wages) are the most common.

Example:

Sam \$11.24/hour for a 40
hour work week;
time and a half for overtime;
hours worked: 52 hours

What is Sam's gross pay? \$651.92

$$52 - 40 = 12 \text{ hours overtime}$$

$$40 \times \$11.24 = \$449.60 \text{ regular wages}$$

$$\$11.24 \times 1.5 = \$16.86 \text{ overtime rate}$$

$$\$16.86 \times 12 = \$202.32 \text{ overtime wages}$$

$$\$449.60 + \$202.32 = \$651.92 \text{ gross pay}$$

Solve the following problems.

- Georgia \$15.00/hour for a 38 hour work week;
time and a half for overtime;
hours worked: 45 hours

What is Georgia's gross pay? _____

- Han \$13.70/hour for a 40 hour work week;
time and a half for overtime;
double time on Sundays;
hours worked: 43 hours plus an additional 5.5 hours on Sunday

What is Han's gross pay? _____

3. Sherry \$7.35/hour
double time on holidays
worked: 28 hours plus an additional 7 hours on Thanksgiving Day

What is Sherry's gross pay? _____

4. Ed \$9.50/hour for a 40 hour work week
time and a half for overtime
double time on Sundays and holidays
worked: 45 hours plus an additional 5 hours on Sunday and
3 hours on July 4th

What is Ed's gross pay? _____

5. Your present job (40 hours per week) pays a bi-weekly salary of \$1,656. You are offered a new position which pays \$19.00 per hour with time and a half for all hours over 30 per week. Which job offers the best pay for a 40 hour work week?

Salary

Salary is a fixed amount of money earned on a regular basis. The frequency with which salary is paid is determined by the employer. It may be paid on a weekly, biweekly, semi-monthly, or monthly basis. **Annual salary** is the total amount of money earned in a year. It may be divided as follows:

<u>Pay Period</u>	<u>Number of pay Periods per Year</u>
weekly	52
biweekly	26
semimonthly	24
monthly	12

Find each person's salary per pay period: (Round to the nearest cent.)

	<u>Annual Salary</u>	<u>Pay Period</u>	<u>Salary/Pay Period</u>
1. Grant	\$26,000	weekly	_____
2. Jonah	\$64,682	biweekly	_____
3. Kishi	\$34,700	semimonthly	_____
4. Britney	\$31,500	monthly	_____
5. Baird	\$24,752	biweekly	_____

Find each person's salary per year:

	<u>Salary/Pay Period</u>	<u>Pay Period</u>	<u>Annual Salary</u>
6. Ramona	\$3,074.25	monthly	_____
7. Martin	\$540.96	biweekly	_____
8. Derrick	\$1,290.34	semimonthly	_____

9. Last year Jonah was paid an annual salary of \$33,738.90. This year he received a raise and now earns an annual salary of \$35,260.94. He is paid biweekly.

- A. What was his biweekly salary last year?
- B. What is Jonah's biweekly salary this year?
- C. On a biweekly basis, how much more does Jonah earn this year as a result of his raise?
- D. Next year Jonah's company will suffer a financial setback. All employees will have their wages reduced by 5%. What will Jonah's new biweekly salary be?

Earning Tips

Some jobs involve **earning tips** in addition to regular wages. A tip is an amount of money voluntarily paid for a service which has been provided. Some examples of jobs where tips are typically earned are: hairdresser, waiter or waitress, bellhop, taxi driver, and delivery person. In certain jobs, such as a waiter or waitress, the employer is not required to pay the employee minimum wage because tips are dependably earned in these positions.

1. Steve waits tables and is paid \$4.25 per hour. On Saturday he began working at 4:00 p.m. and was finished at midnight. He earned \$86.75 in tips. What were his total earnings?
2. Hadyn is a hairstylist. He earned the following tips in one week: Monday \$52.00, Tuesday \$47.00, Wednesday \$35.00, Thursday \$63.00, and Friday \$65.00.
 - A. What was the average daily amount of money he earned in tips this week?
 - B. Approximately how much money would he earn in tips in one year assuming he works 50 weeks?
3. Corrine delivers pizzas and earns \$5.65 an hour plus tips. She averages \$8.00 per hour in tips. About how much money does she earn in a 25 hour week?
4. Connor is a bellhop in a hotel and is paid \$7.50 per hour. On Sunday he worked from 9:00 a.m. until 5:00 p.m. He earned an average of \$16.00 per hour in tips. What were his total earnings?

Piecework

Some jobs pay on a **piecework** basis. An employee receives a specific amount of money for each item completed.

1. Lilith is a medical transcriptionist. She receives \$2.35 per patient record transcribed. How much money will she earn when she completes 136 records?
2. Steve is a blueberry picker. He earns \$.52 per quart picked. How much money will he earn if he picks 935 quarts?
3. Jenny is a silk screener. She earns \$.48 per t-shirt screened. How much money will she earn if she screens 1,450 shirts?
4. Lucy conducts telephone surveys for her summer job. The person completing the most surveys in a week earns \$11.00 per survey. The second place person receives \$10.00 per completed survey, and the third person receives \$9.00 per completed survey. All others receive \$7.00 per completed survey.
 - A. Last week Lucy completed 22 surveys and was in second place. How much did she earn last week?
 - B. Had she completed just 2 more surveys, she would have been in first place. What would she have earned?
5. Ron works in a factory. He receives \$.95 for the first 100 packages he assembles and \$1.05 for each package over 100. Yesterday he assembled 125 packages. How much money did he earn yesterday?

Commission

A **commission** is an amount of money a person is paid for selling a product or service. Sales jobs often use commissions as an incentive to encourage employees to sell more. Some jobs pay **straight commission** and pay is based only on the quantity of merchandise or services sold. Others pay commission in addition to a base salary.

1. Find Stephanie's total earnings for the month. She earns straight commission.
\$27,722 total sales for the month at a 9% commission rate.

2. Find Sara's total earnings for the month. \$22,500 total sales for the month at a 12% commission rate, and a base salary of \$600 per month.

3. Marlin is guaranteed a salary of \$750 per month or a commission of 7.25% of her total sales, whichever is higher. What did she earn for the month when she sold \$10,984 worth of product?

4. Find Charlotte's total earnings for the week. She earns **graduated commission**.
Graduated commission is a commission rate that varies according to the amount of sales.
\$6,400 total sales at a graduated commission rate:

first tier	\$1,000 = 4%
second tier	\$3,000 = 5%
over	\$4,000 = 7%

Base salary of \$235 per week.

5. Michelle is a real estate agent. She earns 3.5% commission on houses that she sells in coordination with another realtor, and 7% commission on houses that she sells independently. Last month she sold a house for \$245,000 with another realtor and a house for \$199,900 independently. How much commission did she earn?