

# Overview: What is blended overtime (OT)?

You are required to pay overtime rates, time and a half or 1.5 times the normal pay rate, for any hours worked over 40, which is an average workweek. For an employee who is paid at the same rate for all tasks, that's easy to calculate. For other workers, the process is a little more complicated.

For example, construction workers often have different responsibilities at different jobsites. They may have pay for each job determined by government or union requirements.

In order to calculate time and a half for these types of workers, you use the blended rate formula. It enables you to calculate overtime for employees who have worked at different jobs or worked shifts with different responsibilities, earning different pay rates for each, during the pay period.

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## How to calculate blended overtime rates

Josef Black is one of Use The Schwartz Construction's most versatile employees. Most of his average work hours per year are spent as a laborer. But he can also do carpentry and drywall work when it is needed for various jobs. His pay rate as a laborer is \$25 per hour. It gets boosted to \$30 for carpentry, and \$40 for drywall.

Here is a normal week's time card:

Name	Josef Black								
Employee ID	0115								
Week	071920 - 072520								
Differential	Classification	0719	0720	0721	0722	0723	0724	0725	SUM
\$0	Labor		8	6	5				19
\$5	Carpentry			2	5		5	4	16
\$15	Drywall			2		9	5		16
	<b>SUM</b>		<b>8</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>4</b>	<b>51</b>

*Josef worked Monday through Saturday and had hours in all three classifications.*

Let's go over the steps to calculate Josef's total pay for the week.

### Step 1: Calculate gross wages

First, calculate gross wages from base pay with no overtime charge. For Josef, that is the laborer rate of:

$$\text{\$25/hr} \times 51 \text{ hours} = \text{\$1,275}$$

## Step 2: Calculate extra pay

The actual accounting term for extra pay is shift differential. Josef's shift differential is \$5 for carpentry and \$15 for drywall. For this week, the calculation is:

$$(\$5 \times 16) + (\$15 \times 16) = \$320$$

## Step 3: Add together for total pay and calculate the rate

The sum of steps one and two is the total pay:

$$\$320 + \$1,275 = \$1,595$$

This total of \$1,595 over 51 hours reflects a blended pay rate of \$31.27. Normal pay over the 40-hour workweek is the blended rate times 40, which is \$1,250.98.

## Step 4: Calculate blended overtime and find final pay

Josef worked 51 hours this week, which means there will be 11 hours of weighted overtime pay. The blended overtime rate is equal to the blended rate multiplied by 1.5:

$$\$31.27 \times 1.5 = \$46.91$$

Find overtime pay by multiplying that rate by the 11 hours of overtime worked:

$$\$46.91 \times 11 = \$516.03$$

Finally, add the overtime pay to the normal pay to find what Josef should receive on his paycheck:

$$\$1,250.98 + \$516.03 = \$1,767.01$$