



Salary vs. Hourly

The **Fair Labor Standards Act** is a federal law governing minimum wage, overtime pay and record-keeping requirements. It also defines the work required for a position to be exempt from overtime entitlement. More information: [University of Arizona Fair Labor Standards Act and Overtime Policy](#).

Salary vs. Hourly

Salaried Employees (Exempt from Overtime)	Hourly Employees (Overtime Eligible)
Must be paid a salary above federal or state defined compensation threshold (Review Salary Level Test below).	Typically make less than the federal or state defined compensation threshold, but not always (Review Duties Test below).
Only record/report their non-worked time (e.g., time off and leaves) as Exception Time Reporters .	Record time worked as Positive Time Reporters .
Pay doesn't change from a fixed, predetermined amount, regardless of variations in work schedule in a given workweek. Exempt from overtime requirements.	Entitled to overtime pay for hours worked over their regularly scheduled hours. Hours over 40 per workweek are paid at time and a half.

FLSA Tests

Salaried employees (those exempt from receiving overtime pay) must meet all of the following requirements:

Salary Level Test	Salary Basis Test	Duties Test
<p>Employees are considered overtime-eligible (hourly) if they earn below the federal or state compensation threshold.</p> <p>Federal Compensation Threshold: \$684/week \$35,568/year</p>	<p>Salaried employees are paid on a salary basis, meaning pay doesn't change from a fixed, predetermined amount regardless of variations in work schedule in a given workweek.</p>	<p>Certain positions are considered exempt due to the nature of their job duties. These include executives, administrators and other roles requiring specific skills or education.</p> <p>Review the University of Arizona FLSA and Overtime Policy "Exemption Tests" section.</p>



Definitions

<p>Paid Time</p> <p>Examples:</p> <ul style="list-style-type: none">• Hours worked, paid time off and leave• Travel between job sites during workday• Work-related training if it is required and during regular work hours• Short rest breaks (15 minutes or less)	<p>Unpaid Time</p> <p>Examples:</p> <ul style="list-style-type: none">• Meal periods: Uninterrupted 30 minutes or more• Travel Time: Home-to-work travel
<p>Positive Time Reporters</p> <p>Hourly (overtime-eligible) employees must report all hours worked in a workweek. Hours cannot be averaged or transferred across workweeks.</p>	<p>Exception Reporters</p> <p>Salaried (exempt) employees must report only non-worked hours, such as vacation, sick time and other paid and non-paid time off.</p>
<p>Regular Hours</p> <p>Hours an employee is regularly scheduled in a workweek, based on Full Time Equivalency (FTE).</p>	<p>Workweek</p> <p>Begins on Monday at 12:01 a.m. and ends on Sunday at midnight.</p>
<p>Overtime</p> <p>Hours worked beyond an hourly (overtime eligible) employee's regular hours.</p>	<p>Straight Overtime</p> <p>When an hourly employee works over their assigned hours but less than 40 hours in a workweek, overtime is paid at their regular rate.</p>
<p>Time-and-a-Half Overtime</p> <p>When an hourly (overtime eligible) employee works more than 40 hours in a workweek, overtime is paid at 1.5 times the employee's regular rate.</p>	<p>Compensatory (Comp) Time</p> <p>Compensating employees for overtime hours with time off instead of pay.</p> <ul style="list-style-type: none">• Comp Time is accrued at either the straight overtime or time-and-a-half overtime rates, depending on the employee's regular hours and number of hours worked in the workweek.• When comp time is used, it is paid at the employee's most recent rate of pay.• Accrual of comp time above a balance of 120 hours (prorated by FTE) must receive written exception from college/division leadership. The max comp time balance is 240 hours (prorated by FTE).