**Compensation FAQ**

**How do we determine if an employee is eligible for overtime?**

In general, an employee will be considered exempt from overtime rules if they are paid over a certain salary threshold, on a salary basis (a guaranteed weekly amount subject to limited deductions per wage and hour regulations), AND meet one of the [exempt duty tests](https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime). It is best to talk to Catapult or a knowledgeable partner if you have any concerns. Overtime violations can lead to backpay awards, and even may result in you not being able to classify certain positions as exempt.

You should avoid paying people in the same job using different exempt/non-exempt classifications except in some limited circumstances. This can call an exempt status into question.

**So, non-exempt are hourly and exempt are salaried, right?**

Non-exempt employees may be paid in a number of different ways, not just on an hourly basis; however, you must track time carefully and pay overtime. In general, you only have to pay non-exempt employees for time worked.

Exempt employees do not get paid overtime, however there are only a very limited number of occasions when you can take money away from their guaranteed weekly salary. This normally does NOT include partial day absences for example. In some cases, exempt employees could be paid using an alternative method such as commission plus base pay, or commission only, but this should be reviewed carefully.

**How do we decide whether to pay someone hourly, salaried, piece rate, commission or in some other way?**

Don’t be arbitrary about how you pay and if you are paying other than on a non-exempt, hourly or salaried, exempt basis, contact Catapult or another trusted advisor to be sure that it is advisable.

As an example, if you have a sales representative who works in outside sales full time, you might be entitled to pay them only on a commission basis with no guaranteed salary. However, in most other cases, that would not be advisable.

If you are seeking to incentivize using bonuses, commissions or shift premiums, consult our article on that topic (in the compensation toolkit). These generally must be figured into the regular rate for overtime purposes.

**How do we decide what to pay different people for their work?**

Focus on the job, not the person. There is certainly some variation in pay based on someone’s experience, but in general the job should pay in a particular range and the person should fit into that range. If you feel you cannot hire someone without going significantly above that range, then either the person is not the right fit for your company, or your pay range is off.

Paying consistently and having salary ranges in place is one way to avoid compensation based discrimination lawsuits. Men and women, as one example already have significant disparities in pay not attributable to work or experience. This occurs for many reasons, but it can be controlled by having a validated pay structure and merit increase process.

You can review market data for your positions to determine what other companies pay for that job in your industry and location. You can also create a full pay structure (see our tools and articles on that topic if you are interested).

**How do we determine when to make pay adjustments or give increases?**

Employers generally review market data periodically to make sure that their pay is remaining within the range they wish as compared to other companies. If their salaries are outside the range, they may choose to make adjustments to the hiring range AND to the pay for individuals in that role.

Employers generally provide merit increases annually which are based on performance. Some give a general increase to all employees, excluding any with serious disciplinary issues, then focus attention on the top performers and provide them with an additional amount to show their appreciation. Other employers use more complicated assessment methods which provide each employee with an individualized increase.

Employers may allot a budget for increases each year based on profitability and future projections to determine the average increase number and then work with managers to ensure each department stays within an appropriate increase amount.

**Are there any important laws to know about communicating pay to employees?**

In North Carolina, you must notify a new employee in writing of their:

* Promised wages
* Day and location of wage payment (location would be only if delivery was in person)
* Method of payment (ex: direct deposit or mail)

In South Carolina, you must notify a new employee in writing of their:

* Normal hours of work: (i.e., full-time, part-time, seasonal, number or range of hours per week, day, other, etc.)
* Rate of pay
* Pay period (e.g. weekly, bi-weekly, monthly, etc.)
* Place of payment
* Time of payment
* Day of payment
* Deductions to be made from wages such as insurance deductions

The South Carolina LLR provides [a sample form](https://llr.sc.gov/wage/pdf/ls26.pdf) for employers to use to stay in compliance. This information can be provided in an offer letter. Catapult has a sample [here](https://letscatapult.org/offer-letter-template/).

North Carolina employers must notify employees in writing at least one pay period prior to any changes in promised wages. South Carolina requires any changes to the above terms be communicated in writing at least seven calendar days before effective. (Generally, this just applies to pay decreases, not increases.)

Final paychecks in North and South Carolina must be sent on or before the next regular pay date following termination according to the regular method, or if an employee requests in writing, by trackable mail.