



PSE Overtime Rates to Increase, Retroactive Pay Adjustments to Be Made

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The Postal Service method of calculating overtime rates for PSEs violates the Fair Labor Standards Act (FLSA), the Department of Labor has found. The Postal Service has based overtime pay, which is paid at one-and-a-half times an employee's hourly rate, on the wrong rate, the department concluded.

PSEs will begin receiving overtime pay based on the corrected methodology effective June 15, 2013, (Pay Period 14-2013 / Pay Date July 5, 2013).

The Postal Service expects to include pay adjustments for overtime worked before Pay Period 14 in Pay Period 17 (paid Aug. 16, 2013).

The value of the change will vary by the pay grade(s) and the number of night differential hours worked by PSEs. At Grade 6, the corrected method should result in approximately 86 cents more per overtime hour.

How It Happened

The FLSA requires employers to compute overtime based on the "regular" rate of pay. The FLSA does not rely on printed pay schedules; it uses rules to determine what types of pay employees receive for hours worked.

In accordance with FLSA rules, premiums of less than 50 percent, such as night differential, are added to determine the "regular" rate of pay. The FLSA also allows exclusions of certain pay in some cases. For example, upon an explicit understanding, an employer could exclude a portion of pay intended as holiday pay.

Part-time flexibles (PTFs) do not get paid holiday leave directly; instead, they receive a higher hourly rate: the annual rate divided by 2000 hours. (See [Article 11.7 of the Collective Bargaining Agreement](#).) This higher rate compensates PTFs for holiday leave pay on a pro-rated basis. When calculating PTF overtime, the Postal Service excludes the portion of pay intended for holiday leave, resulting in a lower rate: the annual rate divided by 2080.

The USPS applied the same method to Transitional Employees (TEs), whose pay was originally linked to PTF pay. When the link with PTFs was broken by the establishment of a separate TE pay schedule, the Postal Service continued to employ a similar methodology. Since TEs did not have annual rates, the USPS assigned an annual rate: 2000 hours times the TE hourly rate. For overtime, the Postal Service divided the assigned annual rate by 2080, resulting in a lower rate for the overtime calculation. When TEs were eliminated from the workforce and PSEs were hired, the Postal Service continued to use the TE overtime calculation method.

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