

29 C.F.R. § 778.306

Salary reductions in short workweeks.

(a) The reductions in pay described in § 778.304(a)(4) are not, properly speaking, “deductions” at all. If an employee is compensated at a fixed salary for a fixed workweek and if this salary is reduced by the amount of the average hourly earnings for each hour lost by the employee in a short workweek, the employee is, for all practical purposes, employed at an hourly rate of pay. This hourly rate is the quotient of the fixed salary divided by the fixed number of hours it is intended to compensate. If an employee is hired at a fixed salary of \$200 for a 40-hour week, his hourly rate is \$5. When he works only 36 hours he is therefore entitled to \$180. The employer makes a “deduction” of \$20 from his salary to achieve this result. The regular hourly rate is not altered.

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