

Piece-rate pay trims \$8 million from Petco

National retailer Petco has settled a lawsuit filed by employees in California who groom pets in the company's stores. The suit alleged the company failed to pay the workers minimum wage and overtime in violation of state and federal laws.

It's a case that shines a spotlight on the perils of unusual compensation systems.

Petco paid the groomers by the job. The suit alleged Petco failed to pay at least minimum wage when the groomers did not get enough work to meet minimum wage. The groomers claimed the company required them to perform tasks unrelated to grooming for which they were not paid and didn't pay them for rest periods as required by California law.

They also claimed Petco didn't reimburse them for supplies they purchased to perform their jobs.

While Petco admitted no wrongdoing, it agreed to set aside \$8 million to pay the groomers' claims. The retailer also agreed to change its compensation plan to guarantee the groomers earned at least minimum wage for each hour they worked.

State and federal regulators are looking more closely at unusual pay systems. Employers that pay employees on a piece-rate basis must still guarantee that they earn at least the minimum wage.

And, of course, any time an hourly employee works more than 40 hours in a week, the employer must pay time and a half for those hours. For employers using a piece-rate system, overtime calculations can be a little tricky.

Federal law requires employers to include all income when calculating overtime rates. If the employee's piece-rate earnings exceed minimum wage, the employer must divide those earnings by the number of hours worked to determine an hourly rate. For all hours over 40 worked in a week, the employer must pay at least one and a half times that rate.

In cases where the piece rate falls below minimum wage, the employer must use the minimum wage to calculate the employee's pay and overtime if applicable.

Advice: Regularly have your attorney review your compensation systems to ensure they comply with state and federal laws.