

# **NEW JERSEY STATE WAGE AND HOUR LAW AND REGULATIONS**



**New Jersey Department of Labor and Workforce Development**

Division of Wage and Hour Compliance

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[www.nj.gov/labor](http://www.nj.gov/labor)

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## Notes

Effective July 1, 2004, the formal name of the Department has changed to the “Department of Labor and Workforce Development.” All references to the “Department of Labor and Industry,” the “Department of Labor,” the “Commissioner of Labor and Industry,” or the “Commissioner of Labor,” should be understood to mean “Department of Labor and Workforce Development” and “Commissioner of Labor and Workforce Development,” respectively.

Effective October 1, 2005, the minimum wage rate is \$6.15 per hour.

Effective October 1, 2006, the minimum wage rate is \$7.15 per hour.

Effective July 24, 2009, the minimum wage rate is \$7.25 per hour.

Effective January 1, 2014, the minimum wage rate is \$8.25 per hour.

Effective January 1, 2015, the minimum wage rate is \$8.38 per hour.

Effective January 1, 2016, the minimum wage rate remains \$8.38 per hour.

For the current minimum wage rate or more information about Wage and Hour Law and Regulations, visit the Department of Labor and Workforce Development’s web site at [www.nj.gov/labor](http://www.nj.gov/labor) and click on *Wage & Hour*.

This booklet is for ready reference only. For updated official information, consult the New Jersey Statutes Annotated and the New Jersey Administrative Code.

**WAGE AND HOUR  
LAW AND REGULATIONS**

STATE WAGE AND HOUR LAW

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## CHAPTER 11

### WAGES

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**34:11-56a. Minimum wage level; establishment**

It is declared to be the public policy of this State to establish a minimum wage level for workers in order to safeguard their health, efficiency, and general well-being and to protect them as well as their employers from the effects of serious and unfair competition resulting from wage levels detrimental to their health, efficiency and well-being.

**34:11-56a1. Definitions**

As used in this act:

- (a) "Commissioner" means the Commissioner of Labor.
- (b) "Director" means the director in charge of the bureau referred to in section 3 of this act.
- (c) "Wage board" means a board created as provided in section 10 of this act.

(d) "Wages" means any moneys due an employee from an employer for services rendered or made available by the employee to the employer as a result of their employment relationship including commissions, bonus and piecework compensation and including any gratuities received by an employee for services rendered for an employer or a customer of an employer and the fair value of any food or lodgings supplied by an employer to an employee. The commissioner may, by regulation, establish the average value of gratuities received by an employee in any occupation and the fair value of food and lodging provided to employees in any occupation which average values shall be acceptable for the purposes of determining compliance with this act in the absence of evidence of the actual value of such items.

(e) "Regular hourly wage" means the amount that an employee is regularly paid for each hour of work as determined by dividing the total hours of work during the week into the employee's total earnings for the week, exclusive of overtime premium pay.

(f) "Employ" includes to suffer or to permit to work.

(g) "Employer" includes any individual, partnership, association, corporation or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee.

(h) "Employee" includes any individual employed by an employer.

(i) "Occupation" means any occupation, service, trade, business, industry or branch or group of industries or employment or class of employment in which employees are gainfully employed.

(j) "Minimum fair wage order" means a wage order promulgated pursuant to this act.

(k) "Fair wage" means a wage fairly and reasonably commensurate with the value of the service or class of service rendered and sufficient to meet the minimum cost of living necessary for health.

(l) “Oppressive and unreasonable wage” means a wage which is both less than the fair and reasonable value of the service rendered and less than sufficient to meet the minimum cost of living necessary for health.

(m) “Limousine” means a motor vehicle used in the business of carrying passengers for hire to provide prearranged passenger transportation at a premium fare on a dedicated, nonscheduled, charter basis that is not conducted on a regular route and with a seating capacity in no event of more than 14 passengers, not including the driver, provided, that such a motor vehicle shall not have a seating capacity in excess of four passengers, not including the driver, beyond the maximum passenger seating capacity of the vehicle, not including the driver, at the time of manufacture. “Limousine” shall not include taxicabs, hotel or airport shuttles and buses, buses employed solely in transporting school children or teachers to and from school, vehicles owned and operated directly or indirectly by businesses engaged in the practice of mortuary science when those vehicles are used exclusively for providing transportation related to the provision of funeral services or vehicles owned and operated without charge or remuneration by a business entity for its own purposes.

**34:11-56a2. Bureau for administration of act; director and assistants**

The commissioner shall maintain a bureau in the department to which the administration of this act, and of any minimum wage orders or regulations promulgated hereunder, shall be assigned, said bureau to consist of a director in charge and such assistants and employees as the commissioner may deem desirable.

**34:11-56a3. Employment at unreasonable wage declared contrary to public policy; contract or agreement void**

The employment of an employee in any occupation in this State at an oppressive and unreasonable wage is hereby declared to be contrary to public policy and any contract, agreement or understanding for or in relation to such employment shall be void.

**34:11-56a4. Minimum rate; overtime rate; exceptions**

Every employer shall pay to each of his employees wages at a rate of not less than \$5.05 per hour as of April 1, 1992 and, after January 1, 1999 the minimum hourly wage rate set by section 6(a)(1) of the federal “Fair Labor Standards Act of 1938” (29 U.S.C. s.206(a)(1)), and, as of October 1, 2005, \$6.15 per hour, and as of October 1, 2006, \$7.15 <sup>[1]</sup> per hour for 40 hours of working time in any week and 1 ½ times such employee's regular hourly wage for each hour of working time in excess of 40 hours in any week, except this overtime rate shall not include any individual employed in a bona fide executive, administrative, or professional capacity or, if an applicable wage order has been issued by the commissioner under section 17 (C.34:11-56a16) of this act, not less than the wages prescribed in said order. The wage rates fixed in this section shall not be applicable to part-time employees primarily engaged in the care and tending of children in the home of the employer, to persons under the age of 18 not possessing a special vocational school graduate permit issued pursuant to section 15 of P.L.1940, c. 153 (C.34:2-21.15), or to persons employed as salesmen of motor vehicles, or to persons employed as outside salesmen as such terms shall be defined and delimited in regulations adopted by the commissioner, or to persons employed in a volunteer capacity and receiving only incidental benefits at a county or other agricultural fair by a nonprofit or religious corporation or a nonprofit or religious association which conducts or participates in that fair.

The provisions of this section for the payment to an employee of not less than 1 1/2 times such employee's regular hourly rate for each hour of working time in excess of 40 hours in any week shall not apply to employees engaged to labor on a farm or employed in a hotel or to an employee of a common carrier of passengers by motor bus or to a limousine driver who is an employee of an employer engaged

in the business of operating limousines or to employees engaged in labor relative to the raising or care of livestock.

Employees engaged on a piece-rate or regular hourly rate basis to labor on a farm shall be paid for each day worked not less than the minimum hourly wage rate multiplied by the total number of hours worked.

Full-time students may be employed by the college or university at which they are enrolled at not less than 85% of the effective minimum wage rate.

Notwithstanding the provisions of this section to the contrary, every trucking industry employer shall pay to all drivers, helpers, loaders and mechanics for whom the Secretary of Transportation may prescribe maximum hours of work for the safe operation of vehicles, pursuant to section 31502(b) of the federal Motor Carrier Act, 49 U.S.C.s.31502(b), an overtime rate not less than 1 1/2 times the minimum wage required pursuant to this section and N.J.A.C. 12:56-3.1. Employees engaged in the trucking industry shall be paid no less than the minimum wage rate as provided in this section and N.J.A.C. 12:56-3.1. As used in this section, "trucking industry employer" means any business or establishment primarily operating for the purpose of conveying property from one place to another by road or highway, including the storage and warehousing of goods and property. Such an employer shall also be subject to the jurisdiction of the Secretary of Transportation pursuant to the federal Motor Carrier Act, 49 U.S.C. s.31501 et seq., whose employees are exempt under section 213(b)(1) of the federal "Fair Labor Standards Act of 1938," 29 U.S.C.s.213(b)(1), which provides an exemption to employees regulated by section 207 of the federal "Fair Labor Standards Act of 1938," 29 U.S.C.s.207, and the Interstate Commerce Act, 49 U.S.C.s.501 et al.

The provisions of this section shall not be construed as prohibiting any political subdivision of the State from adopting an ordinance, resolution, regulation or rule, or entering into any agreement, establishing any standard for vendors, contractors and subcontractors of the subdivision regarding wage rates or overtime compensation which is higher than the standards provided for in this section, and no provision of any other State or federal law establishing a minimum standard regarding wages or other terms and conditions of employment shall be construed as preventing a political subdivision of the State from adopting an ordinance, resolution, regulation or rule, or entering into any agreement, establishing a standard for vendors, contractors and subcontractors of the subdivision which is higher than the State or federal law or which otherwise provides greater protections or rights to employees of the vendors, contractors and subcontractors of the subdivision, unless the State or federal law expressly prohibits the subdivision from adopting the ordinance, resolution, regulation or rule, or entering into the agreement.

[<sup>1</sup> For the current minimum hourly wage rate, visit [www.nj.gov/labor](http://www.nj.gov/labor) and click on Wage & Hour.]

**34:11-56a4.1. Summer camps, conferences and retreats; exception**

The provisions of the act to which this act is a supplement in respect to minimum wages and compensation for overtime work shall not be applicable during the months of June, July, August or September of the year to summer camps, conferences and retreats operated by any nonprofit or religious corporation or association.

**34:11-56a4.2. Application of act to wages under wage orders**

The provisions of this act shall be applicable to wages covered by wage orders issued pursuant to section 17 of P.L.1966, c. 113 (C. 34:11-56a16).

**34:11-56a4.3. Date of application of act**

The provisions of this act shall be applicable to wages covered by wage orders issued pursuant to section 17 of P.L.1966, c. 113 (C. 34:11-56a16).

**34:11-56a4.4. Date of application of L.1976, c. 88**

The provisions of this act shall be applicable to wages covered by wage orders issued pursuant to section 17 of P.L.1966, c. 113 (C. 34:11-56a16).

**34:11-56a4.5. Application of L.1979, c. 32**

The provisions of this act shall be applicable to wages covered by wage orders issued pursuant to section 17 of P.L.1966, c. 113 (C. 34:11-56a16).

**34:11-56a4.6. Application of L.1980, c. 182**

The provisions of this act shall be applicable to wages covered by wage orders issued pursuant to section 17 of P.L.1966, c. 113 (C. 34:11-56a16).

**34:11-56a4.7. New Jersey Minimum Wage Advisory Commission**

a. There is created a commission to be known as the "New Jersey Minimum Wage Advisory Commission," which shall be a permanent, independent body in but not of the Department of Labor and Workforce Development. The commission shall consist of five members as follows: the Commissioner of Labor and Workforce Development, ex officio, who shall serve as chair of the commission, and four members appointed by the Governor as follows: two persons who shall be nominated by organizations who represent the interests of the business community in this State and two persons who shall be nominated by the New Jersey State AFL-CIO.

b. Members shall be appointed not later than December 31, 2005. Members shall be appointed for four-year terms and may be re-appointed for any number of terms. Any member of the commission may be removed from office by the Governor, for cause, upon notice and opportunity to be heard. Vacancies shall be filled in the same manner as the original appointment for the balance of the unexpired term. A member shall continue to serve upon the expiration of his term until a successor is appointed and qualified, unless the member is removed by the Governor.

c. Action may be taken by the commission by an affirmative vote of a majority of its members and a majority of the commission shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission.

d. Members of the commission shall serve without compensation, but may be reimbursed for the actual and necessary expenses incurred in the performance of their duties as members of the commission within the limits of funds appropriated or otherwise made available for that purpose.

**34:11-56a4.8. Annual evaluation of adequacy of minimum wage**

a. The commission shall annually evaluate the adequacy of the minimum wage relative to the following factors:

- (1) The overall cost of living in the State;

(2) Changes in the components of the cost of living which have the greatest impact on low-income families, including increases in the cost of housing, food, transportation, health care and child care;

(3) The cost of living in the State compared to that of other states;

(4) Changes in the purchasing power of the minimum wage; and

(5) Changes in the value of the minimum wage relative to the federal poverty guidelines, the federal lower living standard income level guidelines and the self-sufficiency standards established as goals for State and federal employment and training services pursuant to section 3 of P.L.1992, c.43 (C.34:15D-3) and section 1 of P.L.1992, c.48 (C.34:15B-35).

b. In furtherance of its evaluation, the commission may hold public meetings or hearings within the State on any matter or matters related to the provisions of this act, and call to its assistance and avail itself of the services of the John J. Heldrich Center for Workforce Development and the employees of any other State department, board, commission or agency which the commission determines possesses relevant data, analytical and professional expertise or other resources which may assist the commission in discharging its duties under this act. Each department, board, commission or agency of this State is hereby directed, to the extent not inconsistent with law, to cooperate fully with the commission and to furnish such information and assistance as is necessary to accomplish the purposes of this act.

c. The commission shall submit a written report of its findings regarding the adequacy of the minimum wage and its recommendations as to whether, or how much, to increase the minimum wage to the Governor and to the Legislature, who shall immediately review the commission report upon its receipt. Each House of the Legislature shall consider the commission report within 120 days of the receipt of the report. The first report shall be submitted to the Legislature no sooner than October 1, 2007 and no later than December 31, 2007, and subsequent reports shall be submitted in one year intervals thereafter.

**34:11-56a5. Administrative regulations; publication; duration**

For any occupation for which no wage order issued pursuant to section 17 of this act is in effect, the commissioner shall, within 6 months after the rate provided in section 5 is in effect, make such administrative regulations as he shall deem appropriate to carry out the purposes of this act or necessary to prevent the circumvention or evasion thereof, and to safeguard the minimum wage rates hereby established. Such regulations may include regulations defining and governing outside salesmen; learners and apprentices, their number, proportion and length of service; part-time pay; bonuses, overtime pay; special pay for special or extra work; or permitted charges to employees or allowances for board, lodging, apparel or other facilities or services customarily furnished by employers to employees; or allowances for such other special conditions or circumstances.

The commissioner shall publish such regulations as he proposes to issue and such regulations may be issued pursuant to this section only after a public hearing, subsequent to publication of notice of the hearing, at which any person may be heard.

Such administrative regulations shall remain in effect only until such time as a wage order governing the occupation or occupations concerned, and to the extent inconsistent therewith, has been promulgated and becomes effective as provided in this act.

**34:11-56a6. Authority of commissioner and director**

The commissioner, the director and their authorized representatives shall have the authority to:

(a) investigate and ascertain the wages of persons employed in any occupation in the State;

(b) enter and inspect the place of business or employment of any employer or employees in any occupation in the State, for the purpose of examining and inspecting any or all books, registers, payrolls and other records of any such employer that in any way relate to or have a bearing upon the question of wages, hours, and other conditions of employment of any such employees; copy any or all of such books, registers, payrolls, and other records as he or his authorized representative may deem necessary or appropriate; and question such employees for the purpose of ascertaining whether the provisions of this act and the orders and regulations issued hereunder have been and are being complied with; and

(c) require from such employer full and correct statements in writing, including sworn statements, with respect to wages, hours, names, addresses and such other information pertaining to his employees and their employment as the commissioner, the director or their authorized representatives may deem necessary or appropriate.

**34:11-56a7. Investigation of occupation**

The commissioner shall have the power, on his own motion, and it shall be his duty upon the petition of 50 or more residents of the State, to cause the director to investigate any occupation to ascertain whether a substantial number of employees are receiving less than a fair wage.

**34:11-56a8. Appointment of wage board; report upon establishment of minimum fair wage rates**

If the commissioner is of the opinion that a substantial number of employees in any occupation or occupations are receiving less than a fair wage, he shall appoint a wage board as provided in section 10 of this act to report upon the establishment of minimum fair wage rates for employees in such occupation or occupations.

**34:11-56a9. Wage board; membership; quorum; rules and regulations; compensation**

A wage board shall be composed of not more than 3 representatives of the employers in any occupation, an equal number of representatives of the employees in such occupations and not more than 3 disinterested persons representing the public, one of whom shall be designated by the commissioner as chairman. The commissioner after conferring with the director shall appoint the members of the wage board, the representatives of the employers and employees to be selected so far as practicable from nominations submitted by the employers and employees. Two-thirds of the members shall constitute a quorum and the recommendations or report of the wage board shall require a vote of not less than a majority of all its members. The commissioner after conferring with the director shall make and establish from time to time rules and regulations governing the selection of a wage board and its mode of procedure not inconsistent with this act. The members of a wage board shall serve without pay but may be reimbursed for all necessary expenses.

**34:11-56a10. Powers of wage board**

A wage board shall have power to administer oaths and to require by subpoena the attendance and testimony of witnesses, the production of all books, records, and other evidence relative to matters under investigation. Such subpoena shall be signed and issued by the chairman of the wage board and shall be served and have the same effect as if issued out of the Superior Court. A wage board shall have power to cause depositions of witnesses residing within or without the State to be taken in the manner prescribed for like dispositions in civil actions in the Superior Court.

**34:11-56a11. Presentation of evidence and information to wage board; witnesses**

The commissioner or the director shall present to a wage board promptly upon its organization all the evidence and information in the possession of the commissioner or director relating to the wages of employees in the occupations for which the wage board was appointed and all other information which the commissioner or the director deems relevant to the establishment of a minimum fair wage, and shall cause to be brought before the committee any witnesses whom the commissioner or the director deems material. A wage board may summon other witnesses or call upon the commissioner or the director to furnish additional information to aid it in its deliberations.

**34:11-56a12. Rules of evidence and procedure**

The commissioner and the wage board in establishing a minimum fair wage, shall not be bound by technical rules of evidence or procedure, but may consider all relevant circumstances affecting the value of the service or class of service rendered; may consider the wages paid in the State for work of like or comparable character by employers who voluntarily maintain minimum fair wage standards; and may be guided by like considerations as would guide a court in a suit for the reasonable value of services rendered at the request of the employer without agreement as to amount of wages to be paid.

**34:11-56a13. Recommendations of wage board**

The report of the wage board shall recommend minimum fair wage rates, on an hourly, daily or weekly basis for the employees in the occupation or occupations for which the wage board was appointed. The wage board may recommend establishment or modification of the number of hours per week after which the overtime rate established in section 5 shall apply and may recommend the establishment or modification of said overtime rate. The board may also recommend permitted charges to the employees or allowances for board, lodging, apparel, or other facilities or services customarily furnished by the employer to the employee; or allowances for such other special conditions or circumstances excluding gratuities which may be usual in a particular employer-employee relationship. A wage board may differentiate and classify employments in any occupation according to the nature of the service rendered and recommend appropriate minimum fair wage rates for different employments. It may recommend minimum fair wage rates varying with localities if in the judgment of the wage board conditions make such local differentiation proper.

A wage board may recommend a suitable scale of rates for learners and apprentices or students in any occupation which may be less than the regular minimum fair wage rates recommended for experienced employees.

**34:11-56a14. Submission of report of wage board**

Within 60 days of its organization a wage board shall submit to the commissioner a report including its recommendations as to minimum fair wage standards for the employees in the occupation or occupations the wage standards of which the wage board was appointed to investigate. If its report is not submitted within such time the commissioner may constitute a new wage board.

**34:11-56a15. Acceptance or rejection of report by commissioner**

On submission of the report of a wage board the commissioner shall within 10 days confer with the director and accept or reject the report.

If he rejects the report, he shall resubmit the matter to the same wage board or to a new wage board with a statement of his reasons for the rejection.

If he accepts the report, it shall be published within 30 days together with such proposed administrative regulations as the commissioner after conferring with the director may deem appropriate to supplement the report of the wage board and to safeguard the minimum fair wage standards to be established.

At the same time notice shall be given of a public hearing before the commissioner or the director, not sooner than 15 nor more than 30 days after such publication, at which all persons favoring or opposing the recommendations contained in the report or the proposed regulations may be heard.

**34:11-56a16. Approval or disapproval of report following public hearing; effective date of wage order**

Within 10 days after the hearing the commissioner shall confer with the director and approve or disapprove the report of the wage board. If the report is disapproved the commissioner may resubmit the matter to the same wage board or to a new wage board. If the report is approved, the commissioner shall make a wage order which shall define minimum fair wage rates in the occupation or occupations as recommended in the report of the wage board and which shall include such proposed administrative regulations as the commissioner may deem appropriate to supplement the report of the wage board and to safeguard the minimum fair wage standards established. Such administrative regulations may include among other things, regulations defining and governing learners and apprentices, their rates, number, proportion or length of service; piece rates or their relations to time rates; overtime or part-time rates, bonuses or special pay for special or extra work; deductions for board, lodging, apparel or other items or services supplied by the employer; and other special conditions or circumstances excluding gratuities; and in view of the diversities and complexities of different occupations and the dangers of evasion and nullification, the commissioner may provide in such regulations without departing from the basic minimum rates recommended by the wage board such modifications or reductions of or addition to such rates in or for such special cases or classes of cases as those herein enumerated as the commissioner may find appropriate to safeguard the basic minimum rates established. Said wage order shall take effect upon expiration of 180 days from the date of the issuance of the order.

**34:11-56a17. Special certificates or licenses for employment at wages less than minimum**

(a) The commissioner, to the extent necessary in order to prevent curtailment of opportunities for employment, shall by regulation provide for the employment of learners, apprentices and students, under special certificates issued pursuant to regulations of the commissioner, at such wages lower than the minimum wage applicable under the provisions of this act and subject to such limitations as to time, number, proportion and length of service as the commissioner shall prescribe.

(b) For any occupation for which minimum fair wage order rates or minimum wage rates are established by or pursuant to this act the commissioner or the director may cause to be issued to an employee, including a learner, apprentice or student, whose earning capacity is impaired by age or physical or mental deficiency or injury, a special license authorizing employment at such wages less than such minimum wage rates and for such period of time as shall be fixed by the commissioner or the director and stated in the license.

**34:11-56a18. Modification of wage order**

At any time after a minimum fair wage order has been in effect for 1 year or more, the commissioner may, on his own motion, after conferring with the director, and shall, on petition of 50 or more residents of the State, reconsider the minimum fair wage rates set therein and reconvene the same wage board or appoint a new board to recommend whether or not the rate, or rates, contained in such order, shall be modified. The report of such wage board shall be dealt with in the manner prescribed in sections 15, 16 and 17 of this act.

**34:11-56a19. Additions or modifications to administrative regulations; hearing; notice**

The commissioner may, from time to time after conference with the director and without reference to a wage board, propose such modifications of or additions to any administrative regulations issued pursuant to sections 6 and 17 of this act as he may deem appropriate to effectuate the purposes of this article; provided, such proposed modifications or additions could legally have been included in the original regulation. Notice shall be given of a public hearing to be held by the commissioner or director not less than 15 days after such notice, at which all persons in favor of or opposed to the proposed modifications or additions may be heard. After the hearing the commissioner may make an order putting into effect the proposed modifications of or additions to the administrative regulations as he deems appropriate.

**34:11-56a20. Record by employer of hours worked and wages; inspection; exceptions**

Every employer of employees subject to this act shall keep a true and accurate record of the hours worked by each and the wages paid by him to each and shall furnish to the commissioner or the director or their authorized representative upon demand a sworn statement of the same. Such records shall be open to inspection by the commissioner or the director or their authorized representative at any reasonable time. No employer shall be found guilty of violating this provision for failure to keep a true and accurate record of the hours worked by outside salesmen, buyers of poultry, eggs, cream, milk or other perishable commodities in their natural or raw state, homeworkers legally employed in accordance with the laws of this State or any person employed in a bona fide executive, administrative or professional capacity, except that no exemption from record keeping pursuant to this section in regard to any person employed in a bona fide executive, administrative or professional capacity shall be construed to permit an employer to pay wages at a rate which violates the provisions of section 5 of P.L.1966, c. 113 (C. 34:11-56a4).

**34:11-56a21. Summary of act, orders, and regulations; posting**

Every employer subject to any provision of this act or of any regulations or orders issued under this act shall keep a summary of this act, approved by the commissioner, and copies of any applicable wage orders and regulations issued under this act, or a summary of such wage orders and regulations, posted in a conspicuous and accessible place in or about the premises wherein any person subject thereto is employed. Employers shall be furnished copies of such summaries, orders, and regulations by the State on request without charge.

**34:11-56a22. Violations of act; misdemeanor**

Any employer who willfully hinders or delays the commissioner, the director or their authorized representatives in the performance of his duties in the enforcement of this act, or fails to make, keep, and preserve any records as required under the provisions of this act, or falsifies any such record, or refuses to make any such record accessible to the commissioner, the director or their authorized representatives upon demand, or refuses to furnish a sworn statement of such record or any other information required for the proper enforcement of this act to the commissioner, the director or their authorized representatives upon demand, or pays or agrees to pay wages at a rate less than the rate applicable under this act or any wage order issued pursuant thereto, or otherwise violates any provision of this act or of any regulation or order issued under this act shall be guilty of a disorderly persons offense and shall, upon conviction for a first violation, be punished by a fine of not less than \$100 nor more than \$1,000 or by imprisonment for not less than 10 nor more than 90 days or by both the fine and imprisonment and, upon conviction for a second or subsequent violation, be punished by a fine of not less than \$500 nor more than \$1,000 or by imprisonment for not less than 10 nor more than 100 days or by both the fine and imprisonment. Each week, in any day of which an employee is paid less than the rate applicable to him under this act or under a minimum fair wage order, and each employee so paid, shall constitute a separate offense.

As an alternative to or in addition to any other sanctions provided by law for violations of the “New Jersey State Wage and Hour Law,” P.L.1966, c. 113 (C.34:11-56a et seq.), when the Commissioner of Labor finds that an individual has violated that act, the commissioner is authorized to assess and collect administrative penalties, up to a maximum of \$250 for a first violation and up to a maximum of \$500 for each subsequent violation, specified in a schedule of penalties to be promulgated as a rule or regulation by the commissioner in accordance with the “Administrative Procedure Act,” P.L.1968, c. 410 (C.52:14B-1 et seq.). When determining the amount of the penalty imposed because of a violation, the commissioner shall consider factors which include the history of previous violations by the employer, the seriousness of the violation, the good faith of the employer and the size of the employer's business. No administrative penalty shall be levied pursuant to this section unless the Commissioner of Labor provides the alleged violator with notification of the violation and of the amount of the penalty by certified mail and an opportunity to request a hearing before the commissioner or his designee within 15 days following the receipt of the notice. If a hearing is requested, the commissioner shall issue a final order upon such hearing and a finding that a violation has occurred. If no hearing is requested, the notice shall become a final order upon expiration of the 15-day period. Payment of the penalty is due when a final order is issued or when the notice becomes a final order. Any penalty imposed pursuant to this section may be recovered with costs in a summary proceeding commenced by the commissioner pursuant to “the penalty enforcement law” (N.J.S. 2A:58-1 et seq.). Any sum collected as a fine or penalty pursuant to this section shall be applied toward enforcement and administration costs of the Division of Workplace Standards in the Department of Labor.

**34:11-56a23. Supervision by commissioner of payments of amounts due employees**

As an alternative to any other sanctions or in addition thereto, herein or otherwise provided by law for violation of this act or of any rule or regulation duly issued hereunder, the Commissioner of Labor is authorized to supervise the payment of amounts due to employees under this act, and the employer may be required to make these payments to the commissioner to be held in a special account in trust for the employee, and paid on order of the commissioner directly to the employee or employees affected. The employer shall also pay the commissioner an administrative fee equal to not less than 10% or more than 25% of any payment made to the commissioner pursuant to this section. The amount of the administrative fee shall be specified in a schedule of fees to be promulgated by rule or regulation of the commissioner in accordance with the “Administrative Procedure Act,” P.L.1968, c. 410 (C. 52:14B-1 et seq.). The fee shall be applied toward enforcement and administration costs of the Division of Workplace Standards in the Department of Labor.

**34:11-56a24. Discharge or discrimination against employee making complaint; misdemeanor**

Any employer who discharges or in any other manner discriminates against any employee because such employee has made any complaint to his employer, to the commissioner, the director or to their authorized representatives that he has not been paid wages in accordance with the provisions of this act, or because such employee has caused to be instituted or is about to cause to be instituted any proceeding under or related to this act, or because such employee has testified or is about to testify in any such proceeding, or because such employee has served or is about to serve on a wage board, shall be guilty of a disorderly persons offense and shall, upon conviction therefor, be fined not less than \$100 nor more than \$1,000. Such employer shall be required, as a condition of such judgment of conviction, to offer reinstatement in employment to any such discharged employee and to correct any such discriminatory action, and also to pay to any such employee in full, all wages lost as a result of such discharge or discriminatory action, under penalty of contempt proceedings for failure to comply with such requirement.

As an alternative to or in addition to any other sanctions provided by law for violations of P.L.1966, c. 113 (C. 34:11-56a et seq.), when the Commissioner of Labor finds that an employer has violated that

act, the commissioner is authorized to assess and collect administrative penalties, up to a maximum of \$250 for a first violation and up to a maximum of \$500 for each subsequent violation, specified in a schedule of penalties to be promulgated as a rule or regulation by the commissioner in accordance with the "Administrative Procedure Act," P.L.1968, c. 410 (C. 52:14B-1 et seq.). When determining the amount of the penalty imposed because of a violation, the commissioner shall consider factors which include the history of previous violations by the employer, the seriousness of the violation, the good faith of the employer and the size of the employer's business. No administrative penalty shall be levied pursuant to this section unless the Commissioner of Labor provides the alleged violator with notification of the violation and of the amount of the penalty by certified mail and an opportunity to request a hearing before the commissioner or his designee within 15 days following the receipt of the notice. If a hearing is requested, the commissioner shall issue a final order upon such hearing and a finding that a violation has occurred. If no hearing is requested, the notice shall become a final order upon expiration of the 15-day period. Payment of the penalty is due when a final order is issued or when the notice becomes a final order. Any penalty imposed pursuant to this section may be recovered with costs in a summary proceeding commenced by the commissioner pursuant to "the penalty enforcement law" (N.J.S. 2A:58-1 et seq.). Any sum collected as a fine or penalty pursuant to this section shall be applied toward enforcement and administration costs of the Division of Workplace Standards in the Department of Labor.

**34:11-56a25. Civil action by employee to recover amount of minimum wage less amount paid**

If any employee is paid by an employer less than the minimum fair wage to which such employee is entitled under the provisions of this act or by virtue of a minimum fair wage order such employee may recover in a civil action the full amount of such minimum wage less any amount actually paid to him or her by the employer together with costs and such reasonable attorney's fees as may be allowed by the court, and any agreement between such employee and the employer to work for less than such minimum fair wage shall be no defense to the action. An employee shall be entitled to maintain such action for and on behalf of himself or other employees similarly situated, and such employee and employees may designate an agent or representative to maintain such action for and on behalf of all employees similarly situated. At the request of any employee paid less than the minimum wage to which such employee was entitled under the provisions of this act or under an order, the commissioner may take an assignment of the wage claim in trust for the assigning employee and may bring any legal action necessary to collect the claim, and the employer shall be required to pay the costs and such reasonable attorney's fees as may be allowed by the court.

**34:11-56a25.1. Limitations; commencement of action**

No claim for unpaid minimum wages, unpaid overtime compensation, or other damages under this act shall be valid with respect to any such claim which has arisen more than 2 years prior to the commencement of an action for the recovery thereof. In determining when an action is commenced, the action shall be considered to be commenced on the date when a complaint is filed with the Commissioner of the Department of Labor and Industry or the Director of the Wage and Hour Bureau, and notice of such complaint is served upon the employer; or, where an audit by the Department of Labor and Industry discloses a probable cause of action for unpaid minimum wages, unpaid overtime compensation, or other damages, and notice of such probable cause of action is served upon the employer by the Director of the Wage and Hour Bureau; or where a cause of action is commenced in a court of appropriate jurisdiction.

**34:11-56a25.2. Defense to action**

In any action or proceeding commenced prior to or on or after the date of the enactment of this act based on any act or omission prior to or on or after the date of the enactment of this act, no employer shall be subject to any liability or punishment for or on account of the failure of the employer to pay minimum

wages or overtime compensation under this act, if he pleads and proves that the act or omission complained of was in good faith in conformity with and in reliance on any written administrative regulation, order, ruling, approval or interpretation by the Commissioner of the Department of Labor and Industry or the Director of the Wage and Hour Bureau, or any administrative practice or enforcement policy of such department or bureau with respect to the class of employers to which he belonged. Such a defense, if established, shall be a complete bar to the action or proceeding, notwithstanding, that after such act or omission, such administrative regulation, order, ruling, approval, interpretation, practice, or enforcement policy is modified or rescinded or is determined by judicial authority to be invalid or of no legal effect.

**34:11-56a26. Protection of right to collective bargaining**

Nothing in this act shall be deemed to interfere with, impede, or in any way diminish the right of employees to bargain collectively through representatives of their own choosing in order to establish wages in excess of the applicable minima under this act.

**34:11-56a27. Partial invalidity**

If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act and the application thereof, to other persons or circumstances shall not be affected thereby.

**34:11-56a28. Supplementation of provisions of Minimum Wage Standards Act**

This act shall supplement the provisions of article 2 of chapter 11 of Title 34 of the Revised Statutes. Nothing herein shall be deemed to supersede any of the provisions of said article 2 of chapter 11, of Title 34, except insofar as the wages entitled to be received by any employee under the provisions of this act and the regulations and wage orders issued thereunder exceed the wages such employee is entitled to receive under the provisions of said article 2, of chapter 11, of Title 34 of the Revised Statutes and the regulations and wage orders issued pursuant thereto.

**34:11-56a29. Short title**

This act shall be known as the “New Jersey State Wage and Hour Law.”

**34:11-56a30. Application of act to minors**

Except with respect to the minimum wage rates established by P.L.1966, c. 113, s. 5, the provisions of the “New Jersey State Wage and Hour Law,” P.L.1966, c. 113 (C. 34:11-56a1 et seq.) are applicable to the employment of minors. Wage orders pertaining to minors including those promulgated under R.S. 34:11-34 through R.S. 34:11-56, on the effective date of this act shall remain in force until superseded by wage orders or regulations issued pursuant to P.L.1966, c. 113.

**34:11-56a31. Establishment of maximum work week for certain health care facility employees**

It is declared to be the public policy of this State to establish a maximum work week for certain hourly wage health care facility employees, beyond which the employees cannot be required to perform overtime work, in order to safeguard their health, efficiency, and general well-being as well as the health and general well-being of the persons to whom these employees provide services.

**34:11-56a32. Definitions relative to work hours for certain health care facility employees**

As used in this act:

"Employee" means an individual employed by a health care facility who is involved in direct patient care activities or clinical services and who receives an hourly wage, but shall not include a physician.

"Employer" means an individual, partnership, association, corporation or person or group of persons acting directly or indirectly in the interest of a health care facility.

"Health care facility" means a health care facility licensed by the Department of Health and Senior Services pursuant to P.L.1971, c.136 (C.26:2H-1 et seq.), a State or county psychiatric hospital, a State developmental center, or a health care service firm registered by the Division of Consumer Affairs in the Department of Law and Public Safety pursuant to P.L.1960, c.39 (C.56:8-1 et seq.).

"On-call time" means time spent by an employee who is not currently working on the premises of the place of employment, but who is compensated for availability, or as a condition of employment has agreed to be available, to return to the premises of the place of employment on short notice if the need arises.

"Reasonable efforts" means that the employer shall: a. seek persons who volunteer to work extra time from all available qualified staff who are working at the time of the unforeseeable emergent circumstance; b. contact all qualified employees who have made themselves available to work extra time; c. seek the use of per diem staff; and d. seek personnel from a contracted temporary agency when such staff is permitted by law or regulation.

"Unforeseeable emergent circumstance" means an unpredictable or unavoidable occurrence at unscheduled intervals relating to health care delivery that requires immediate action.

**34:11-56a33. Excessive work shift contrary to public policy**

The requirement that an employee of a health care facility accept work in excess of an agreed to, predetermined and regularly scheduled daily work shift, not to exceed 40 hours per week, except in the case of an unforeseeable emergent circumstance when the overtime is required only as a last resort and is not used to fill vacancies resulting from chronic short staffing and the employer has exhausted reasonable efforts to obtain staffing, is declared to be contrary to public policy and any such requirement contained in any contract, agreement or understanding executed or renewed after the effective date of this act shall be void.

**34:11-56a34. Health care facility employee work shift determined; exceptions voluntary**

(a) Notwithstanding any provision of law to the contrary, no health care facility shall require an employee to accept work in excess of an agreed to, predetermined and regularly scheduled daily work shift, not to exceed 40 hours per week.

(b) The acceptance by any employee of such work in excess of an agreed to, predetermined and regularly scheduled daily work shift, not to exceed 40 hours per week, shall be strictly voluntary and the refusal of any employee to accept such overtime work shall not be grounds for discrimination, dismissal, discharge or any other penalty or employment decision adverse to the employee.

(c) The provisions of this section shall not apply in the case of an unforeseeable emergent circumstance when: (1) the overtime is required only as a last resort and is not used to fill vacancies resulting from chronic short staffing, and (2) the employer has exhausted reasonable efforts to obtain staffing. In the event of such an unforeseeable emergent circumstance, the employer shall provide the

employee with necessary time, up to a maximum of one hour, to arrange for the care of the employee's minor children or elderly or disabled family members.

The requirement that the employer shall exhaust reasonable efforts to obtain staffing shall not apply in the event of any declared national, State or municipal emergency or a disaster or other catastrophic event which substantially affects or increases the need for health care services.

(d) In the event that an employer requires an employee to work overtime pursuant to subsection c. of this section, the employer shall document in writing the reasonable efforts it has exhausted. The documentation shall be made available for review by the Department of Health and Senior Services and the Department of Labor.

**34:11-56a35.                   Violations, sanctions**

An employer who violates the provisions of this act shall be subject to the sanctions provided by law for violations of the "New Jersey State Wage and Hour Law," P.L.1966, c.113 (C.34:11-56a et seq.).

**34:11-56a36.                   Construction, applicability of act**

(a) The provisions of this act shall not be construed to impair or negate any employer-employee collective bargaining agreement or any other employer-employee contract in effect on the effective date of this act.

(b) The provisions of this act shall not apply to employees of assisted living facilities licensed by the Department of Health and Senior Services who are provided with room and board as a benefit of their employment and reside in the facility on a full-time basis.

(c) The provisions of this act shall not apply to on-call time, but nothing in this act shall be construed to permit an employer to use on-call time as a substitute for mandatory overtime.

**34:11-56a37.                   Collection of data relative to mandatory overtime prohibition, report**

The Departments of Health and Senior Services, Human Services, and Law and Public Safety shall each collect data from all health care facilities which the respective department licenses, operates or regulates, as to the potential impact of the mandatory overtime prohibition on employee availability and other considerations, and shall jointly report their findings to the Senate and General Assembly Health Committees within 18 months of the date of enactment of this act.

**34:11-56a38.                   Rules, regulations**

The Commissioner of Health and Senior Services, in consultation with the Attorney General and the Commissioners of Human Services and Labor, shall adopt rules and regulations, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), within six months of the date of enactment of this act, to carry out the purposes of this act. <sup>[1]</sup>

[<sup>1</sup> Mandatory Overtime Regulations are contained in N.J.A.C. 8:43E-8.]



# **NEW JERSEY STATE WAGE AND HOUR REGULATIONS**

**N.J.A.C. 12:56      Wage and Hour**

**N.J.A.C. 12:57      Wage Orders for Minors**

**N.J.A.C. 8:43E-8    General Licensure Procedures  
and Enforcement of Licensure  
Regulations**





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**WAGE AND HOUR**

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**CHAPTER 56**  
**WAGE AND HOUR**

SUBCHAPTER 1. GENERAL PROVISIONS

**12:56-1.1 Purpose; scope**

(a) The purpose of this subchapter is to establish rules to effectuate N.J.S.A. 34:11-56a et seq., the New Jersey State Wage and Hour Law (Act), to provide sanctions for noncompliance, and to protect established wage rates.

(b) The chapter is applicable to:

1. Wages and hours subject to the Act; and
2. Wages paid to an employee for services rendered.

(c) This chapter shall not apply to:

1. Volunteers; or
2. Patients.

**12:56-1.2 Violations**

(a) A violation of the Act shall occur when an employer:

1. Willfully hinders or delays the Commissioner in the performance of the duties of the Commissioner in the enforcement of this chapter;
2. Fails to make, keep and preserve any records as required under the provisions of this chapter;
3. Falsifies any such record;
4. Refuses to make any such record accessible to the Commissioner upon demand;
5. Refuses to furnish a sworn statement of such record or any other information required for the proper enforcement of this chapter to the Commissioner upon demand;
6. Pays or agrees to pay wages at a rate less than the rate applicable under this chapter or any wage order issued pursuant thereto;
7. Requests, demands, or receives, either for himself, herself or any other person, either before or after a worker is engaged in public or private work at a specified rate of wages, the following:
  - i. That such worker forego, pay back, return, donate, contribute or give any part, or all, of his or her wages, salary or thing of value, to any person upon the statement, representation or understanding that failure to comply with such request or demand will prevent such worker from procuring or retaining employment; or
8. Otherwise violates any provision of this chapter or of any order issued under this chapter.

(b) An employer who knowingly and willfully violates any provision of N.J.S.A. 34:11-56a et seq. shall be guilty of a disorderly persons offense and shall, upon conviction for a first violation, be punished by a fine of not less than \$100.00 nor more than \$1,000, or by imprisonment for not less than 10 nor more than 90 days, or by both the fine and imprisonment.

(c) The employer shall, upon conviction for a second or subsequent violation, be punished by a fine of not less than \$500.00 nor more than \$1,000 or by imprisonment for not less than 10 nor more than 100 days or by both the fine and imprisonment.

(d) Each week in any day of which an employee is paid less than the rate applicable to him or her under the Act or under a minimum fair wage order, and each employee so paid, shall constitute a separate offense.

(e) The wage rate applicable to the employee shall conform to the overtime provisions of N.J.A.C. 12:56-6.

### **12:56-1.3 Administrative penalties**

(a) As an alternative to or in addition to any other sanctions provided for in N.J.A.C. 12:56-1.2 under N.J.S.A. 34:11-56 et seq. when the Commissioner of Labor and Workforce Development finds that an employer has violated that Act, the Commissioner is authorized to assess and collect an administrative penalty in the amounts that follow:

1. First violation-not more than \$250.00;
2. Second and subsequent violation-not less than \$25.00 nor more than \$500.00.

(b) No administrative penalty shall be levied pursuant to this subchapter unless the Commissioner provides the alleged violator with notification by certified mail of the violation and the amount of the penalty and an opportunity to request a formal hearing. A request for a formal hearing must be received within 15 business days following the receipt of the notice.

1. If a hearing is not requested, the notice shall become the Final Order upon the expiration of the 15 business day period following receipt of the notice.

2. If a hearing is requested, the Commissioner shall issue a Final Order upon such hearing and a finding that a violation has occurred.

3. All wages due, fees and penalties shall be paid within 30 days of the date of Final Order. Failure to pay such wages due, fees and/or penalty shall result in a judgment being obtained in a court of competent jurisdiction.

4. All payments shall be made payable to the Commissioner of Labor and Workforce Development, Wage and Hour Trust Fund in the form of a certified check or money order, or such other form suitable to the Commissioner of Labor and Workforce Development.

(c) In assessing an administrative penalty pursuant to this chapter, the Commissioner shall consider the following factors, where applicable, in determining what constitutes an appropriate penalty for the particular violations:

1. The seriousness of the violation;
2. The past history of previous violations by the employer;

3. The good faith of the employer;
4. The size of the employer's business; and
5. Any other factors which the Commissioner deems to be appropriate in the determining of the penalty assessed.

**12:56-1.4 Administrative fees**

(a) The Commissioner is authorized to supervise the payment of amounts due to employees under this chapter, and the employer may be required to make these payments to the Commissioner to be held in a special account in trust for the employee, and paid on order of the Commissioner to the employee or employees affected.

(b) The employer shall also pay the Commissioner an administrative fee on all payments of gross amounts due to employees pursuant to Articles 1 and 2 of Chapter II of Title 34 of the revised statutes.

(c) A schedule of the administrative fees is set forth in Table 1.4(c) below.

Table 1.4(c)

Schedule of Administrative Fees

1. First Violation-10 percent of amount of any payment made to the Commissioner pursuant to this chapter.
2. Second Violation-18 percent of amount of any payment made to the Commissioner pursuant to this chapter.
3. Third and Subsequent Violations-25 percent of amount of any payment made to the Commissioner pursuant to this chapter.

**12:56-1.5 Interest**

(a) When the Commissioner makes an award of back pay, he or she may also award interest in the following situations:

1. When an employer has unreasonably delayed compliance with an order of the Commissioner to pay wages owed to an employee;
2. Where an equitable remedy is required in order to recover the loss of the present value of money retained by the employer over an extensive period of time; or
3. Where the Commissioner finds sufficient cause based on the particular case.

(b) Where applicable, interest deemed owed to an employee shall be calculated at the annual rate as set forth in New Jersey Court Rules, 4:42-11.

**12:56-1.6 Hearings**

(a) When the Commissioner assesses an administrative penalty under N.J.A.C. 12:56-1.3, the employer shall have the right to a hearing under (b) below.

(b) No administrative penalty shall be levied pursuant to this subchapter unless the Commissioner provides the alleged violator with notification by certified mail of the violation and the amount of the penalty and an opportunity to request a formal hearing. A request for formal hearing must be received within 15 business days following the receipt of the notice. All hearings shall be heard pursuant to the Administrative Procedures Act, N.J.S.A. 52:14B-1 et seq. and the Uniform Administrative Procedures Rules, N.J.A.C. 1:1.

(c) All requests for hearing will be reviewed by the Division of Wage and Hour Compliance to determine if the reason for dispute could be resolvable at an informal settlement conference. If the review indicates that an informal settlement conference is warranted, such conference will be scheduled. If a settlement cannot be reached, the case will be forwarded to the Office of Administrative Law for a formal hearing.

(d) The Commissioner shall make the final decision of the Department.

(e) Appeals of the final decision of the Commissioner shall be made to the Appellate Division of the New Jersey Superior Court.

(f) If the employer, or a designated representative of the employer, fails to appear at a requested hearing, the Commissioner or his or her designee may, for good cause shown, re-schedule a hearing.

(g) If the Commissioner or his or her designee does not authorize such a re-scheduled hearing, then the Commissioner shall issue a final agency determination effective upon the date set for the original hearing.

(h) Payment of the penalty is due when a final agency determination is issued.

(i) Upon final order the penalty imposed may be recovered with cost in a summary proceeding commenced by the Commissioner pursuant to the Penalty Enforcement Law, N.J.S.A. 2A:58-1 et seq.

**12:56-1.7 Discharge or discrimination against employee making complaint**

(a) An employer is a disorderly person, if he or she discharges or in any other manner discriminates against any employee because such employee has made any complaint to his or her employer or to the Commissioner that he or she has not been paid wages in accordance with the provisions of this chapter, or because such employee has caused to be instituted or is about to cause to be instituted any proceeding under or related to this chapter, or because such employee has testified or is about to testify in any such proceeding, or because such employee has served or is about to serve on a wage board, and shall be guilty of a disorderly persons offense and shall, upon conviction therefor, be fined not less than \$100.00 nor more than \$1,000. Such employer shall be required, as a condition of such judgment of conviction, to offer reinstatement in employment to any such discharged employee and to correct any such discriminatory action, and also to pay to any such employee in full, all wages lost as a result of such discharge or discriminatory action, under penalty of contempt proceedings for failure to comply with such requirement.

(b) As an alternative to, or in addition to, any sanctions imposed under (a) above, the Commissioner is authorized under N.J.S.A. 34:11-56a24 to assess and collect administrative penalties as provided for in N.J.A.C. 12:56-1.3.

## SUBCHAPTER 2. DEFINITIONS

### 12:56-2.1 Definitions

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise:

“Act” means the New Jersey State Wage and Hour Law, N.J.S.A. 34:11-56a et seq.

“Commissioner” means the Commissioner of the Department of Labor and Workforce Development or his or her designee.

“Covered employee” means an employee subject to this chapter.

“Division of Wage and Hour Compliance” means Division of Wage and Hour Compliance of Labor Standards and Safety Enforcement of the New Jersey State Department of Labor and Workforce Development, PO Box 389, Trenton, N.J. 08625-0389.

“Employ” means to suffer or permit to work.

“Employee” includes any individual employed by an employer, except:

1. For trainees who are involved in a program in which:
  - i. The training is for the primary benefit of the trainee;
  - ii. The employment for which the trainee is training requires some cognizable trainable skill;
  - iii. The training is not specific to the employer, that is, is not exclusive to its needs, but may be applicable elsewhere for another employer or in another field of endeavor;
  - iv. The training, even though it includes actual operation of the facilities of the employer, is similar to that which may be given in a vocational school;
  - v. The trainee does not displace a regular employee on a regular job or supplement a regular job, but trains under close tutorial observation;
  - vi. The employer derives no immediate benefit from the efforts of the trainee and, indeed, on occasion may find his or her regular operation impeded by the trainee;
  - vii. The trainee is not necessarily entitled to a job at the completion of training;
  - viii. The training program is sponsored by the employer, is outside regular work hours, the employee does no productive work while attending and the program is not directly related to the employee's present job (as distinguished from learning another job or additional skill); and
  - ix. The employer and the trainee share a basic understanding that regular employment wages are not due for the time spent in training, provided that the trainee does not perform any productive work.

2. If a trainee does not meet all of the above-listed criteria, the trainee shall be considered to be an employee.

“Employer” includes any individual, partnership, association, corporation or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee.

“Fair wage” means a wage fairly and reasonably commensurate with the value of the service or class of service rendered and sufficient to meet the minimum cost of living necessary for health.

“N.J.A.C.” means the New Jersey Administrative Code.

“N.J.S.A.” means the New Jersey Statutes Annotated.

“Occupation” means any occupation, service, trade, business, industry, or branch or group of industries or employment or class of employment in which employees are gainfully employed.

“Oppressive and unreasonable wage” means a wage which is both less than the fair and reasonable value of the service rendered and less than sufficient to meet the minimum cost of living necessary for health.

“Patient” means a person, such as an alcoholic or drug addict receiving inconsequential payments in a program administered by an organized and generally recognized charity.

“Premium pay” means a sum of money or bonus paid in addition to the regular price, salary or other amount.

“Regular hourly wage” means the amount that an employee is regularly paid for each hour of work as determined by dividing total hours of work during the week into the employee's total earnings for the week, exclusive of overtime premium pay.

“Volunteer” means a person who donates his or her service for the protection of the health and safety of the general public. Such a person would include, among others, a volunteer fireman, rescue worker, an aide in the care of the sick, aged, young, mentally ill, destitute and the like or assistant in religious, eleemosynary, educational, hospital, cultural and similar activities.

“Wages” means any monies due an employee from an employer for services rendered or made available by the employee to the employer as a result of their employment relationship including commissions, bonus and piecework compensation and including any gratuities received by an employer to an employee.

“Work hours” means the actual hours suffered or permitted to work.

## SUBCHAPTER 3. MINIMUM WAGE RATES

### **12:56-3.1 Statutory minimum wage rates for specific years**

(a) Except as provided in N.J.A.C. 12:56-3.2, every employee shall, effective January 1, 2015, be paid not less than \$8.38 <sup>[1]</sup> per hour, the minimum hourly wage rate set by section 6(a)(1) of the Federal “Fair Labor Standards Act of 1938” (29 U.S.C. § 206(a)(1)), or the rate provided under N.J.S.A. 34:11-56a4, whichever is greatest.

(b) On an annual basis, on or about September 30, the Department shall revise the minimum hourly wage set forth in (a) above based on any percentage increase during the one-year period of August of the prior year through August of the current year of the consumer price index (CPI) for all urban wage earners and clerical workers (CPI-W, U.S. City Average), as released by the United States Department of

Labor, Bureau of Labor Statistics. Annually, the Department shall, through a public notice published in the New Jersey Register, provide the new CPI-W, U.S. City Average, adjusted minimum hourly wage.

(c) The Department shall, no later than September 30 of each year, publish a notice, as set forth in (b) above, on the Department's website, <http://lwd.dol.state.nj.us/labor>.

[<sup>1</sup> For the current minimum hourly wage rate, visit [www.nj.gov/labor](http://www.nj.gov/labor) and click on Wage & Hour.]

### **12:56-3.2 Exemptions from the statutory minimum wage rates**

(a) Employees in the following occupations shall be exempt from the statutory minimum wage rates:

1. Full-time students employed by the college or university at which they are enrolled at not less than 85 percent of the effective minimum wage rate, effective March 1, 1979;
2. Outside sales person;
3. Sales person of motor vehicles;
4. Part time employees primarily engaged in the care and tending of children in the home of the employer;
5. Minors under 18 years of age except as provided in N.J.A.C. 12:56-11, 12:56-13, 12:56-14 and N.J.A.C. 12:57, Wage Orders for Minors; and
6. At summer camps, conferences and retreats operated by any nonprofit or religious corporation or association during the months of June, July, August and September.

## **SUBCHAPTER 4. RECORDS**

### **12:56-4.1 Contents**

Every employer shall keep records which contain the name and address of each employee, the birth date if under the age of 18, the total hours worked each day and each workweek, earnings, including the regular hourly wage, gross to net amounts with itemized deductions, and the basis on which wages are paid.

### **12:56-4.2 Time keeping system**

The employer may use any system of time keeping containing the items specified in N.J.A.C. 12:56-4.1, provided it is a complete, true and accurate record.

### **12:56-4.3 Fixed working schedule**

(a) Many employees, particularly in offices, are on a fixed working schedule from which they seldom vary. In these instances, the employer may keep a record showing the exact schedule of daily and weekly work hours that the employee is expected to follow and merely indicate each workweek that the schedule was followed.

(b) When the employee works longer or shorter hours than the schedule indicates, the employer shall record the hours the employee actually worked.

**12:56-4.4                      Retention period**

Records containing the information required by this subchapter shall be kept for six years.

**12:56-4.5                      Location; inspection**

(a) Records shall be kept at the place of employment or in a central office in New Jersey, except as provided in (b) below.

(b) In unusual circumstances where it is not feasible to keep records in New Jersey, exception from this provision may be obtained from the Commissioner.

(c) All records shall be open to inspection by the Commissioner at any reasonable time.

**12:56-4.6                      Employer gratuity records**

Supplementary to the provisions of any section of this chapter pertaining to the records to be kept with respect to employee, every employer of employees who receive gratuities shall also maintain and preserve payroll or other records containing the total gratuities received by each employee during the payroll week.

**12:56-4.7                      Employee gratuity reports**

(a) Employees receiving gratuities shall report them either daily or weekly as required by the employer. The information in the report shall include:

1. The employee's name, address and social security number;
2. The name and address of the employer;
3. The calendar day or week covered by the report; and
4. The total amount of gratuities received.

**12:56-4.8                      Acceptable gratuity report form**

The United States Treasury Department, Internal Revenue Service, "Employee's Report on Tips" shall be acceptable in those instances where the report is made on a weekly basis or less.

**12:56-4.9                      Food or lodging records**

(a) Supplementary to the provisions of any section of this chapter pertaining to the records to be kept with respect to employees, every employer, who claims credit for food or lodging as a cash substitute for employees who receive food or lodgings supplied by the employer, shall maintain and preserve records substantiating the cost of furnishing such food or lodgings.

(b) Such records shall include the nature and amount of any expenditures entering into the computation of the fair value of the food or lodging and shall contain the date required to compute the amount of the depreciated investment in any assets allocable to the furnishing of the lodgings, including the date of acquisition or construction, the original cost, the rate of depreciation and the total amount of accumulated depreciation on such assets. No particular degree of itemization is prescribed. The amount of detail shall be sufficient to enable the Commissioner, assistant director or his or her authorized

representative to verify the nature of the expenditure and amount by reference to the basic records which shall be preserved pursuant to this chapter.

**12:56-4.10 Additions to wages**

If additions to wages paid so affect the total cash wages due in any workweek as to result in the employee receiving less in cash than the minimum hourly wage provided in the act or in any applicable wage order or if the employee works in excess of 40 hours a week the employer shall maintain records showing those additions to wages by reason of gratuities or food, or lodgings paid on a workweek basis.

**SUBCHAPTER 5. HOURS WORKED**

**12:56-5.1 Payment**

Employees entitled to the benefits of the act shall be paid for all hours worked.

**12:56-5.2 Computation**

(a) All the time the employee is required to be at his or her place of work or on duty shall be counted as hours worked.

(b) Nothing in this chapter requires an employer to pay an employee for hours the employee is not required to be at his or her place of work because of holidays, vacation, lunch hours, illness and similar reasons.

**12:56-5.3 Accounting for irregular hours of resident employees**

Employees who reside on the employer's premises and whose hours worked are irregular and intermittent to the extent that it is not feasible to account for the hours actually on duty may be compensated for not less than eight hours for each day on duty in lieu of any other applicable provisions.

**12:56-5.4 Workweek construed**

(a) A workweek shall be a regularly recurring period of 168 hours in the form of seven consecutive 24-hour periods.

(b) The workweek need not be the same as the calendar week and may begin any day of the week and any hour of the day.

(c) The workweek shall be designated to the employee in advance.

(d) Once the beginning time of an employee's workweek is established, it remains fixed regardless of the schedule of the hours worked.

(e) The beginning of the workweek may be changed if the change is intended to be permanent and is not intended to evade the overtime requirements of the act.

**12:56-5.5 Reporting for work**

(a) An employee who by request of the employer reports for duty on any day shall be paid for at least one hour at the applicable wage rate, except as provided in (b) below.

(b) The provisions of (a) above shall not apply to an employer when he or she has made available to the employee the minimum number of hours of work agreed upon by the employer and the employee prior to the commencement of work on the day involved.

#### **12:56-5.6 On-call time**

(a) When employees are not required to remain on the employer's premises and are free to engage in their own pursuits, subject only to the understanding that they leave word at their home or with the employer where they may be reached, the hours shall not be considered hours worked. When an employee does go out on an on-call assignment, only the time actually spent in making the call shall be counted as hours worked.

(b) If calls are so frequent or the "on-call" conditions so restrictive that the employees are not really free to use the intervening periods effectively for their own benefit, they may be considered as "engaged to wait" rather than "waiting to be engaged". In that event, the waiting time shall be counted as hours worked.

#### **12:56-5.7 On-call employees required to remain at home**

"On-call" employees may be required by their employer to remain at their homes to receive telephone calls from customers when the company office is closed. If "on-call" employees have long periods of uninterrupted leisure during which they can engage in the normal activities of living, any reasonable agreement of the parties for determining the number of hours worked shall be accepted. The agreement shall take into account not only the actual time spent in answering the calls but also some allowance for the restriction on the employee's freedom to engage in personal activities resulting from the duty of answering the telephone.

#### **12:56-5.8 Use of time clocks**

(a) Differences between clock records and actual hours worked. Time clocks are not required. In those cases where time clocks are used, employees who voluntarily come in before their regular starting time or remain after their closing time, do not have to be paid for such periods provided, of course, that they do not engage in any work. Their early or late clock punching may be disregarded. Minor differences between the clock records and actual hours worked cannot ordinarily be avoided, but major discrepancies should be discouraged since they raise a doubt as to the accuracy of the records of the hours actually worked.

(b) "Rounding" practices. It has been found that in some industries, particularly where time clocks are used, there has been the practice for many years of recording the employees' starting time and stopping time to the nearest 5 minutes, or to the nearest 1/10 or quarter of an hour. Presumably, this arrangement averages out, so that the employees are fully compensated for all the time they actually work. For enforcement purposes this practice of computing working time will be accepted, provided that it is used in such a manner that it will not result, over a period of time, in failure to compensate the employees properly for all the time they have actually worked.

### **SUBCHAPTER 6. OVERTIME**

#### **12:56-6.1 Rate of overtime payment**

For each hour of working time in excess of 40 hours in any week, except for those exemptions set forth in N.J.S.A. 34:11-56a4 or as provided in N.J.A.C. 12:56-7.1, every employer shall pay to each of his or her employees, wages at a rate of not less than 1 1/2 times such employee's regular hourly wage.

**12:56-6.2 Computation**

- (a) Overtime and minimum wage pay shall be computed on the basis of each workweek standing alone.
- (b) Hours shall not be averaged over two or more workweeks.

**12:56-6.3 Actual wage basis**

Covered employees shall be entitled to overtime pay based upon their actual wages and not the specified minimum wages.

**12:56-6.4 Workweek hours**

- (a) Covered employees shall be paid 1½ times the regular hourly wage for each hour of working time in excess of 40 hours in any workweek.
- (b) There is no requirement that an employee be paid premium overtime compensation for hours in excess of eight hours per day, nor for work on Saturdays, Sundays, holidays or regular days of rest, other than the required overtime for over 40 hours per week; provided, however, nothing shall relieve an employer of any obligation he or she may have assumed by contract or of any obligation imposed by other State or Federal law limiting overtime hours of work or to pay premium rates for work which are in excess of the minimum required by this chapter.

**12:56-6.5 “Regular hourly wage” payment basis**

- (a) The “regular hourly wage” is a rate per hour.
- (b) The act does not require employers to compensate employees on an hourly rate basis. Their earnings may be determined on a piece-rate, salary, bonus, commission or other basis, but the overtime compensation due to employees shall be paid on the basis of the hourly rate derived therefrom. Therefore, the regular hourly wage of an employee is determined by dividing his or her total remuneration for employment, exclusive of overtime premium pay, in any workweek, by the total number of hours worked in that workweek for which such compensation was paid.
- (c) If an employee is remunerated solely on the basis of a single hourly rate, the hourly rate shall be his or her “regular hourly wage”.

**12:56-6.6 Items excluded from “regular hourly wage”**

- (a) The “regular hourly wage” shall not be deemed to include:
  1. Payments in the nature of gifts made on holidays or on other special occasions or as a reward for service, the amounts of which are not measured by or dependent on hours worked, production or efficiency;
  2. Payments made for occasional periods when no work is performed due to vacation, holiday or other similar cause;
  3. Reasonable payments for traveling or other expenses incurred by an employee in the furtherance of his or her employer's interests and properly reimbursable by the employer which are not made as compensation for employment;
  4. Sums paid in recognition of services performed during a given period if either:

i. Both the fact that payment is to be made and the amount of payment are determined at the sole discretion of the employer at or near the end of the period and not pursuant to any prior contract, agreement or promise causing the employee to expect such payments regularly; or

ii. The payments are made pursuant to a bona fide profit-sharing plan or trust, or thrift or savings plan to the extent to which the amounts paid to the employee are determined without regard to hours of work, production or efficiency; or

5. Contributions irrevocably made by an employer to a trustee or third person pursuant to a bona fide plan providing for old age, retirement, life, accident, or health insurance or similar benefits for employees; or

6. Additional premium compensation for hours worked in excess of eight hours per day, or for work on Saturdays, Sundays, holidays, or regular days of rest; or

7. Overtime premiums.

**12:56-6.7 Offsets; cash payments**

(a) Overtime premium payments shall not be offset by allowances for the value of food, lodging or gratuities since such allowances are already considered in determining the straight time wages paid. Overtime premium payments shall be cash payments by the employer.

(b) Where the employee's pay includes the value of gratuities, food or lodging and it is not feasible to determine the exact regular hourly wage during a particular week, the employer shall be deemed to have fulfilled the overtime requirements of this chapter if the premium payment for the overtime hours is paid in cash on the basis of the agreed hourly wage, but in no event shall the premium payment be at a rate less than the applicable minimum rate.

**SUBCHAPTER 7. EXEMPTIONS FROM OVERTIME**

**12:56-7.1 Employees exempt from overtime**

Any individual employed in a bona fide executive, administrative, professional or outside sales capacity shall be exempt from the overtime requirements of N.J.A.C. 12:56-6.1.

**12:56-7.2 Defining and delimiting the exemptions from overtime for executive, administrative, professional and outside sales employees**

(a) Except as set forth in (b) below, the provisions of 29 CFR Part 541 <sup>[1]</sup> are adopted herein by reference.

(b) Not adopted by reference are those provisions within 29 CFR Part 541 <sup>[1]</sup> that apply solely to those individuals employed by government employers, including, but not limited to, those individuals employed by State, county and municipal employers, since the definition of the term "employer" within N.J.S.A. 34:11-56a1 does not include government employers. See N.J.S.A. 34:11-56a1 ("employer" includes any individual, partnership, association, corporation or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee); See also, *Allen v. Fauver*, 167 N.J. 69 (2001).

(c) "Administrative" shall also include an employee whose primary duty consists of sales activity and who receives at least 50 percent of his or her total compensation from commissions and a total compensation of not less than \$400.00 per week.

[<sup>1</sup> See attached Appendix – Title 29, Part 541.]

**12:56-7.3 Exemption from overtime for an employee of a common carrier of passengers by motor bus**

(a) Pursuant to N.J.S.A. 34:11-56a4, any individual employed by a common carrier of passengers by motor bus shall be exempt from the overtime requirements of N.J.A.C. 12:56-6.1.

(b) "Common carrier of passengers by motor bus," as used in this section, shall mean any employer that operates an "autobus," as that term is defined in N.J.S.A. 48:4-1, where the operation of the "autobus" has been authorized by the Chief Administrator of the New Jersey Motor Vehicle Commission through the issuance of a certificate of public convenience and necessity under N.J.S.A. 48:4-3.

**SUBCHAPTER 8. GRATUITIES, FOOD AND LODGING**

**12:56-8.1 Definitions**

(a) "Fair value" means not more than the actual cost to the employer of the food or lodging supplied by an employer and does not include a profit to the employer nor to any affiliated business or person.

(b) "Gratuity" means cash received by an employee for services rendered for an employer or customer of an employer.

**12:56-8.2 Gratuity splitting**

Where employees practice gratuity splitting (for example, where food servers pay a portion of the gratuities received by them to food clearers), each employee shall have included in wages only the applicable proportionate share.

**12:56-8.3 Determining cash gratuities**

(a) In determining the cash gratuities actually received by an employee, the following methods shall be evidentiary value:

1. Statements, including United States Treasury Department, Internal Revenue Service, "Employee's Report on Tips", that are furnished by an employee to an employer;
2. Amounts indicated on customer billing, credit card invoices or other customer charge accounts wherein there is an indicated service charge or gratuity designated for the employee and payable to the employee.

**12:56-8.4 Administrative handling of gratuities**

(a) Provided there is an agreement in advance with the employees, the employer, in order to facilitate the administrative handling of gratuity allowances, may establish an average value of gratuities received by an employee based upon a percentage of gross sales apportioned on basis of hours worked among the employees being tipped. This portion shall be:

1. Derived from a representative sampling of the sources indicated in N.J.A.C. 12:56-8.3; or
2. Ten percent; or
3. Such other method as may be agreed upon subject to the approval of the Commissioner.

(b) Gratuities shall be the property of the tipped employee. Gratuities shall be restored to the tipped employee except when gratuities are pooled, voluntarily by the employees or as a policy of management.

**12:56-8.5 Additional cash contribution claim**

In no event shall N.J.A.C. 12:56-6.4 and 6.5 be interpreted to deny to an employee the right to make claim for additional cash compensation where it is shown to the satisfaction of the Commissioner that the actual amount of tips received was less than the amount determined by the employer.

**12:56-8.6 Fair value computed**

(a) Except whenever any determination made by regulation is applicable, the fair value to the employer of furnishing the employee with food and lodging is the cost of operation and maintenance including adequate depreciation plus a reasonable allowance for interest on the depreciated amount of capital invested by the employer.

(b) The fair value so computed shall not exceed the rental value of comparable facilities in the State.

(c) The cost of operation and maintenance, the rate of depreciation, and the depreciated amount of capital invested by the employer shall be arrived at in accordance with generally accepted accounting practices.

(d) Generally accepted accounting practices shall not include those rejected by the New Jersey Division of Taxation or the Federal Internal Revenue Service for tax purposes, and the term "depreciation" includes obsolescence.

(e) Items found to be primarily for the benefit of the employer shall not be included in the cost.

(f) Lodging furnished which is in violation of any Federal, State, or local law, ordinance or prohibition shall be valued at nothing.

(g) When a fair market value does not exist for rental of the lodging in the competitive open market, the fair market value shall be zero.

**12:56-8.7 Inspection of fair value methods**

Methods of determining fair value shall be subject to inspection and approval by the Commissioner.

**12:56-8.8 Method of determining "fair value"**

The following is an example of a method of determining fair value:

Employer "A" has three employees who are furnished food and lodging in addition to gross cash wages of \$2.50 per hour. The cost of food purchased for the employees is \$72.00 total a week. The building housing the employees cost \$36,000 in 1978 and subsequent improvements amounted to \$4,000.

Maintenance costs for the year were \$2,480. The estimated life of the building when constructed was 50 years. The building can adequately house six persons.

The "fair value" of food for the week is determined as follows:

Total cost.....	\$	72.00
"Fair value" per employee (\$72.00 divided by 3).....	\$	24.00

The "fair value" of lodging for year 1979 is determined as follows:

Cost of building in 1978 .....	\$	36,000.00
Add: Subsequent improvements .....	\$	4,000.00
Total cost.....	\$	40,000.00

Depreciation for year (1/50 times \$40,000.00).....	\$	800.00
Maintenance costs for year.....	\$	2,480.00

Interest on employer's net investment:

Total investment .....	\$	40,000.00
Depreciation to date .....	\$	800.00
Net investment .....	\$	39,200.00
Six percent of net investment .....	\$	2,352.00
Total for year .....	\$	5,632.00

Total for week (\$5,632.00 divided by 52).....	\$	108.31
"Fair value" per employee (\$108.31 divided by 6 persons).....	\$	18.05

Assume that employee B worked 40 hours in a particular week. His wages would be as follows:

Gross cash wages (40 times \$2.50 .....	\$	100.00
Fair value of food.....	\$	24.00
Fair value of lodging.....	\$	18.00
Gross weekly wage .....	\$	142.05
Hourly wage (\$142.05 divided by 40) .....	\$	3.55

Assume that employee B worked 48 hours in a particular week. His wage entitlement would be as follows:

Total earnings exclusive of overtime premium pay:

Gross cash wages (48 times \$2.50).....	\$	120.00
Fair value of food.....	\$	24.00
Fair value of lodging .....	\$	18.05
Total straight time wages.....	\$	162.05

Overtime wages:

Regular hourly wage (162.05 divided by 48 hours		
Overtime pay 8 × \$3.38 divided by 2) .....	\$	13.52

Employee B Wage entitlement for 48 hours .....	\$	175.57
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12:56-8.9

(Reserved)

## SUBCHAPTER 9. EMPLOYMENT OF INDIVIDUALS WITH DISABILITIES

### **12:56-9.1 Definitions**

(a) “Individual with disability” means an individual whose earning capacity is impaired by a physical or mental disability and who is being served or eligible to be served in accordance with the recognized rehabilitation program of a sheltered workshop, education institution, or other program of rehabilitation approved by the commissioner.

(b) “Sheltered workshop” means a charitable organization or institution conducted not for profit, but for the purpose of carrying out a recognized program of rehabilitation for individuals whose earning capacity is impaired by age, physical or mental deficiency or injury, and to provide such individuals with remunerative employment or other occupational rehabilitating activity of an educational or therapeutic nature.

### **12:56-9.2 Application for permit**

(a) Application for a special permit shall be filed on properly executed prescribed forms with the Office of Wage and Hour Compliance. Special permit means authorization to employ individuals with disabilities at wages less than minimum wage rates for such period of time fixed and stated in the authorization.

(b) A blanket special permit may be issued for an entire sheltered workshop or a department of a sheltered workshop.

### **12:56-9.3 Criteria for permit**

(a) The following criteria may be considered in determining the necessity of issuing a special permit:

1. The present and previous earnings of disabled employees;
2. The nature and extent of the disability;
3. The wages of employees who are not disabled engaged in comparable work;
4. The types and duration of rehabilitative services;
5. The extent to which individuals with disabilities share, through wages, in the receipts for work done;
6. The extent to which the disabled employees are learners;
7. Whether there exists any employer arrangement with customers or subcontractors which appears to be an unfair method of competition which tends to spread or perpetuate substandard wage levels; and
8. The productivity of the disabled employee.

### **12:56-9.4 Compliance**

(a) All terms and conditions shall be complied with under which a special permit is granted.

(b) No individual who is not an individual with a disability shall be employed under a special permit at wages lower than the minimum required by the act.

**12:56-9.5 Cancellation of permit**

- (a) The Commissioner may cancel any special permit for cause.
- (b) A special permit may be canceled as of the date of issuance upon the following conditions:
  - 1. If it is found that fraud has been exercised in obtaining the special permit or in permitting an individual with a disability to work thereunder; or
  - 2. As of the date of the violation, if it is found that any of the provisions of the act, or of the terms of the special permit have been violated; or
  - 3. As of the date of notice of cancellation, if in the judgment of the Commissioner, the special permit is no longer necessary in the interest of the employees covered.

SUBCHAPTER 10. (RESERVED)

SUBCHAPTER 11. EMPLOYMENT IN THE FIRST PROCESSING OF FARM PRODUCTS OCCUPATIONS

**12:56-11.1 Definitions**

- (a) “First processing of farm products occupations” means any activity as an employee in an establishment which is in an industry engaged primarily in the first processing of farm products during seasonal operations.
- (b) “Industry engaged primarily in the first processing of farm products” means an establishment which is primarily engaged in the first processing of, or in canning or packing, perishable or seasonal fresh fruits or vegetables for human consumption, during seasonal operations.

**12:56-11.2 Minimum wage**

All employees including those under the age of 18 engaged in first processing of farm products occupations shall be paid at minimum wage rates as provided in N.J.A.C. 12:56-3.1.

**12:56-11.3 Overtime rates**

Overtime at 1 1/2 times the regular hourly rate shall be paid to those engaged in first processing of farm products occupations for all hours worked in excess of 40 in a week.

SUBCHAPTER 12. EMPLOYMENT IN SEASONAL AMUSEMENT OCCUPATIONS

**12:56-12.1 Definitions**

- (a) “Seasonal amusement occupation”:
  - 1. Means any activity as an employee in an establishment which is exclusively an amusement or recreational establishment, provided:
    - i. It does not operate for more than seven months in any calendar year; or

ii. During the preceding calendar year, its average receipts for any consecutive six months of such year were not more than 33 1/3 percent of its average receipts for the other six months of that year.

2. "Seasonal amusement occupation" includes but is not limited to amusement rides and amusement device operators, cashiers who sell tickets for the rides and device, and operators of game concessions.

3. "Seasonal amusement occupation" does not include retail, eating or drinking concessions; nor does it pertain to camps, beach and swimming facilities, movie theatres, theatrical productions, athletic events, professional entertainment, pool and billiard parlors, circuses and outdoor shows, sport activities or centers, country club athletic facilities, bowling alleys, race tracks and like facilities which are not part of a diversified amusement enterprise.

**12:56-12.2 Minimum wage**

Employees engaged in seasonal amusement occupations shall be paid at minimum wage rates as provided in N.J.A.C. 12:56-3.1.

**12:56-12.3 Overtime rates**

Employees engaged in seasonal amusement occupations shall be exempt from the overtime provisions of the act.

**SUBCHAPTER 13. EMPLOYMENT IN HOTEL AND MOTEL OCCUPATIONS**

**12:56-13.1 Definitions**

(a) "Hotel and motel occupation" means any activity as an employee for an establishment kept, used, maintained, advertised as or held out to be a place where sleeping accommodations are supplied for pay to transient or permanent guests, in which 15 or more rooms are available for rental furnished or unfurnished; except this definition shall not include summer camps and country clubs when these activities are not part of a hotel or motel establishment.

(b) "Seasonal hotel and motel" means a hotel or motel in which, during the previous business year, not less than two-thirds of the gross receipts were received in a continuous period of three months or less.

**12:56-13.2 Minimum wage**

Employees including those under 18 years of age engaged in hotel and motel occupations shall be paid a minimum wage rate as provided in N.J.A.C. 12:56-3.1.

**12:56-13.3 Overtime rates**

Overtime at 1-1/2 times the regular hourly wage rate shall be paid for all hours worked in excess of 40 hours in any week.

**12:56-13.4 Cash wage standard**

(a) The wage rates established in this subchapter shall be acceptable in those occupations where gratuities or food and/or lodging are actually received.

(b) Employers subject to the Fair Labor Standards Act must pay the Federal cash wage rate of \$2.13 and must demonstrate that the balance of the \$5.05<sup>[1]</sup> minimum wage required under State law is paid through gratuities in accordance with N.J.A.C. 12:56-4 and 12:56-8. Employers not subject to the Fair Labor Standards Act must demonstrate that the total wage, including cash and gratuities, equals the \$5.05<sup>[1]</sup> minimum wage required under State law in accordance with N.J.A.C. 12:56-4 and 12:56-8.

[<sup>1</sup> For the current minimum hourly wage rate, visit [www.nj.gov/labor](http://www.nj.gov/labor) and click on Wage & Hour.]

#### **12:56-13.5 Substantiation of gratuities; food and lodging cost**

Employer substantiation of gratuities received by an employee and the cost of food and lodging shall be as provided in this chapter.

#### **12:56-13.6 Food and lodging as wages over 40 hours**

Food and lodging supplied to employees shall not be included in wages for those hours worked in excess of 40 hours per week.

#### **12:56-13.7 Cash wage condition of employment**

Where cash wages have been established as a condition of employment through agreement between the employer and employee, gratuities, food and lodging shall not be included as part of such cash wages.

#### **12:56-13.8 Required food and lodging acceptance; costs**

Meals and lodging which the employer requires the employee to accept shall be considered for the convenience of the employer and the cost thereof shall not be considered applicable as minimum wages.

### **SUBCHAPTER 14. EMPLOYMENT IN FOOD SERVICE OCCUPATIONS**

#### **12:56-14.1 Definitions**

(a) “Restaurant industry” means any eating or drinking place which prepares and offers food or beverages for human consumption either in any of its premises or by such services as catering, banquets, box lunch or curb service.

(b) “Restaurant occupation” means any activity of any employee in the restaurant industry.

(c) “Uniform” means any garment such as dress, apron, collar, cuffs or headdress which is worn by the employee either at the direction of the employer or as a condition of employment.

#### **12:56-14.2 Minimum wage**

Employees including those under 18 years of age employed at restaurant occupations shall be paid a minimum wage rate as provided in N.J.A.C. 12:56-3.1.

#### **12:56-14.3 Overtime rates**

(a) Overtime at 1 1/2 the regular hourly wage shall be paid for all hours worked in excess of 40 hours in any week.

1. The minimum overtime rate for those covered by the overtime provision is \$5.70 on May 3, 1990, \$6.38 on April 1, 1991, and \$7.58<sup>[1]</sup> on April 1, 1992.

2. If the employee's regular hourly wage rate is more than the minimum per hour, then the overtime rate is 1-1/2 times the employee's regular rate.

3. Food and lodging supplied to employees shall not be included in wages for those hours worked in excess of 40 hours per week. Gratuities shall not be counted toward the premium part of the overtime. The additional halftime must be in cash.

[<sup>1</sup> The current minimum overtime rate is 1 ½ the current minimum hourly wage rate. For the current minimum hourly wage rate, visit [www.nj.gov/labor](http://www.nj.gov/labor) and click on Wage & Hour.]

#### **12:56-14.4 Cash wage standard**

(a) The wage rate established in this subchapter shall be acceptable in those occupations where gratuities or food and/or lodging are actually received.

(b) Employers subject to the Fair Labor Standards Act must pay the Federal cash wage rate of \$2.13 and must demonstrate that the balance of the \$5.05 <sup>[1]</sup> minimum wage required under State law is paid through gratuities in accordance with N.J.A.C. 12:56-4 and 12:56-8. Employers not subject to the Fair Labor Standards Act must demonstrate that the total wage, including cash and gratuities, equals the \$5.05 <sup>[1]</sup> minimum wage required under State law in accordance with N.J.A.C. 12:56-4 and 12:56-8.

[<sup>1</sup> For the current minimum hourly wage rate, visit [www.nj.gov/labor](http://www.nj.gov/labor) and click on Wage & Hour.]

#### **12:56-14.5 Substantiation of gratuities, food and lodging cost**

Employer substantiation of gratuities received by an employee and the cost of food and lodging shall be as provided in this chapter.

#### **12:56-14.6 Food and lodging as wages over 40 hours**

Food and lodging supplied to employees shall not be included in wages for those hours worked in excess of 40 hours per week.

#### **12:56-14.7 Cash wage condition of employment**

Where cash wages have been established as a condition of employment through agreement between the employer and the employee or the employee's collective bargaining agent, gratuities, food and lodging shall not be included as part of such cash wages.

#### **12:56-14.8 Meals and lodging applicable to minimum wage**

Meals and lodging shall be considered applicable toward the minimum wage unless the employee elects not to receive such meals and lodging.

### **SUBCHAPTER 15. EMPLOYMENT IN AIR CARRIER INDUSTRY**

#### **12:56-15.1 Definitions**

(a) "Air carrier employee" means an employee, non-union or union, where applicable labor agreements permit, who operates in a phase of air carrier employment which operates on a seven day a week, 24 hour-a-day basis and whose normal work is scheduled on a seven day a week, 24 hour-a-day basis.

(b) "Air carrier employer" means an air carrier holding a certificate of public convenience and necessity issued by the Civil Aeronautics Board pursuant to Section 401 of the Federal Aviation Act of 1958, 49 USC Section 1371.

**12:56-15.2 Minimum wage**

Employees engaged in the air carrier industry shall be paid a minimum wage rate as provided in N.J.A.C. 12:56-3.1.

**12:56-15.3 Overtime rates**

(a) Overtime shall be paid at 1 1/2 times the regular hourly wage rate to all nonexempt employees for all hours worked in excess of 40 hours in a week except rescheduled time off for overtime shall be permitted to air carrier employees where:

1. The employee so requests;
2. The employer determines that the workload demands permit the employee's absence; or
3. The rescheduled time off is taken within specified periods.

**SUBCHAPTER 16. INDEPENDENT CONTRACTOR STATUS**

**12:56-16.1 Independent contractor status criteria**

The criteria identified in the Unemployment Compensation Law at N.J.S.A. 43:21-19(i)(6)(A)(B)(C) and interpreting case law will be used to determine whether an individual is an employee or independent contractor for purposes of the Wage and Hour Law.

**SUBCHAPTER 17. UNIFORMS**

**12:56-17.1 Uniforms**

(a) It shall be a presumption that the employer has required his or her employees to wear uniforms if such garments are of a similar design, color or material, or form part of the decorative pattern of the establishment.

(b) Maintenance and upkeep of uniforms of kitchen people, cooks, and dishwashers shall be provided and maintained by the employer.

(c) If uniforms are required which are not appropriate for street wear or use in other establishments, the employer shall pay for the cost of such uniforms.

(d) If a particular type of clothing is required to be worn, which is appropriate for street wear, the employer who requires an employee to furnish more than one style, type or color of clothing during any one year of his or her employment shall pay to each such employee, in addition to his or her regular wages otherwise due, the amount which employee is required to pay for newly required uniform or uniforms and such additional payment shall be made to the employee in the week in which the change is required.

(e) No deduction from the pay of employees for uniforms shall be permitted. If the employee pays for uniforms in cash and the cash payment brings the employee below the minimum wage, the employer shall make up the difference for the minimum wage for that week.

## SUBCHAPTER 18. SCHOOL-TO-WORK PROGRAM

### **12:56-18.1 Definitions**

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise:

“Career awareness and exploration” means structured school programs that enable student learners to:

1. Develop awareness of the many employment opportunities available;
2. Develop awareness of the relevant factors to be considered in making career decisions;
3. Become familiar with occupational clusters and classifications;
4. Explore key occupational areas and assess their own interests and abilities; and
5. Develop tentative occupational plans and arrive at a tentative career choice.

“Incidental” means any irrelevant, occasional productive work which is not part of achieving learning objectives.

“Internship” means a program of study for a student which includes supervised practical training.

“Job shadowing” means the process by which a student learner determines (by observation, interview and study) the pertinent information related to an occupation. Information can include such factors as: qualifications for employment, functions performed, necessary skills and knowledge, equipment and material used, and physical demands and working environment.

### **12:56-18.2 School-to-work program requirements**

(a) The following conditions shall be met to allow for non-paid activities of student learners at for profit and not-for-profit organizations:

1. The student shall be at least 16 years of age;
2. The activity must be related to a formal school-to-work transition plan for a student learner;
3. There is collaboration and planning between worksite staff and school staff resulting in clearly identified learning objectives related to the non-paid activities;
4. Any productive work is incidental to achieving learning objectives;
5. The student learner receives credit for time spent at the worksite and the student is expected to achieve the learning objectives;
6. The student learner is supervised by a school official and a workplace mentor;

7. The non-paid activity is of a limited duration, related to an educational purpose and there is no guarantee or expectation that the activity will result in employment; and

8. The student learner does not replace an employee.

## SUBCHAPTER 19. EMPLOYMENT IN THE TRUCKING INDUSTRY

### **12:56-19.1 Trucking industry employer defined**

“Trucking industry employer” means any business or establishment primarily operating for the purpose of conveying property from one place to another by road or highway, and includes the storage and warehousing of goods and property. Such an employer must also be subject to the jurisdiction of the Secretary of Transportation pursuant to the Federal Motor Carrier Act, 49 U.S.C. 31501 et seq., whose employees are exempt under Section 13(b)(1) of the Fair Labor Standards Act, 29 U.S.C. 213(b)(1), which provides an exemption to employees regulated by Section 204 of the Federal Motor Carrier Act and Interstate Commerce Act.

### **12:56-19.2 Minimum wage**

Employees engaged in the trucking industry shall be paid a minimum wage rate as provided in N.J.S.A. 34:11-56a4 and N.J.A.C. 12:56-3.1.

### **12:56-19.3 Overtime rates**

Every trucking industry employer shall pay to all drivers, helpers, loaders and mechanics for whom the Secretary of Transportation may prescribe maximum hours of work for the safe operation of vehicles pursuant to 49 U.S.C. § 31502(b) an overtime rate not less than one and one-half times the minimum wage required pursuant to N.J.S.A. 34:11-56a4 and N.J.A.C. 12:56-3.1.

## SUBCHAPTER 20. EMPLOYMENT OF SKILLED MECHANICS

### **12:56-20.1 Skilled mechanic defined**

(a) For purposes of this exemption, “skilled mechanic” is defined as:

1. A mechanic who is a specialist performing all repairs and who works on the total automobile and who works on various automobile makes and models; or
2. A mechanic who is responsible for work on certain parts of the vehicle, for example, transmission mechanic, brake mechanic, engine mechanic, air-conditioning mechanic.

(b) The term “skilled mechanic” does not include: a mechanic or helper who works on limited sections of an automobile and performs minor tasks such as lubricating, tire changing, brake service, oil changing.

### **12:56-20.2 Minimum wage**

Skilled mechanics engaged in the new or the new and used motor vehicle sales or the automotive and/or truck repair industry must be paid a minimum wage rate as provided in N.J.A.C. 12:56-3.1.

**12:56-20.3**

**Overtime rates**

(a) Skilled mechanics employed by non-manufacturing employers primarily engaged in the business of selling new or new and used motor vehicles or in the business of automotive and/or truck repair shall be exempt from the overtime requirements of N.J.S.A. 34:11-56a4 and N.J.A.C. 12:56-6.1 provided all of the following conditions are met:

1. The mechanic shall be paid on a flat rate or incentive rate basis; and
2. The mechanic shall be guaranteed a basic contractual hourly rate, separate from and exclusive from the flat or incentive rate. The contractual hourly rate must include payment of time and one-half of the hourly rate for all hours actually worked in excess of 40 hours per week. The contractual hourly rate must be at least minimum wage.

**APPENDIX A**

**AVAILABILITY OF STANDARDS REFERRED TO IN THIS CHAPTER**

A copy of each of the standards referenced in this chapter is on file and may be inspected at the following office between the hours of 9:00 A.M. and 4:00 P.M. on normal working days:

New Jersey Department of Labor and Workforce Development  
Labor Standards and Safety Enforcement  
John Fitch Plaza  
Trenton, New Jersey

Copies of the referenced standards may be obtained from the following office:

Division of Wage and Hour Compliance  
New Jersey Department of Labor and Workforce Development  
PO Box 389  
Trenton, New Jersey 08625-0389

## CHAPTER 57

### WAGE ORDERS FOR MINORS

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## SUBCHAPTER 1. GENERAL PROVISIONS

### **12:57-1.1 Purpose; scope**

(a) The purpose of this chapter is to define and clarify certain sections of N.J.S.A. 34:11-56a et seq.

(b) This chapter shall apply to the wage rates for the employment of minors subject to N.J.S.A. 34:11-34 et seq.<sup>[1]</sup>

(c) This chapter shall apply to minors employed in mercantile occupations, beauty culture occupations, and laundry, cleaning and dyeing occupations.

(d) Other wage orders and regulations for minors under 18 years of age are provided for under N.J.A.C. 12:56-11, 13 and 14, Wage and Hour.

[<sup>1</sup> Revised N.J.S.A. cite to 34:11-56a et seq. from 34:11-34 et seq.]

### **12:57-1.2 Violations and penalties**

(a) An employer or his or her agent, or the officer or agent of any corporation, is a disorderly person, if he or she discharges or in any other manner discriminates against any employee because the employee has served or is about to serve on a wage board or has testified or is about to testify before a wage board or in any other investigation or proceeding or because the employer believes that the employee may serve on a wage board or may testify before a wage board or in any investigation or proceeding under this chapter and shall be guilty of a disorderly person offense and upon conviction be punished by a fine of not more than \$ 500.00.<sup>[1]</sup>

(b) An employer or the officer or agent of any corporation is a disorderly person if he or she pays or agrees to pay to any minor less than the rates applicable to such minor under a mandatory minimum fair wage order and shall be guilty of a disorderly person offense and upon conviction be punished by a fine of not more than \$ 500.00<sup>[1]</sup> or by imprisonment of not more than 90<sup>[2]</sup> days or by both such fine and imprisonment. Each week, in any day of which an employee is paid less than the rate applicable to him or her under a mandatory minimum fair wage order; and each employee so paid, shall constitute a separate offense.

(c) An employer or the officer or agent of any corporation is a disorderly person if he or she fails to keep the records required or to furnish such records to the Commissioner upon request and shall be guilty

of a disorderly person offense and upon conviction be punished by a fine of not more than \$ 500.00 <sup>[1]</sup> and each day of such failure to keep the records or to furnish same as required shall constitute a separate offense.

[<sup>1</sup> A fine of not more than \$1000.00 pursuant to N.J.S.A. 34:11-56a.22.]

[<sup>2</sup> Imprisonment of not more than 100 days pursuant to N.J.S.A. 34:11-56a.22.]

## SUBCHAPTER 2. DEFINITIONS

### **12:57-2.1 Definitions**

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise:

"Act" means New Jersey State Wage and Hour Law, N.J.S.A. 34:11-56a et seq.

"Commissioner" means the Commissioner of the Department of Labor and Workforce Development or his or her designee.

"Division of Wage and Hour Compliance" means the Division of Wage and Hour Compliance within the Labor Standards and Safety Enforcement program area of the New Jersey State Department of Labor and Workforce Development, PO Box 389, Trenton, N.J. 08625.

"Employee" means any individual employed by an employer.

"Employer" means any individual, partnership, association, corporation or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee.

"Minor" means any person under the age of 18 years.

"N.J.A.C." means the New Jersey Administrative Code.

"N.J.S.A." means the New Jersey Statutes Annotated.

## SUBCHAPTER 3. MERCANTILE OCCUPATIONS

### **12:57-3.1 Scope**

This subchapter shall apply to the minimum wage rates paid to all minors engaged in mercantile occupations, irrespective of the nature of the business of the employer or the location of the place where the work is being performed.

### **12:57-3.2 Definitions**

(a) "Mercantile occupation" means:

1. Any employment in or for any industry or business selling or offering for sale any type of merchandise, wares, goods, articles or commodities.

2. All work connected with the soliciting of sales or opportunities for sale and the distributing of such merchandise, wares, goods, articles or commodities and the rendering of services incidental to the sale, use or upkeep of the same whether performed on the employer's premises or elsewhere; or

3. Work performed in the manufacturing of merchandise sold at retail upon the premises where it is manufactured; and

4. Does not mean work performed in the manufacturing of merchandise which is sold at wholesale by the manufacturer.

(b) "Working time" means time for which wages are paid and includes both time worked and time of authorized attendance, whether or not work is provided and time is spent in traveling, within the State of New Jersey, from one establishment to another which is authorized or requested by the employer.

### **12:57-3.3 Minimum wage**

Minors under 18 years of age at mercantile occupations shall be paid not less than the statutory minimum wage rate.

### **12:57-3.4 Overtime rate**

(a) Overtime, at the rate of not less than one and one-half times the regular rate at which the employee is actually employed, shall be paid to each minor for hours worked in excess of 40 in any one week, except that the overtime rate shall not apply to an executive, professional or administrative employee who is paid for his or her services in accordance with N.J.A.C. 12:56-7.

### **12:57-3.5 Regular hourly wage**

(a) "Regular hourly wage" means the amount that an employee is regularly paid for each hour of work as determined by dividing the total hours of work during the week into the employee's total earnings for the week, exclusive of overtime premium pay.

(b) The regular rate of pay at which the employee is employed shall not be less than the minimum rate established by N.J.A.C. 12:57-3.3.

(c) When an employee is paid on a piece work basis or any other basis than an hourly rate the regular hourly wage shall be determined by dividing the total of the hours worked during the week into the employee's total earnings exclusive of part time bonuses for the week and exclusive of wages earned at overtime rates as such rates are defined.

(d) The total computed earnings shall include commissions, bonuses and all compensation paid by the employer, except overtime pay.

### **12:57-3.6 Waiting time**

Time during regular working hours and at other periods when employees are required to wait on the premises and no work is provided by the employer shall be counted as working time and paid at such employee's regular hourly wage.

### **12:57-3.7 Travel time**

An employee who is required or authorized to travel, from one establishment to another shall be compensated for the travel time at the same rate as for working time and shall be reimbursed for travel expense.

**12:57-3.8 Piece work**

(a) Minors employed on a piece work or commission basis shall be employed at rates which yield to each employee not less than the minimum wage established for time workers.

(b) For any week during which a minor is employed on a piece work or commission basis, or any basis whatsoever other than an hourly or time basis, the minimum amount of wage that shall be paid to such employee for such work shall be not less than the amount the employer would be required to pay if such employee were employed on an hourly or time basis.

(c) In the case of commissioned employees, their minimum wage may be charged against the commissions earned.

**12:57-3.9 Employment under existing minimum wage orders**

Whenever an employee is employed in any week solely in occupations governed by another minimum wage order, such employee may, for such week, be paid not less than the minimum rates required by such other minimum wage order.

**12:57-3.10 Diversified employment**

(a) "Diversified employment" means employment of an employee by one employer in mercantile occupations and during the same time being employed in occupations either covered or not covered by other minimum wage orders.

(b) An employee who during any payroll period works at diversified employment shall be paid for the full payroll period at the highest minimum wage rate established by any minimum wage order for any occupation in which the employee was engaged during the pay period in question; provided, however, that in cases where the employer has kept an accurate record of the actual time the employee has been engaged in each covered occupation, the employee may be paid not less than the minimum wage earned at such occupation.

**12:57-3.11 Individuals with disabilities**

No minor whose earning capacity has been impaired by physical or mental disability shall be paid at less than the minimum wage until a special license, in accordance with the provisions of N.J.S.A. 34:11-56a17(b), has been obtained by the employer from the Division of Wage and Hour Compliance.

**12:57-3.12 Records**

(a) Every employer shall keep a record of the name and address of each such employee, together with a record of the ages of all minors, a true and accurate record of the amount paid each pay period to each minor, and such other records as are essential in determining an employee's regular hourly wage and the amount of overtime wages earned.

(b) Employers are required to keep a true and accurate record of the hours worked each day. These records shall include the actual starting and stopping time of each work period and the total hours worked each pay period by each minor.

**12:57-3.13 Posting**

A notice issued by the Division of Wage and Hour Compliance setting forth the provisions of this subchapter shall be posted in a conspicuous place in every room where minors are employed at mercantile occupations.

## SUBCHAPTER 4. BEAUTY CULTURE OCCUPATIONS

### **12:57-4.1 Scope**

This subchapter shall apply to the minimum wage rates paid to all minors engaged in beauty culture occupations, irrespective of the nature of the business of the employer or the location of the place where the work is being performed.

### **12:57-4.2 Definitions**

(a) "Beauty culture establishment" means any shop, store, place, room or part thereof, in which services are rendered in a beauty culture occupation, or any branch thereof, and a charge is made to the recipient of such services.

(b) "Beauty culture occupation" means any service, operation or process used or useful in the care, cleansing, or beautification of or in the enhancement of personal appearance, and all service, operation or process, incidental to such care, cleansing, beautification or enhancement, including the service of demonstrators, maids, cashiers, reception or appointment clerks.

(c) "Operator" means any employee duly licensed as an operator, manicurist, manager-operator or demonstrator by the New Jersey Board of Beauty Culture.

(d) "Senior student permit" means a permit issued by the New Jersey Board of Beauty Culture.

(e) "Temporary permit" means a permit issued by the New Jersey Board of Beauty Culture.

### **12:57-4.3 Minimum wage**

Minors under 18 years of age at beauty culture occupations shall be paid not less than the statutory minimum wage rate.

### **12:57-4.4 Overtime rate**

Overtime, at the rate of not less than one and one-half times the regular rate at which the employee is actually employed, shall be paid to each minor for hours worked in excess of 40 in any one week, except that the overtime rate shall not apply to an executive, professional or administrative employee who is paid for his or her services in accordance with N.J.A.C. 12:56-7.

### **12:57-4.5 Regular hourly wage**

(a) "Regular hourly wage" means the amount that an employee is regularly paid for each hour of work as determined by dividing the total hours of work during the week into the employee's total earnings for the week, exclusive of overtime premium pay.

(b) The regular rate of pay at which the employee is employed shall not be less than the minimum rate established by N.J.A.C. 12:57-4.3.

(c) When an employee is paid on a piece work basis or any other basis than an hourly rate the regular hourly wage shall be determined by dividing the total of the hours worked during the week into the employee's total earnings exclusive of part time bonuses for the week and exclusive of wages earned at overtime rates as such rates are defined.

(d) The total computed earnings shall include commissions, bonuses and all compensation paid by the employer, except overtime pay.

**12:57-4.6                      Waiting time**

Any period of time during which an employee is required to wait on the premises and during which period no work is provided by the employer shall be counted as working time and be paid at such employee's regular hourly wage.

**12:57-4.7                      Gratuities**

In no case shall tips or gratuities from patrons be counted as part of the minimum wage or regular wage rate being paid to an employee.

**12:57-4.8                      Furnishing equipment**

Employers shall furnish all material and equipment pertinent to performance of the work with the exception of personal manicuring and hair cutting tools.

**12:57-4.9                      Individuals with disabilities**

No minor whose earning capacity has been impaired by physical or mental disability shall be paid at less than the minimum wage, unless a special license, in accordance with the provisions of N.J.S.A. 34:11-56a17(b), has been obtained by the employer from the Division of Wage and Hour Compliance.

**12:57-4.10                     Records**

(a) Every employer shall keep the following records for each minor employee:

1. Full name, address, and occupational classification;
2. Date of birth;
3. A true and accurate record of hours worked each day including record of starting and stopping time, meal periods, total daily and weekly hours and amount of wages paid for each pay period.
4. Such other records as are essential in determining an employee's regular hourly wage and the amount of overtime wages earned and paid.

(b) Records shall be dated showing the payroll ending date by month, day and year, and all records shall be kept so as to enable representatives of the Division of Wage and Hour Compliance to determine readily whether or not the employer is complying with the orders of the Commissioner.

**12:57-4.11                     Posting**

A notice issued by the Division of Wage and Hour Compliance setting forth the provisions of this subchapter shall be posted in a conspicuous place in every room where minors are employed in a beauty culture occupation.

## SUBCHAPTER 5. LAUNDRY, CLEANING AND DYEING OCCUPATIONS

### **12:57-5.1 Scope**

This subchapter shall apply to the minimum wage rate paid to all minors engaged in laundry, cleaning and dyeing occupations, irrespective of the nature of the business of the employer or the location of the place where the work is being performed.

### **12:57-5.2 Definitions**

"Laundry, cleaning and dyeing occupation" means any activity of a minor or any capacity in the marking, sorting, washing, cleansing, collecting, ironing, assembling, packaging, pressing, receiving, shipping or delivery, or any other activity including clerical work, directly incidental or essential to the laundering, cleaning or renovating of any articles of clothing, napery, blanket, rugs, carpets, draperies, bed clothing fabric, textile, fur or leather, when such activity is not performed in the original process of manufacturing.

### **12:57-5.3 Minimum wage**

Minors under 18 years of age at laundry, cleansing and dyeing occupations shall be paid not less than the statutory minimum wage rate.

### **12:57-5.4 Overtime rate**

Overtime, at the rate of not less than one and one-half times the regular rate at which the employee is actually employed, shall be paid to each minor for hours worked in excess of 40 in any one week, except that the overtime rate shall not apply to an executive, professional or administrative employee who is paid for his or her services in accordance with N.J.A.C. 12:56-7.

### **12:57-5.5 Regular hourly wage**

(a) "Regular hourly wage" means the amount that an employee is regularly paid for each hour of work as determined by dividing the total hours of work during the week into the employee's total earnings for the week, exclusive of overtime premium pay.

(b) The regular rate of pay at which the employee is employed shall not be less than the minimum rate established by N.J.A.C. 12:57-5.3.

(c) When an employee is paid on a piece work basis or any other basis than an hourly rate the regular hourly wage shall be determined by dividing the total of the hours worked during the week into the employee's total earnings exclusive of part time bonuses for the week and exclusive of wages earned at overtime rates as such rates are defined.

(d) The total computed earnings shall include commissions, bonuses, and all compensation paid by the employer except overtime pay.

### **12:57-5.6 Waiting time**

Time during regular working hours and at other periods when employees are required to wait on the premises and no work is provided by the employer shall be counted as working time and paid at each employee's regular hourly wage.

**12:57-5.7 Travel time**

An employee who is required or authorized to travel from one establishment to another after the beginning or before the ending of his or her work day shall be compensated for travel time at not less than the employee's regular hourly wage and shall be reimbursed for travel expenses.

**12:57-5.8 Piece work**

No minor employed on a piece work basis or any basis other than a time basis shall for any week of employment be paid less than the amount that the employee would earn for the hours of employment at the minimum wage applicable.

**12:57-5.9 Individuals with disabilities**

No minor whose earning capacity has been impaired by physical or mental disability shall be paid at less than the minimum wage, until a special license, in accordance with the provisions of N.J.S.A. 34:11-56a17(b), has been obtained by the employer from the Division of Wage and Hour Compliance.

**12:57-5.10 Records**

(a) Every employer shall keep the following records for each minor employee:

1. Full name, address, and occupational classification;
2. Date of birth;
3. A true and accurate record of hours worked each day, including a record of starting and stopping time, meal periods, total daily and weekly hours, and amount of wages paid for each pay period;
4. Such other records as are essential in determining an employee's regular hourly wage and the amount of overtime wages earned and paid.

(b) Records shall be dated showing the payroll ending date by month, day and year, and all records shall be kept so as to enable representatives of the Division of Wage and Hour Compliance to determine readily whether or not the employer is complying with the orders of the Commissioner.

(c) Such records shall be open to inspection by the Commissioner at any reasonable time, and sworn copies shall be supplied to the Commissioner upon demand.

**12:57-5.11 Posting**

A notice issued by the Division of Wage and Hour Compliance setting forth the provisions of this subchapter shall be posted in a conspicuous place in every room where minors are employed at laundry, cleaning, and dyeing occupations.

**SUBCHAPTER 6. LIGHT MANUFACTURING AND APPAREL OCCUPATIONS**

**12:57-6.1 Scope**

This subchapter shall apply to the minimum wage rates paid to all minors engaged in light manufacturing and apparel occupations regardless of the nature of the business of the employer or the location of the place where the work is being performed.

**12:57-6.2 Definitions**

The following words and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise:

"Apparel industry" means the making or otherwise producing of apparel, designed or intended to be worn by any individual.

"Light manufacturing" means a type of employment where the process or operation of making wares or any material produced and within compliance of the prohibitive occupations for minors as cited at N.J.S.A. 34:2-21.17 regardless of the location of the place where the work is being performed.

"Minimum wage" means the current statutory minimum wage rate as cited at N.J.S.A. 34:11-56a.4.

"Minor" means a person under the age of 18 years old.

**12:57-6.3 Minimum wage rate**

Minors employed in the apparel industry or light manufacturing as defined in N.J.A.C. 12:57-6.2 shall be paid not less than the statutory minimum wage rate.

**12:57-6.4 Wage rate**

Overtime, at the rate of not less than one and one-half times the regular rate at which the employee is actually employed, shall be paid to each minor for hours worked in excess of 40 in any one week, except that the overtime rate shall not apply to an executive, professional or administrative employee who is paid for his or her services in accordance with N.J.A.C. 12:56-7.

**12:57-6.5 Piece work**

Minors employed on a piece work basis shall be employed at piece work rates which yield to each such employee rates not less than the applicable statutory minimum wage rate.

**12:57-6.6 Waiting time**

No minor required to report for work shall be paid for less than one hour in any one day at the basic hourly rate of pay.

**12:57-6.7 Individuals with disabilities**

No minor whose earning capacity has been impaired by physical or mental disability shall be paid at less than the minimum wage, until a special license, in accordance with the provisions of N.J.S.A. 34:11-56a17(b), has been obtained by the employer from the Division of Wage and Hour Compliance.

**12:57-6.8 Posting**

This subchapter or an abstract thereof shall be posted in a conspicuous place in every room where minors are employed at the occupations covered by this subchapter. A copy of such abstract may be obtained from:

New Jersey Department of Labor and Workforce Development  
Division of Wage and Hour Compliance  
PO Box 389  
Trenton, New Jersey 08625-0389

## TITLE 8 - DEPARTMENT OF HEALTH AND SENIOR SERVICES

### CHAPTER 43E - GENERAL LICENSURE PROCEDURES AND ENFORCEMENT OF LICENSURE REGULATIONS

#### SUBCHAPTER 8. MANDATORY OVERTIME

8:43E-8.1	Mandatory overtime; scope and general purpose
8:43E-8.2	Applicability
8:43E-8.3	Definitions
8:43E-8.4	Purpose
8:43E-8.5	Overtime procedures
8:43E-8.6	Records; dissemination of information
8:43E-8.7	Enforcement and administrative penalties
8:43E-8.8	Policies and procedures
8:43E-8.9	Discharge or discrimination against an employee making a complaint
8:43E-8.10	Complaint system
8:43E-8.11	Protection of the right to collective bargaining
8:43E-8.12	Data

#### **8:43E-8.1 Mandatory overtime; scope and general purpose**

The procedures set forth in this subchapter apply to all health care facilities licensed in accordance with N.J.S.A. 26:2H-1 et seq., including a State or county psychiatric hospital, a State developmental center, or a health care service firm registered by the Division of Consumer Affairs in the Department of Law and Public Safety pursuant to N.J.S.A. 56:8-1.1 et seq. The rules set forth the standards and procedures governing the use by health care facilities of required overtime by hourly wage employees involved in direct patient care activities or clinical services in health care facilities.

#### **8:43E-8.2 Applicability**

(a) The rules in this subchapter do not apply to the following:

1. Physicians;
2. Volunteers;
3. Employees who volunteer to work overtime;
4. Employees of assisted living facilities that are licensed in accordance with N.J.A.C. 8:36 and who receive room and board as a benefit of employment and reside at the facility on a full-time basis;
5. Employees who assume on-call duty;
6. Employees participating in a surgical or therapeutic interventional procedure that is in progress, when it would be detrimental to the patient if the employee left. However, in the case of elective procedures, the rules do apply if the procedure was scheduled such that the length of time ordinarily required to complete the procedure would exceed the end of the employee's scheduled shift; and
7. Employees not involved in direct patient care activities or clinical services.

### 8:43E-8.3

### Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"Chronic short staffing" means a situation characterized by long standing vacancies in that portion of the facility's master staffing plan applicable to the work unit of an employee who files a complaint where such vacancies are the result of open positions that continually remain unfilled over a period of 90 days or more despite active recruitment efforts.

"Commissioner" means the Commissioner of Health and Senior Services.

"Department" means the New Jersey Department of Health and Senior Services.

"Direct patient care activities" or "clinical services" means activities/services in which an employee provides direct service to patient/residents in a clinical setting, including the emergency department, inpatient bedside, operating room, other clinical specialty treatment area, or, in the case of a patient served by a home health care agency or health service firm, the individual's home.

"Employee" means an individual employed by a health care facility who is involved in direct patient care activities or clinical services and receives an hourly wage, but shall not include a physician.

"Employer" means an individual, partnership, association, corporation or person or group of persons acting directly or indirectly in the interest of a health care facility.

"Health care facility" means a health care facility licensed by the Department of Health and Senior Services pursuant to P.L. 1971, c.136 (N.J.S.A. 26:2H-1 et seq.), a State or county psychiatric hospital, a State developmental center, or a health care service firm registered by the Division of Consumer Affairs in the Department of Law and Public Safety pursuant to P.L. 1960, c.39 (N.J.S.A. 56:8-1 et seq.).

"Licenses" means the action taken by a State agency to license, certify, or register a health care facility subject to the jurisdiction of that State agency.

"On-call time" means time spent by an employee who is not currently working on the premises of the place of employment, but who is compensated for availability, or as a condition of employment has agreed to be available, to return to the premises of the place of employment on short notice if the need arises.

"Reasonable efforts" means that the employer shall:

1. Seek persons who volunteer to work extra time from all available qualified staff who are working at the time of the unforeseeable emergent circumstance;
2. Contact all qualified employees who have made themselves available to work extra time;
3. Seek the use of qualified per diem staff; and
4. Seek qualified personnel from a contracted temporary agency when such staff is permitted by law, regulation or applicable collective bargaining agreements.

"Unforeseeable emergent circumstance" means an unpredictable or unavoidable occurrence at unscheduled intervals relating to health care delivery that requires immediate action.

#### **8:43E-8.4 Purpose**

The rules in this subchapter are intended to promote the health, safety, and welfare of patients, residents and clients of health care facilities as well as of certain hourly wage employees of those facilities through establishing rules implementing the statutory limitations on health care facilities' authority to require certain hourly wage employees, involved in direct patient care activities or clinical services, to work overtime.

#### **8:43E-8.5 Overtime procedures**

(a) Except as provided for in (b) below, an employer shall not require an employee involved in direct patient care activities or clinical services to work in excess of an agreed to, predetermined and regularly scheduled daily work shift, not to exceed 40 hours per week. The acceptance by any employee of work in excess of this shall be strictly voluntary. The refusal of an employee to accept such overtime work shall not be grounds for discrimination, dismissal, discharge, or any other penalty or employment decision adverse to the employee.

(b) The requirements of (a) above shall not apply in the case of an unforeseeable emergent circumstance when:

1. The overtime is required only as a last resort, and is not used to fill vacancies resulting from chronic short staffing; and
2. The employer has exhausted reasonable efforts to obtain staffing. However, exhaustion of reasonable efforts shall not be required in the event of any declared national, State or municipal emergency or a disaster or other catastrophic event which substantially affects or increases the need for health care services or causes the facility to activate its emergency or disaster plan.

(c) In the event that an employer requires an employee to work overtime pursuant to (b) above, the employer shall provide the employee with necessary time, up to a maximum of one hour, which may be taken on or off the facility's premises, to arrange for the care of the employee's minor children, or elderly or disabled family members.

(d) On-call time shall not be construed to permit an employer to use on-call time as a substitute for mandatory overtime.

#### **8:43E-8.6 Records; dissemination of information**

(a) An employer shall establish a system for keeping records of circumstances where employees are required to work in excess of an agreed to, predetermined and regularly scheduled daily work shift, or in excess of 40 hours per week. The records shall include, but not be limited to:

1. The employee's name and job title;
2. The name of the employee's work area or unit;
3. The date the overtime was worked, including start time;
4. The number of hours of overtime mandated;
5. The employee's daily work schedule for any week in which the employee is required to work excess time;

6. The reason why the overtime was necessary;
7. A description of the reasonable efforts that were exhausted prior to requiring overtime. This shall include:
  - i. The names of employees contacted to work voluntary overtime;
  - ii. A description of efforts to secure per diem staff; and
  - iii. A list of the temporary agencies contacted; and
8. The signature of individual authorizing the required mandatory overtime.

(b) An employer shall provide the employee with a copy of the documentation in accordance with the requirements set forth in (a) above upon requiring that the employee work overtime, except that the total number, rather than the names, of employees contacted in accordance with (a)7i above shall be provided.

(c) Records as set forth in (a) above shall be kept a period of two years.

(d) A facility shall post in a conspicuous place a notice prepared by the New Jersey Department of Labor concerning New Jersey Mandatory Overtime Restrictions for Health Care Facilities (N.J.S.A. 34:11-56a et seq.)

#### **8:43E-8.7 Enforcement and administrative penalties**

(a) If the Commissioner of Labor determines that a facility has violated provisions of this subchapter, the Commissioner of Labor may issue sanctions in accordance with the wage and hour regulations contained at N.J.A.C. 12:56.

(b) In cases where the State agency that licenses the facility and/or Department of Labor requests additional information from a facility concerning mandatory overtime usage, the facility shall comply with this request within 10 working days. The State agency that requested the information from the facility may, at its discretion, grant an extension to this time frame if the facility can demonstrate good cause. Failure to provide these records shall result in the issuance of administrative penalties in accordance with N.J.A.C. 12:56-1.2 and 8:43E-3.4(a)13.

(c) If the State agency that licenses a facility subject to this chapter determines through a survey or complaint investigation that the facility exhibits a pattern or practice of noncompliance with N.J.A.C. 8:43E-8.5, that State agency shall notify the Department of Labor of the violation. The Department of Labor may also share with State agencies that license facilities subject to this chapter any information it develops on Statewide and facility-specific trends, such as number of mandatory overtime complaints filed; the number of complaints found to be valid; the number of enforcement actions appealed; and the number of enforcement actions upheld.

(d) In the event a facility licensed by the Department fails to develop and implement the required recordkeeping in accordance with N.J.A.C. 8:43E-8.6 and the required policies and procedures in accordance with this section, the Department shall take enforcement action in accordance with the provisions of N.J.A.C. 8:43E-3.4(a)13.

(e) Nothing in this subchapter shall be construed to relieve a facility of its obligation to comply with State licensure standards pertaining to minimum employee staffing levels.

**8:43E-8.8 Policies and procedures**

(a) A facility shall develop, revise as necessary and implement policies and procedures for the purpose of training and educating staff on mandatory overtime. The policies and procedures shall include mandatory educational programs that address at least the following:

1. The conditions under which an employer can require mandatory overtime;
2. Overtime procedures;
3. Employee rights; and
4. Complaint procedures.

(b) A facility shall establish a staffing plan designed to facilitate compliance with the requirements of this subchapter.

1. The staffing plan shall include procedures to provide for replacement staff in the event of sickness, vacations, vacancies and other employee absences.

(c) Upon request, the staffing plan and all related policies and procedures shall be made available to the Department of Labor and/or the State agency that licenses the facility.

**8:43E-8.9 Discharge or discrimination against an employee making a complaint**

An employer shall not discharge or in any other manner discriminate against an employee because such employee has made any complaint to his or her employer, including the employer's representative; to the Commissioner of Labor; or to the State agency that licenses the facility where the employee works that the employee has been required to work overtime in contravention to the provisions of this chapter.

**8:43E-8.10 Complaint system**

(a) An employee covered by this subchapter shall have a right to file a complaint up to two years following the date of the assigned mandatory overtime if he or she believes the overtime was not in response to an unforeseen emergent circumstance, and/or required reasonable efforts were not exhausted, and/or he or she was not provided the allowed time to make arrangements for the care of family members. All such complaints shall be submitted to:

Labor Standards and Safety Enforcement Directorate  
Division of Wage and Hour Compliance of the Department of Labor  
PO Box 389  
Trenton, New Jersey 08625-0389

1. If requested, records of such reports shall be made available upon request to the Department or to the Department of Law and Public Safety or to the Department of Human Services.

**8:43E-8.11 Protection of the right to collective bargaining**

Nothing in this subchapter shall be construed to impair or negate any employer-employee collective bargaining agreement or any other employer/employee contract in effect as of January 1, 2003 for licensed general hospitals and July 1, 2003 for all other facilities subject to these rules as set forth at N.J.A.C. 8:43E-8.1.

**8:43E-8.12****Data**

A facility shall submit data related to the effects of prohibiting mandatory overtime in accordance with this chapter as well as data required to determine whether chronic staffing shortages exist, as the State agency which licenses the facility shall request from time to time directly from each facility



# **APPENDIX – FEDERAL REGULATIONS**

## **Title 29: Labor**

**Part 541**      **Defining and Delimiting the  
Exemptions for Executive,  
Administrative, Professional,  
Computer and Outside Sales  
Employees**



*NOTE: Effective December 1, 2016, the U.S. Department of Labor is updating the overtime regulations raising the salary threshold from \$455/week to \$913 (\$47,476 per year).*

*Title 29, Part 541 is referenced in N.J.A.C. 12:56-7 Exemptions from Overtime*

## **APPENDIX – FEDERAL REGULATIONS**

### **Title 29: Labor**

#### **PART 541—DEFINING AND DELIMITING THE EXEMPTIONS FOR EXECUTIVE, ADMINISTRATIVE, PROFESSIONAL, COMPUTER AND OUTSIDE SALES EMPLOYEES**

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**Authority:** 29 U.S.C. 213; Public Law 101–583, 104 Stat. 2871; Reorganization Plan No. 6 of 1950 (3 CFR 1945–53 Comp. p. 1004); Secretary's Order No. 4–2001 (66 FR 29656).

**Source:** 69 FR 22260, Apr. 23, 2004, unless otherwise noted.

## **SUBPART A GENERAL REGULATIONS**

### **§ 541.0 Introductory statement.**

(a) Section 13(a)(1) of the Fair Labor Standards Act, as amended, provides an exemption from the Act's minimum wage and overtime requirements for any employee employed in a bona fide executive, administrative, or professional capacity (including any employee employed in the capacity of academic administrative personnel or teacher in elementary or secondary schools), or in the capacity of an outside sales employee, as such terms are defined and delimited from time to time by regulations of the Secretary, subject to the provisions of the Administrative Procedure Act. Section 13(a)(17) of the Act provides an exemption from the minimum wage and overtime requirements for computer systems analysts, computer programmers, software engineers, and other similarly skilled computer employees.

(b) The requirements for these exemptions are contained in this part as follows: executive employees, subpart B; administrative employees, subpart C; professional employees, subpart D; computer employees, subpart E; outside sales employees, subpart F. Subpart G contains regulations regarding salary requirements applicable to most of the exemptions, including salary levels and the salary basis test. Subpart G also contains a provision for exempting certain highly compensated employees. Subpart H contains definitions and other miscellaneous provisions applicable to all or several of the exemptions.

(c) Effective July 1, 1972, the Fair Labor Standards Act was amended to include within the protection of the equal pay provisions those employees exempt from the minimum wage and overtime pay provisions as bona fide executive, administrative, and professional employees (including any employee employed in the capacity of academic administrative personnel or teacher in elementary or secondary schools), or in the capacity of an outside sales employee under section 13(a)(1) of the Act. The equal pay provisions in section 6(d) of the Fair Labor Standards Act are administered and enforced by the United States Equal Employment Opportunity Commission.

#### **§ 541.1 Terms used in regulations.**

*Act* means the Fair Labor Standards Act of 1938, as amended.

*Administrator* means the Administrator of the Wage and Hour Division, United States Department of Labor. The Secretary of Labor has delegated to the Administrator the functions vested in the Secretary under sections 13(a)(1) and 13(a)(17) of the Fair Labor Standards Act.

#### **§ 541.2 Job titles insufficient.**

A job title alone is insufficient to establish the exempt status of an employee. The exempt or nonexempt status of any particular employee must be determined on the basis of whether the employee's salary and duties meet the requirements of the regulations in this part.

#### **§ 541.3 Scope of the section 13(a)(1) exemptions.**

(a) The section 13(a)(1) exemptions and the regulations in this part do not apply to manual laborers or other "blue collar" workers who perform work involving repetitive operations with their hands, physical skill and energy. Such nonexempt "blue collar" employees gain the skills and knowledge required for performance of their routine manual and physical work through apprenticeships and on-the-job training, not through the prolonged course of specialized intellectual instruction required for exempt learned professional employees such as medical doctors, architects and archeologists. Thus, for example, non-management production-line employees and non-management employees in maintenance, construction and similar occupations such as carpenters, electricians, mechanics, plumbers, iron workers, craftsmen, operating engineers, longshoremen, construction workers and laborers are entitled to minimum wage and overtime premium pay under the Fair Labor Standards Act, and are not exempt under the regulations in this part no matter how highly paid they might be.

(b)(1) The section 13(a)(1) exemptions and the regulations in this part also do not apply to police officers, detectives, deputy sheriffs, state troopers, highway patrol officers, investigators, inspectors, correctional officers, parole or probation officers, park rangers, fire fighters, paramedics, emergency medical technicians, ambulance personnel, rescue workers, hazardous materials workers and similar employees, regardless of rank or pay level, who perform work such as preventing, controlling or extinguishing fires of any type; rescuing fire, crime or accident victims; preventing or detecting crimes; conducting investigations or inspections for violations of law; performing surveillance; pursuing, restraining and apprehending suspects; detaining or supervising suspected and convicted criminals, including those on

probation or parole; interviewing witnesses; interrogating and fingerprinting suspects; preparing investigative reports; or other similar work.

(2) Such employees do not qualify as exempt executive employees because their primary duty is not management of the enterprise in which the employee is employed or a customarily recognized department or subdivision thereof as required under §541.100. Thus, for example, a police officer or fire fighter whose primary duty is to investigate crimes or fight fires is not exempt under section 13(a)(1) of the Act merely because the police officer or fire fighter also directs the work of other employees in the conduct of an investigation or fighting a fire.

(3) Such employees do not qualify as exempt administrative employees because their primary duty is not the performance of work directly related to the management or general business operations of the employer or the employer's customers as required under §541.200.

(4) Such employees do not qualify as exempt professionals because their primary duty is not the performance of work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction or the performance of work requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor as required under §541.300. Although some police officers, fire fighters, paramedics, emergency medical technicians and similar employees have college degrees, a specialized academic degree is not a standard prerequisite for employment in such occupations.

#### **§ 541.4 Other laws and collective bargaining agreements.**

The Fair Labor Standards Act provides minimum standards that may be exceeded, but cannot be waived or reduced. Employers must comply, for example, with any Federal, State or municipal laws, regulations or ordinances establishing a higher minimum wage or lower maximum workweek than those established under the Act. Similarly, employers, on their own initiative or under a collective bargaining agreement with a labor union, are not precluded by the Act from providing a wage higher than the statutory minimum, a shorter workweek than the statutory maximum, or a higher overtime premium (double time, for example) than provided by the Act. While collective bargaining agreements cannot waive or reduce the Act's protections, nothing in the Act or the regulations in this part relieves employers from their contractual obligations under collective bargaining agreements.

### **SUBPART B EXECUTIVE EMPLOYEES**

#### **§ 541.100 General rule for executive employees.**

(a) The term “employee employed in a bona fide executive capacity” in section 13(a)(1) of the Act shall mean any employee:

(1) Compensated on a salary basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by employers other than the Federal Government), exclusive of board, lodging or other facilities;

(2) Whose primary duty is management of the enterprise in which the employee is employed or of a customarily recognized department or subdivision thereof;

(3) Who customarily and regularly directs the work of two or more other employees; and

(4) Who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees are given particular weight.

(b) The phrase “salary basis” is defined at §541.602; “board, lodging or other facilities” is defined at §541.606; “primary duty” is defined at §541.700; and “customarily and regularly” is defined at §541.701.

#### **§ 541.101 Business owner.**

The term “employee employed in a bona fide executive capacity” in section 13(a)(1) of the Act also includes any employee who owns at least a bona fide 20-percent equity interest in the enterprise in which the employee is employed, regardless of whether the business is a corporate or other type of organization, and who is actively engaged in its management. The term “management” is defined in §541.102. The requirements of Subpart G (salary requirements) of this part do not apply to the business owners described in this section.

#### **§ 541.102 Management.**

Generally, “management” includes, but is not limited to, activities such as interviewing, selecting, and training of employees; setting and adjusting their rates of pay and hours of work; directing the work of employees; maintaining production or sales records for use in supervision or control; appraising employees' productivity and efficiency for the purpose of recommending promotions or other changes in status; handling employee complaints and grievances; disciplining employees; planning the work; determining the techniques to be used; apportioning the work among the employees; determining the type of materials, supplies, machinery, equipment or tools to be used or merchandise to be bought, stocked and sold; controlling the flow and distribution of materials or merchandise and supplies; providing for the safety and security of the employees or the property; planning and controlling the budget; and monitoring or implementing legal compliance measures.

#### **§ 541.103 Department or subdivision.**

(a) The phrase “a customarily recognized department or subdivision” is intended to distinguish between a mere collection of employees assigned from time to time to a specific job or series of jobs and a unit with permanent status and function. A customarily recognized department or subdivision must have a permanent status and a continuing function. For example, a large employer's human resources department might have subdivisions for labor relations, pensions and other benefits, equal employment opportunity, and personnel management, each of which has a permanent status and function.

(b) When an enterprise has more than one establishment, the employee in charge of each establishment may be considered in charge of a recognized subdivision of the enterprise.

(c) A recognized department or subdivision need not be physically within the employer's establishment and may move from place to place. The mere fact that the employee works in more than one location does not invalidate the exemption if other factors show that the employee is actually in charge of a recognized unit with a continuing function in the organization.

(d) Continuity of the same subordinate personnel is not essential to the existence of a recognized unit with a continuing function. An otherwise exempt employee will not lose the exemption merely because the employee draws and supervises workers from a pool or supervises a team of workers drawn from other recognized units, if other factors are present that indicate that the employee is in charge of a recognized unit with a continuing function.

#### **§ 541.104 Two or more other employees.**

(a) To qualify as an exempt executive under §541.100, the employee must customarily and regularly direct the work of two or more other employees. The phrase “two or more other employees” means two full-time employees or their equivalent. One full-time and two half-time employees, for example, are equivalent to two full-time employees. Four half-time employees are also equivalent.

(b) The supervision can be distributed among two, three or more employees, but each such employee must customarily and regularly direct the work of two or more other full-time employees or the equivalent. Thus, for example, a department with five full-time nonexempt workers may have up to two exempt supervisors if each such supervisor customarily and regularly directs the work of two of those workers.

(c) An employee who merely assists the manager of a particular department and supervises two or more employees only in the actual manager's absence does not meet this requirement.

(d) Hours worked by an employee cannot be credited more than once for different executives. Thus, a shared responsibility for the supervision of the same two employees in the same department does not satisfy this requirement. However, a full-time employee who works four hours for one supervisor and four hours for a different supervisor, for example, can be credited as a half-time employee for both supervisors.

#### **§ 541.105 Particular weight.**

To determine whether an employee's suggestions and recommendations are given “particular weight,” factors to be considered include, but are not limited to, whether it is part of the employee's job duties to make such suggestions and recommendations; the frequency with which such suggestions and recommendations are made or requested; and the frequency with which the employee's suggestions and recommendations are relied upon. Generally, an executive's suggestions and recommendations must pertain to employees whom the executive customarily and regularly directs. It does not include an occasional suggestion with regard to the change in status of a co-worker. An employee's suggestions and recommendations may still be deemed to have “particular weight” even if a higher level manager's recommendation has more importance and even if the employee does not have authority to make the ultimate decision as to the employee's change in status.

#### **§ 541.106 Concurrent duties.**

(a) Concurrent performance of exempt and nonexempt work does not disqualify an employee from the executive exemption if the requirements of §541.100 are otherwise met. Whether an employee meets the requirements of §541.100 when the employee performs concurrent duties is determined on a case-by-case basis and based on the factors set forth in §541.700. Generally, exempt executives make the decision regarding when to perform nonexempt duties and remain responsible for the success or failure of business operations under their management while performing the nonexempt work. In contrast, the nonexempt employee generally is directed by a supervisor to perform the exempt work or performs the exempt work for defined time periods. An employee whose primary duty is ordinary production work or routine, recurrent or repetitive tasks cannot qualify for exemption as an executive.

(b) For example, an assistant manager in a retail establishment may perform work such as serving customers, cooking food, stocking shelves and cleaning the establishment, but performance of such nonexempt work does not preclude the exemption if the assistant manager's primary duty is management. An assistant manager can supervise employees and serve customers at the same time without losing the

exemption. An exempt employee can also simultaneously direct the work of other employees and stock shelves.

(c) In contrast, a relief supervisor or working supervisor whose primary duty is performing nonexempt work on the production line in a manufacturing plant does not become exempt merely because the nonexempt production line employee occasionally has some responsibility for directing the work of other nonexempt production line employees when, for example, the exempt supervisor is unavailable. Similarly, an employee whose primary duty is to work as an electrician is not an exempt executive even if the employee also directs the work of other employees on the job site, orders parts and materials for the job, and handles requests from the prime contractor.

## **SUBPART C ADMINISTRATIVE EMPLOYEES**

### **§ 541.200 General rule for administrative employees.**

(a) The term “employee employed in a bona fide administrative capacity” in section 13(a)(1) of the Act shall mean any employee:

(1) Compensated on a salary or fee basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by employers other than the Federal Government), exclusive of board, lodging or other facilities;

(2) Whose primary duty is the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and

(3) Whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

(b) The term “salary basis” is defined at §541.602; “fee basis” is defined at §541.605; “board, lodging or other facilities” is defined at §541.606; and “primary duty” is defined at §541.700.

### **§ 541.201 Directly related to management or general business operations.**

(a) To qualify for the administrative exemption, an employee's primary duty must be the performance of work directly related to the management or general business operations of the employer or the employer's customers. The phrase “directly related to the management or general business operations” refers to the type of work performed by the employee. To meet this requirement, an employee must perform work directly related to assisting with the running or servicing of the business, as distinguished, for example, from working on a manufacturing production line or selling a product in a retail or service establishment.

(b) Work directly related to management or general business operations includes, but is not limited to, work in functional areas such as tax; finance; accounting; budgeting; auditing; insurance; quality control; purchasing; procurement; advertising; marketing; research; safety and health; personnel management; human resources; employee benefits; labor relations; public relations, government relations; computer network, internet and database administration; legal and regulatory compliance; and similar activities. Some of these activities may be performed by employees who also would qualify for another exemption.

(c) An employee may qualify for the administrative exemption if the employee's primary duty is the performance of work directly related to the management or general business operations of the employer's customers. Thus, for example, employees acting as advisers or consultants to their employer's clients or customers (as tax experts or financial consultants, for example) may be exempt.

## **§ 541.202 Discretion and independent judgment.**

(a) To qualify for the administrative exemption, an employee's primary duty must include the exercise of discretion and independent judgment with respect to matters of significance. In general, the exercise of discretion and independent judgment involves the comparison and the evaluation of possible courses of conduct, and acting or making a decision after the various possibilities have been considered. The term "matters of significance" refers to the level of importance or consequence of the work performed.

(b) The phrase "discretion and independent judgment" must be applied in the light of all the facts involved in the particular employment situation in which the question arises. Factors to consider when determining whether an employee exercises discretion and independent judgment with respect to matters of significance include, but are not limited to: whether the employee has authority to formulate, affect, interpret, or implement management policies or operating practices; whether the employee carries out major assignments in conducting the operations of the business; whether the employee performs work that affects business operations to a substantial degree, even if the employee's assignments are related to operation of a particular segment of the business; whether the employee has authority to commit the employer in matters that have significant financial impact; whether the employee has authority to waive or deviate from established policies and procedures without prior approval; whether the employee has authority to negotiate and bind the company on significant matters; whether the employee provides consultation or expert advice to management; whether the employee is involved in planning long- or short-term business objectives; whether the employee investigates and resolves matters of significance on behalf of management; and whether the employee represents the company in handling complaints, arbitrating disputes or resolving grievances.

(c) The exercise of discretion and independent judgment implies that the employee has authority to make an independent choice, free from immediate direction or supervision. However, employees can exercise discretion and independent judgment even if their decisions or recommendations are reviewed at a higher level. Thus, the term "discretion and independent judgment" does not require that the decisions made by an employee have a finality that goes with unlimited authority and a complete absence of review. The decisions made as a result of the exercise of discretion and independent judgment may consist of recommendations for action rather than the actual taking of action. The fact that an employee's decision may be subject to review and that upon occasion the decisions are revised or reversed after review does not mean that the employee is not exercising discretion and independent judgment. For example, the policies formulated by the credit manager of a large corporation may be subject to review by higher company officials who may approve or disapprove these policies. The management consultant who has made a study of the operations of a business and who has drawn a proposed change in organization may have the plan reviewed or revised by superiors before it is submitted to the client.

(d) An employer's volume of business may make it necessary to employ a number of employees to perform the same or similar work. The fact that many employees perform identical work or work of the same relative importance does not mean that the work of each such employee does not involve the exercise of discretion and independent judgment with respect to matters of significance.

(e) The exercise of discretion and independent judgment must be more than the use of skill in applying well-established techniques, procedures or specific standards described in manuals or other sources. *See also* §541.704 regarding use of manuals. The exercise of discretion and independent judgment also does not include clerical or secretarial work, recording or tabulating data, or performing other mechanical, repetitive, recurrent or routine work. An employee who simply tabulates data is not exempt, even if labeled as a "statistician."

(f) An employee does not exercise discretion and independent judgment with respect to matters of significance merely because the employer will experience financial losses if the employee fails to perform the job properly. For example, a messenger who is entrusted with carrying large sums of money does not

exercise discretion and independent judgment with respect to matters of significance even though serious consequences may flow from the employee's neglect. Similarly, an employee who operates very expensive equipment does not exercise discretion and independent judgment with respect to matters of significance merely because improper performance of the employee's duties may cause serious financial loss to the employer.

### **§ 541.203 Administrative exemption examples.**

(a) Insurance claims adjusters generally meet the duties requirements for the administrative exemption, whether they work for an insurance company or other type of company, if their duties include activities such as interviewing insureds, witnesses and physicians; inspecting property damage; reviewing factual information to prepare damage estimates; evaluating and making recommendations regarding coverage of claims; determining liability and total value of a claim; negotiating settlements; and making recommendations regarding litigation.

(b) Employees in the financial services industry generally meet the duties requirements for the administrative exemption if their duties include work such as collecting and analyzing information regarding the customer's income, assets, investments or debts; determining which financial products best meet the customer's needs and financial circumstances; advising the customer regarding the advantages and disadvantages of different financial products; and marketing, servicing or promoting the employer's financial products. However, an employee whose primary duty is selling financial products does not qualify for the administrative exemption.

(c) An employee who leads a team of other employees assigned to complete major projects for the employer (such as purchasing, selling or closing all or part of the business, negotiating a real estate transaction or a collective bargaining agreement, or designing and implementing productivity improvements) generally meets the duties requirements for the administrative exemption, even if the employee does not have direct supervisory responsibility over the other employees on the team.

(d) An executive assistant or administrative assistant to a business owner or senior executive of a large business generally meets the duties requirements for the administrative exemption if such employee, without specific instructions or prescribed procedures, has been delegated authority regarding matters of significance.

(e) Human resources managers who formulate, interpret or implement employment policies and management consultants who study the operations of a business and propose changes in organization generally meet the duties requirements for the administrative exemption. However, personnel clerks who "screen" applicants to obtain data regarding their minimum qualifications and fitness for employment generally do not meet the duties requirements for the administrative exemption. Such personnel clerks typically will reject all applicants who do not meet minimum standards for the particular job or for employment by the company. The minimum standards are usually set by the exempt human resources manager or other company officials, and the decision to hire from the group of qualified applicants who do meet the minimum standards is similarly made by the exempt human resources manager or other company officials. Thus, when the interviewing and screening functions are performed by the human resources manager or personnel manager who makes the hiring decision or makes recommendations for hiring from the pool of qualified applicants, such duties constitute exempt work, even though routine, because this work is directly and closely related to the employee's exempt functions.

(f) Purchasing agents with authority to bind the company on significant purchases generally meet the duties requirements for the administrative exemption even if they must consult with top management officials when making a purchase commitment for raw materials in excess of the contemplated plant needs.

(g) Ordinary inspection work generally does not meet the duties requirements for the administrative exemption. Inspectors normally perform specialized work along standardized lines involving well-established techniques and procedures which may have been catalogued and described in manuals or other sources. Such inspectors rely on techniques and skills acquired by special training or experience. They have some leeway in the performance of their work but only within closely prescribed limits.

(h) Employees usually called examiners or graders, such as employees that grade lumber, generally do not meet the duties requirements for the administrative exemption. Such employees usually perform work involving the comparison of products with established standards which are frequently catalogued. Often, after continued reference to the written standards, or through experience, the employee acquires sufficient knowledge so that reference to written standards is unnecessary. The substitution of the employee's memory for a manual of standards does not convert the character of the work performed to exempt work requiring the exercise of discretion and independent judgment.

(i) Comparison shopping performed by an employee of a retail store who merely reports to the buyer the prices at a competitor's store does not qualify for the administrative exemption. However, the buyer who evaluates such reports on competitor prices to set the employer's prices generally meets the duties requirements for the administrative exemption.

(j) Public sector inspectors or investigators of various types, such as fire prevention or safety, building or construction, health or sanitation, environmental or soils specialists and similar employees, generally do not meet the duties requirements for the administrative exemption because their work typically does not involve work directly related to the management or general business operations of the employer. Such employees also do not qualify for the administrative exemption because their work involves the use of skills and technical abilities in gathering factual information, applying known standards or prescribed procedures, determining which procedure to follow, or determining whether prescribed standards or criteria are met.

#### **§ 541.204 Educational establishments.**

(a) The term “employee employed in a bona fide administrative capacity” in section 13(a)(1) of the Act also includes employees:

(1) Compensated for services on a salary or fee basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by employers other than the Federal Government) exclusive of board, lodging or other facilities, or on a salary basis which is at least equal to the entrance salary for teachers in the educational establishment by which employed; and

(2) Whose primary duty is performing administrative functions directly related to academic instruction or training in an educational establishment or department or subdivision thereof.

(b) The term “educational establishment” means an elementary or secondary school system, an institution of higher education or other educational institution. Sections 3(v) and 3(w) of the Act define elementary and secondary schools as those day or residential schools that provide elementary or secondary education, as determined under State law. Under the laws of most States, such education includes the curriculums in grades 1 through 12; under many it includes also the introductory programs in kindergarten. Such education in some States may also include nursery school programs in elementary education and junior college curriculums in secondary education. The term “other educational establishment” includes special schools for mentally or physically disabled or gifted children, regardless of any classification of such schools as elementary, secondary or higher. Factors relevant in determining whether post-secondary career programs are educational institutions include whether the school is licensed by a state agency responsible for the state's educational system or accredited by a nationally recognized accrediting

organization for career schools. Also, for purposes of the exemption, no distinction is drawn between public and private schools, or between those operated for profit and those that are not for profit.

(c) The phrase “performing administrative functions directly related to academic instruction or training” means work related to the academic operations and functions in a school rather than to administration along the lines of general business operations. Such academic administrative functions include operations directly in the field of education. Jobs relating to areas outside the educational field are not within the definition of academic administration.

(1) Employees engaged in academic administrative functions include: the superintendent or other head of an elementary or secondary school system, and any assistants, responsible for administration of such matters as curriculum, quality and methods of instructing, measuring and testing the learning potential and achievement of students, establishing and maintaining academic and grading standards, and other aspects of the teaching program; the principal and any vice-principals responsible for the operation of an elementary or secondary school; department heads in institutions of higher education responsible for the administration of the mathematics department, the English department, the foreign language department, etc.; academic counselors who perform work such as administering school testing programs, assisting students with academic problems and advising students concerning degree requirements; and other employees with similar responsibilities.

(2) Jobs relating to building management and maintenance, jobs relating to the health of the students, and academic staff such as social workers, psychologists, lunch room managers or dietitians do not perform academic administrative functions. Although such work is not considered academic administration, such employees may qualify for exemption under §541.200 or under other sections of this part, provided the requirements for such exemptions are met.

## **SUBPART D                    PROFESSIONAL EMPLOYEES**

### **§ 541.300    General rule for professional employees.**

(a) The term “employee employed in a bona fide professional capacity” in section 13(a)(1) of the Act shall mean any employee:

(1) Compensated on a salary or fee basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by employers other than the Federal Government), exclusive of board, lodging, or other facilities; and

(2) Whose primary duty is the performance of work:

(i) Requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction; or

(ii) Requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor.

(b) The term “salary basis” is defined at §541.602; “fee basis” is defined at §541.605; “board, lodging or other facilities” is defined at §541.606; and “primary duty” is defined at §541.700.

### **§ 541.301    Learned professionals.**

(a) To qualify for the learned professional exemption, an employee's primary duty must be the performance of work requiring advanced knowledge in a field of science or learning customarily acquired

by a prolonged course of specialized intellectual instruction. This primary duty test includes three elements:

(1) The employee must perform work requiring advanced knowledge;

(2) The advanced knowledge must be in a field of science or learning; and

(3) The advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction.

(b) The phrase “work requiring advanced knowledge” means work which is predominantly intellectual in character, and which includes work requiring the consistent exercise of discretion and judgment, as distinguished from performance of routine mental, manual, mechanical or physical work. An employee who performs work requiring advanced knowledge generally uses the advanced knowledge to analyze, interpret or make deductions from varying facts or circumstances. Advanced knowledge cannot be attained at the high school level.

(c) The phrase “field of science or learning” includes the traditional professions of law, medicine, theology, accounting, actuarial computation, engineering, architecture, teaching, various types of physical, chemical and biological sciences, pharmacy and other similar occupations that have a recognized professional status as distinguished from the mechanical arts or skilled trades where in some instances the knowledge is of a fairly advanced type, but is not in a field of science or learning.

(d) The phrase “customarily acquired by a prolonged course of specialized intellectual instruction” restricts the exemption to professions where specialized academic training is a standard prerequisite for entrance into the profession. The best prima facie evidence that an employee meets this requirement is possession of the appropriate academic degree. However, the word “customarily” means that the exemption is also available to employees in such professions who have substantially the same knowledge level and perform substantially the same work as the degreed employees, but who attained the advanced knowledge through a combination of work experience and intellectual instruction. Thus, for example, the learned professional exemption is available to the occasional lawyer who has not gone to law school, or the occasional chemist who is not the possessor of a degree in chemistry. However, the learned professional exemption is not available for occupations that customarily may be performed with only the general knowledge acquired by an academic degree in any field, with knowledge acquired through an apprenticeship, or with training in the performance of routine mental, manual, mechanical or physical processes. The learned professional exemption also does not apply to occupations in which most employees have acquired their skill by experience rather than by advanced specialized intellectual instruction.

(e)(1) *Registered or certified medical technologists.* Registered or certified medical technologists who have successfully completed three academic years of pre-professional study in an accredited college or university plus a fourth year of professional course work in a school of medical technology approved by the Council of Medical Education of the American Medical Association generally meet the duties requirements for the learned professional exemption.

(2) *Nurses.* Registered nurses who are registered by the appropriate State examining board generally meet the duties requirements for the learned professional exemption. Licensed practical nurses and other similar health care employees, however, generally do not qualify as exempt learned professionals because possession of a specialized advanced academic degree is not a standard prerequisite for entry into such occupations.

(3) *Dental hygienists.* Dental hygienists who have successfully completed four academic years of pre-professional and professional study in an accredited college or university approved by the Commission on Accreditation of Dental and Dental Auxiliary Educational Programs of the American Dental Association generally meet the duties requirements for the learned professional exemption.

(4) *Physician assistants.* Physician assistants who have successfully completed four academic years of pre-professional and professional study, including graduation from a physician assistant program accredited by the Accreditation Review Commission on Education for the Physician Assistant, and who are certified by the National Commission on Certification of Physician Assistants generally meet the duties requirements for the learned professional exemption.

(5) *Accountants.* Certified public accountants generally meet the duties requirements for the learned professional exemption. In addition, many other accountants who are not certified public accountants but perform similar job duties may qualify as exempt learned professionals. However, accounting clerks, bookkeepers and other employees who normally perform a great deal of routine work generally will not qualify as exempt professionals.

(6) *Chefs.* Chefs, such as executive chefs and sous chefs, who have attained a four-year specialized academic degree in a culinary arts program, generally meet the duties requirements for the learned professional exemption. The learned professional exemption is not available to cooks who perform predominantly routine mental, manual, mechanical or physical work.

(7) *Paralegals.* Paralegals and legal assistants generally do not qualify as exempt learned professionals because an advanced specialized academic degree is not a standard prerequisite for entry into the field. Although many paralegals possess general four-year advanced degrees, most specialized paralegal programs are two-year associate degree programs from a community college or equivalent institution. However, the learned professional exemption is available for paralegals who possess advanced specialized degrees in other professional fields and apply advanced knowledge in that field in the performance of their duties. For example, if a law firm hires an engineer as a paralegal to provide expert advice on product liability cases or to assist on patent matters, that engineer would qualify for exemption.

(8) *Athletic trainers.* Athletic trainers who have successfully completed four academic years of pre-professional and professional study in a specialized curriculum accredited by the Commission on Accreditation of Allied Health Education Programs and who are certified by the Board of Certification of the National Athletic Trainers Association Board of Certification generally meet the duties requirements for the learned professional exemption.

(9) *Funeral directors or embalmers.* Licensed funeral directors and embalmers who are licensed by and working in a state that requires successful completion of four academic years of pre-professional and professional study, including graduation from a college of mortuary science accredited by the American Board of Funeral Service Education, generally meet the duties requirements for the learned professional exemption.

(f) The areas in which the professional exemption may be available are expanding. As knowledge is developed, academic training is broadened and specialized degrees are offered in new and diverse fields, thus creating new specialists in particular fields of science or learning. When an advanced specialized degree has become a standard requirement for a particular occupation, that occupation may have acquired the characteristics of a learned profession. Accrediting and certifying organizations similar to those listed in paragraphs (e)(1), (e)(3), (e)(4), (e)(8) and (e)(9) of this section also may be created in the future. Such organizations may develop similar specialized curriculums and certification programs which, if a standard requirement for a particular occupation, may indicate that the occupation has acquired the characteristics of a learned profession.

### **§ 541.302 Creative professionals.**

(a) To qualify for the creative professional exemption, an employee's primary duty must be the performance of work requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor as opposed to routine mental, manual, mechanical or physical work. The exemption does not apply to work which can be produced by a person with general manual or intellectual ability and training.

(b) To qualify for exemption as a creative professional, the work performed must be “in a recognized field of artistic or creative endeavor.” This includes such fields as music, writing, acting and the graphic arts.

(c) The requirement of “invention, imagination, originality or talent” distinguishes the creative professions from work that primarily depends on intelligence, diligence and accuracy. The duties of employees vary widely, and exemption as a creative professional depends on the extent of the invention, imagination, originality or talent exercised by the employee. Determination of exempt creative professional status, therefore, must be made on a case-by-case basis. This requirement generally is met by actors, musicians, composers, conductors, and soloists; painters who at most are given the subject matter of their painting; cartoonists who are merely told the title or underlying concept of a cartoon and must rely on their own creative ability to express the concept; essayists, novelists, short-story writers and screen-play writers who choose their own subjects and hand in a finished piece of work to their employers (the majority of such persons are, of course, not employees but self-employed); and persons holding the more responsible writing positions in advertising agencies. This requirement generally is not met by a person who is employed as a copyist, as an “animator” of motion-picture cartoons, or as a retoucher of photographs, since such work is not properly described as creative in character.

(d) Journalists may satisfy the duties requirements for the creative professional exemption if their primary duty is work requiring invention, imagination, originality or talent, as opposed to work which depends primarily on intelligence, diligence and accuracy. Employees of newspapers, magazines, television and other media are not exempt creative professionals if they only collect, organize and record information that is routine or already public, or if they do not contribute a unique interpretation or analysis to a news product. Thus, for example, newspaper reporters who merely rewrite press releases or who write standard recounts of public information by gathering facts on routine community events are not exempt creative professionals. Reporters also do not qualify as exempt creative professionals if their work product is subject to substantial control by the employer. However, journalists may qualify as exempt creative professionals if their primary duty is performing on the air in radio, television or other electronic media; conducting investigative interviews; analyzing or interpreting public events; writing editorials, opinion columns or other commentary; or acting as a narrator or commentator.

### **§ 541.303 Teachers.**

(a) The term “employee employed in a bona fide professional capacity” in section 13(a)(1) of the Act also means any employee with a primary duty of teaching, tutoring, instructing or lecturing in the activity of imparting knowledge and who is employed and engaged in this activity as a teacher in an educational establishment by which the employee is employed. The term “educational establishment” is defined in §541.204(b).

(b) Exempt teachers include, but are not limited to: Regular academic teachers; teachers of kindergarten or nursery school pupils; teachers of gifted or disabled children; teachers of skilled and semi-skilled trades and occupations; teachers engaged in automobile driving instruction; aircraft flight instructors; home economics teachers; and vocal or instrumental music instructors. Those faculty members who are engaged as teachers but also spend a considerable amount of their time in extracurricular activities such as coaching athletic teams or acting as moderators or advisors in such areas as drama, speech, debate or

journalism are engaged in teaching. Such activities are a recognized part of the schools' responsibility in contributing to the educational development of the student.

(c) The possession of an elementary or secondary teacher's certificate provides a clear means of identifying the individuals contemplated as being within the scope of the exemption for teaching professionals. Teachers who possess a teaching certificate qualify for the exemption regardless of the terminology ( *e.g.*, permanent, conditional, standard, provisional, temporary, emergency, or unlimited) used by the State to refer to different kinds of certificates. However, private schools and public schools are not uniform in requiring a certificate for employment as an elementary or secondary school teacher, and a teacher's certificate is not generally necessary for employment in institutions of higher education or other educational establishments. Therefore, a teacher who is not certified may be considered for exemption, provided that such individual is employed as a teacher by the employing school or school system.

(d) The requirements of §541.300 and Subpart G (salary requirements) of this part do not apply to the teaching professionals described in this section.

#### **§ 541.304 Practice of law or medicine.**

(a) The term “employee employed in a bona fide professional capacity” in section 13(a)(1) of the Act also shall mean:

(1) Any employee who is the holder of a valid license or certificate permitting the practice of law or medicine or any of their branches and is actually engaged in the practice thereof; and

(2) Any employee who is the holder of the requisite academic degree for the general practice of medicine and is engaged in an internship or resident program pursuant to the practice of the profession.

(b) In the case of medicine, the exemption applies to physicians and other practitioners licensed and practicing in the field of medical science and healing or any of the medical specialties practiced by physicians or practitioners. The term “physicians” includes medical doctors including general practitioners and specialists, osteopathic physicians (doctors of osteopathy), podiatrists, dentists (doctors of dental medicine), and optometrists (doctors of optometry or bachelors of science in optometry).

(c) Employees engaged in internship or resident programs, whether or not licensed to practice prior to commencement of the program, qualify as exempt professionals if they enter such internship or resident programs after the earning of the appropriate degree required for the general practice of their profession.

(d) The requirements of §541.300 and subpart G (salary requirements) of this part do not apply to the employees described in this section.

### **SUBPART E                   COMPUTER EMPLOYEES**

#### **§ 541.400 General rule for computer employees.**

(a) Computer systems analysts, computer programmers, software engineers or other similarly skilled workers in the computer field are eligible for exemption as professionals under section 13(a)(1) of the Act and under section 13(a)(17) of the Act. Because job titles vary widely and change quickly in the computer industry, job titles are not determinative of the applicability of this exemption.

(b) The section 13(a)(1) exemption applies to any computer employee compensated on a salary or fee basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by

employers other than the Federal Government), exclusive of board, lodging or other facilities, and the section 13(a)(17) exemption applies to any computer employee compensated on an hourly basis at a rate not less than \$27.63 an hour. In addition, under either section 13(a)(1) or section 13(a)(17) of the Act, the exemptions apply only to computer employees whose primary duty consists of:

- (1) The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;
- (2) The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;
- (3) The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or
- (4) A combination of the aforementioned duties, the performance of which requires the same level of skills.

(c) The term “salary basis” is defined at §541.602; “fee basis” is defined at §541.605; “board, lodging or other facilities” is defined at §541.606; and “primary duty” is defined at §541.700.

#### **§ 541.401 Computer manufacture and repair.**

The exemption for employees in computer occupations does not include employees engaged in the manufacture or repair of computer hardware and related equipment. Employees whose work is highly dependent upon, or facilitated by, the use of computers and computer software programs ( *e.g.*, engineers, drafters and others skilled in computer-aided design software), but who are not primarily engaged in computer systems analysis and programming or other similarly skilled computer-related occupations identified in §541.400(b), are also not exempt computer professionals.

#### **§ 541.402 Executive and administrative computer employees.**

Computer employees within the scope of this exemption, as well as those employees not within its scope, may also have executive and administrative duties which qualify the employees for exemption under subpart B or subpart C of this part. For example, systems analysts and computer programmers generally meet the duties requirements for the administrative exemption if their primary duty includes work such as planning, scheduling, and coordinating activities required to develop systems to solve complex business, scientific or engineering problems of the employer or the employer's customers. Similarly, a senior or lead computer programmer who manages the work of two or more other programmers in a customarily recognized department or subdivision of the employer, and whose recommendations as to the hiring, firing, advancement, promotion or other change of status of the other programmers are given particular weight, generally meets the duties requirements for the executive exemption.

### **SUBPART F OUTSIDE SALES EMPLOYEES**

#### **§ 541.500 General rule for outside sales employees.**

(a) The term “employee employed in the capacity of outside salesman” in section 13(a)(1) of the Act shall mean any employee:

(1) Whose primary duty is:

- (i) making sales within the meaning of section 3(k) of the Act, or

(ii) obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer; and

(2) Who is customarily and regularly engaged away from the employer's place or places of business in performing such primary duty.

(b) The term "primary duty" is defined at §541.700. In determining the primary duty of an outside sales employee, work performed incidental to and in conjunction with the employee's own outside sales or solicitations, including incidental deliveries and collections, shall be regarded as exempt outside sales work. Other work that furthers the employee's sales efforts also shall be regarded as exempt work including, for example, writing sales reports, updating or revising the employee's sales or display catalogue, planning itineraries and attending sales conferences.

(c) The requirements of subpart G (salary requirements) of this part do not apply to the outside sales employees described in this section.

#### **§ 541.501 Making sales or obtaining orders.**

(a) Section 541.500 requires that the employee be engaged in:

(1) Making sales within the meaning of section 3(k) of the Act, or

(2) Obtaining orders or contracts for services or for the use of facilities.

(b) Sales within the meaning of section 3(k) of the Act include the transfer of title to tangible property, and in certain cases, of tangible and valuable evidences of intangible property. Section 3(k) of the Act states that "sale" or "sell" includes any sale, exchange, contract to sell, consignment for sale, shipment for sale, or other disposition.

(c) Exempt outside sales work includes not only the sales of commodities, but also "obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer." Obtaining orders for "the use of facilities" includes the selling of time on radio or television, the solicitation of advertising for newspapers and other periodicals, and the solicitation of freight for railroads and other transportation agencies.

(d) The word "services" extends the outside sales exemption to employees who sell or take orders for a service, which may be performed for the customer by someone other than the person taking the order.

#### **§ 541.502 Away from employer's place of business.**

An outside sales employee must be customarily and regularly engaged "away from the employer's place or places of business." The outside sales employee is an employee who makes sales at the customer's place of business or, if selling door-to-door, at the customer's home. Outside sales does not include sales made by mail, telephone or the Internet unless such contact is used merely as an adjunct to personal calls. Thus, any fixed site, whether home or office, used by a salesperson as a headquarters or for telephonic solicitation of sales is considered one of the employer's places of business, even though the employer is not in any formal sense the owner or tenant of the property. However, an outside sales employee does not lose the exemption by displaying samples in hotel sample rooms during trips from city to city; these sample rooms should not be considered as the employer's places of business. Similarly, an outside sales employee does not lose the exemption by displaying the employer's products at a trade show. If selling actually occurs, rather than just sales promotion, trade shows of short duration ( *i.e.*, one or two weeks) should not be considered as the employer's place of business.

### **§ 541.503 Promotion work.**

(a) Promotion work is one type of activity often performed by persons who make sales, which may or may not be exempt outside sales work, depending upon the circumstances under which it is performed. Promotional work that is actually performed incidental to and in conjunction with an employee's own outside sales or solicitations is exempt work. On the other hand, promotional work that is incidental to sales made, or to be made, by someone else is not exempt outside sales work. An employee who does not satisfy the requirements of this subpart may still qualify as an exempt employee under other subparts of this rule.

(b) A manufacturer's representative, for example, may perform various types of promotional activities such as putting up displays and posters, removing damaged or spoiled stock from the merchant's shelves or rearranging the merchandise. Such an employee can be considered an exempt outside sales employee if the employee's primary duty is making sales or contracts. Promotion activities directed toward consummation of the employee's own sales are exempt. Promotional activities designed to stimulate sales that will be made by someone else are not exempt outside sales work.

(c) Another example is a company representative who visits chain stores, arranges the merchandise on shelves, replenishes stock by replacing old with new merchandise, sets up displays and consults with the store manager when inventory runs low, but does not obtain a commitment for additional purchases. The arrangement of merchandise on the shelves or the replenishing of stock is not exempt work unless it is incidental to and in conjunction with the employee's own outside sales. Because the employee in this instance does not consummate the sale nor direct efforts toward the consummation of a sale, the work is not exempt outside sales work.

### **§ 541.504 Drivers who sell.**

(a) Drivers who deliver products and also sell such products may qualify as exempt outside sales employees only if the employee has a primary duty of making sales. In determining the primary duty of drivers who sell, work performed incidental to and in conjunction with the employee's own outside sales or solicitations, including loading, driving or delivering products, shall be regarded as exempt outside sales work.

(b) Several factors should be considered in determining if a driver has a primary duty of making sales, including, but not limited to: a comparison of the driver's duties with those of other employees engaged as truck drivers and as salespersons; possession of a selling or solicitor's license when such license is required by law or ordinances; presence or absence of customary or contractual arrangements concerning amounts of products to be delivered; description of the employee's occupation in collective bargaining agreements; the employer's specifications as to qualifications for hiring; sales training; attendance at sales conferences; method of payment; and proportion of earnings directly attributable to sales.

(c) Drivers who may qualify as exempt outside sales employees include:

(1) A driver who provides the only sales contact between the employer and the customers visited, who calls on customers and takes orders for products, who delivers products from stock in the employee's vehicle or procures and delivers the product to the customer on a later trip, and who receives compensation commensurate with the volume of products sold.

(2) A driver who obtains or solicits orders for the employer's products from persons who have authority to commit the customer for purchases.

(3) A driver who calls on new prospects for customers along the employee's route and attempts to convince them of the desirability of accepting regular delivery of goods.

(4) A driver who calls on established customers along the route and persuades regular customers to accept delivery of increased amounts of goods or of new products, even though the initial sale or agreement for delivery was made by someone else.

(d) Drivers who generally would not qualify as exempt outside sales employees include:

(1) A route driver whose primary duty is to transport products sold by the employer through vending machines and to keep such machines stocked, in good operating condition, and in good locations.

(2) A driver who often calls on established customers day after day or week after week, delivering a quantity of the employer's products at each call when the sale was not significantly affected by solicitations of the customer by the delivering driver or the amount of the sale is determined by the volume of the customer's sales since the previous delivery.

(3) A driver primarily engaged in making deliveries to customers and performing activities intended to promote sales by customers (including placing point-of-sale and other advertising materials, price stamping commodities, arranging merchandise on shelves, in coolers or in cabinets, rotating stock according to date, and cleaning and otherwise servicing display cases), unless such work is in furtherance of the driver's own sales efforts.

## **SUBPART G                    SALARY REQUIREMENTS**

### **§ 541.600    Amount of salary required.**

(a) To qualify as an exempt executive, administrative or professional employee under section 13(a)(1) of the Act, an employee must be compensated on a salary basis at a rate of not less than \$455 per week (or \$380 per week, if employed in American Samoa by employers other than the Federal Government), exclusive of board, lodging or other facilities. Administrative and professional employees may also be paid on a fee basis, as defined in §541.605.

(b) The \$455 a week may be translated into equivalent amounts for periods longer than one week. The requirement will be met if the employee is compensated biweekly on a salary basis of \$910, semimonthly on a salary basis of \$985.83, or monthly on a salary basis of \$1,971.66. However, the shortest period of payment that will meet this compensation requirement is one week.

(c) In the case of academic administrative employees, the compensation requirement also may be met by compensation on a salary basis at a rate at least equal to the entrance salary for teachers in the educational establishment by which the employee is employed, as provided in §541.204(a)(1).

(d) In the case of computer employees, the compensation requirement also may be met by compensation on an hourly basis at a rate not less than \$27.63 an hour, as provided in §541.400(b).

(e) In the case of professional employees, the compensation requirements in this section shall not apply to employees engaged as teachers ( *see* §541.303); employees who hold a valid license or certificate permitting the practice of law or medicine or any of their branches and are actually engaged in the practice thereof ( *see* §541.304); or to employees who hold the requisite academic degree for the general practice of medicine and are engaged in an internship or resident program pursuant to the practice of the profession ( *see* §541.304). In the case of medical occupations, the exception from the salary or fee

requirement does not apply to pharmacists, nurses, therapists, technologists, sanitarians, dietitians, social workers, psychologists, psychometrists, or other professions which service the medical profession.

**§ 541.601 Highly compensated employees.**

(a) An employee with total annual compensation of at least \$100,000 is deemed exempt under section 13(a)(1) of the Act if the employee customarily and regularly performs any one or more of the exempt duties or responsibilities of an executive, administrative or professional employee identified in subparts B, C or D of this part.

(b)(1) "Total annual compensation" must include at least \$455 per week paid on a salary or fee basis. Total annual compensation may also include commissions, nondiscretionary bonuses and other nondiscretionary compensation earned during a 52-week period. Total annual compensation does not include board, lodging and other facilities as defined in §541.606, and does not include payments for medical insurance, payments for life insurance, contributions to retirement plans and the cost of other fringe benefits.

(2) If an employee's total annual compensation does not total at least the minimum amount established in paragraph (a) of this section by the last pay period of the 52-week period, the employer may, during the last pay period or within one month after the end of the 52-week period, make one final payment sufficient to achieve the required level. For example, an employee may earn \$80,000 in base salary, and the employer may anticipate based upon past sales that the employee also will earn \$20,000 in commissions. However, due to poor sales in the final quarter of the year, the employee actually only earns \$10,000 in commissions. In this situation, the employer may within one month after the end of the year make a payment of at least \$10,000 to the employee. Any such final payment made after the end of the 52-week period may count only toward the prior year's total annual compensation and not toward the total annual compensation in the year it was paid. If the employer fails to make such a payment, the employee does not qualify as a highly compensated employee, but may still qualify as exempt under subparts B, C or D of this part.

(3) An employee who does not work a full year for the employer, either because the employee is newly hired after the beginning of the year or ends the employment before the end of the year, may qualify for exemption under this section if the employee receives a *pro rata* portion of the minimum amount established in paragraph (a) of this section, based upon the number of weeks that the employee will be or has been employed. An employer may make one final payment as under paragraph (b)(2) of this section within one month after the end of employment.

(4) The employer may utilize any 52-week period as the year, such as a calendar year, a fiscal year, or an anniversary of hire year. If the employer does not identify some other year period in advance, the calendar year will apply.

(c) A high level of compensation is a strong indicator of an employee's exempt status, thus eliminating the need for a detailed analysis of the employee's job duties. Thus, a highly compensated employee will qualify for exemption if the employee customarily and regularly performs any one or more of the exempt duties or responsibilities of an executive, administrative or professional employee identified in subparts B, C or D of this part. An employee may qualify as a highly compensated executive employee, for example, if the employee customarily and regularly directs the work of two or more other employees, even though the employee does not meet all of the other requirements for the executive exemption under §541.100.

(d) This section applies only to employees whose primary duty includes performing office or non-manual work. Thus, for example, non-management production-line workers and non-management employees in

maintenance, construction and similar occupations such as carpenters, electricians, mechanics, plumbers, iron workers, craftsmen, operating engineers, longshoremen, construction workers, laborers and other employees who perform work involving repetitive operations with their hands, physical skill and energy are not exempt under this section no matter how highly paid they might be.

**§ 541.602 Salary basis.**

(a) *General rule.* An employee will be considered to be paid on a “salary basis” within the meaning of these regulations if the employee regularly receives each pay period on a weekly, or less frequent basis, a predetermined amount constituting all or part of the employee's compensation, which amount is not subject to reduction because of variations in the quality or quantity of the work performed. Subject to the exceptions provided in paragraph (b) of this section, an exempt employee must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked. Exempt employees need not be paid for any workweek in which they perform no work. An employee is not paid on a salary basis if deductions from the employee's predetermined compensation are made for absences occasioned by the employer or by the operating requirements of the business. If the employee is ready, willing and able to work, deductions may not be made for time when work is not available.

(b) *Exceptions.* The prohibition against deductions from pay in the salary basis requirement is subject to the following exceptions:

(1) Deductions from pay may be made when an exempt employee is absent from work for one or more full days for personal reasons, other than sickness or disability. Thus, if an employee is absent for two full days to handle personal affairs, the employee's salaried status will not be affected if deductions are made from the salary for two full-day absences. However, if an exempt employee is absent for one and a half days for personal reasons, the employer can deduct only for the one full-day absence.

(2) Deductions from pay may be made for absences of one or more full days occasioned by sickness or disability (including work-related accidents) if the deduction is made in accordance with a bona fide plan, policy or practice of providing compensation for loss of salary occasioned by such sickness or disability. The employer is not required to pay any portion of the employee's salary for full-day absences for which the employee receives compensation under the plan, policy or practice. Deductions for such full-day absences also may be made before the employee has qualified under the plan, policy or practice, and after the employee has exhausted the leave allowance thereunder. Thus, for example, if an employer maintains a short-term disability insurance plan providing salary replacement for 12 weeks starting on the fourth day of absence, the employer may make deductions from pay for the three days of absence before the employee qualifies for benefits under the plan; for the twelve weeks in which the employee receives salary replacement benefits under the plan; and for absences after the employee has exhausted the 12 weeks of salary replacement benefits. Similarly, an employer may make deductions from pay for absences of one or more full days if salary replacement benefits are provided under a State disability insurance law or under a State workers' compensation law.

(3) While an employer cannot make deductions from pay for absences of an exempt employee occasioned by jury duty, attendance as a witness or temporary military leave, the employer can offset any amounts received by an employee as jury fees, witness fees or military pay for a particular week against the salary due for that particular week without loss of the exemption.

(4) Deductions from pay of exempt employees may be made for penalties imposed in good faith for infractions of safety rules of major significance. Safety rules of major significance include those relating to the prevention of serious danger in the workplace or to other employees, such as rules prohibiting smoking in explosive plants, oil refineries and coal mines.

(5) Deductions from pay of exempt employees may be made for unpaid disciplinary suspensions of one or more full days imposed in good faith for infractions of workplace conduct rules. Such suspensions must be imposed pursuant to a written policy applicable to all employees. Thus, for example, an employer may suspend an exempt employee without pay for three days for violating a generally applicable written policy prohibiting sexual harassment. Similarly, an employer may suspend an exempt employee without pay for twelve days for violating a generally applicable written policy prohibiting workplace violence.

(6) An employer is not required to pay the full salary in the initial or terminal week of employment. Rather, an employer may pay a proportionate part of an employee's full salary for the time actually worked in the first and last week of employment. In such weeks, the payment of an hourly or daily equivalent of the employee's full salary for the time actually worked will meet the requirement. However, employees are not paid on a salary basis within the meaning of these regulations if they are employed occasionally for a few days, and the employer pays them a proportionate part of the weekly salary when so employed.

(7) An employer is not required to pay the full salary for weeks in which an exempt employee takes unpaid leave under the Family and Medical Leave Act. Rather, when an exempt employee takes unpaid leave under the Family and Medical Leave Act, an employer may pay a proportionate part of the full salary for time actually worked. For example, if an employee who normally works 40 hours per week uses four hours of unpaid leave under the Family and Medical Leave Act, the employer could deduct 10 percent of the employee's normal salary that week.

(c) When calculating the amount of a deduction from pay allowed under paragraph (b) of this section, the employer may use the hourly or daily equivalent of the employee's full weekly salary or any other amount proportional to the time actually missed by the employee. A deduction from pay as a penalty for violations of major safety rules under paragraph (b)(4) of this section may be made in any amount.

#### **§ 541.603 Effect of improper deductions from salary.**

(a) An employer who makes improper deductions from salary shall lose the exemption if the facts demonstrate that the employer did not intend to pay employees on a salary basis. An actual practice of making improper deductions demonstrates that the employer did not intend to pay employees on a salary basis. The factors to consider when determining whether an employer has an actual practice of making improper deductions include, but are not limited to: the number of improper deductions, particularly as compared to the number of employee infractions warranting discipline; the time period during which the employer made improper deductions; the number and geographic location of employees whose salary was improperly reduced; the number and geographic location of managers responsible for taking the improper deductions; and whether the employer has a clearly communicated policy permitting or prohibiting improper deductions.

(b) If the facts demonstrate that the employer has an actual practice of making improper deductions, the exemption is lost during the time period in which the improper deductions were made for employees in the same job classification working for the same managers responsible for the actual improper deductions. Employees in different job classifications or who work for different managers do not lose their status as exempt employees. Thus, for example, if a manager at a company facility routinely docks the pay of engineers at that facility for partial-day personal absences, then all engineers at that facility whose pay could have been improperly docked by the manager would lose the exemption; engineers at other facilities or working for other managers, however, would remain exempt.

(c) Improper deductions that are either isolated or inadvertent will not result in loss of the exemption for any employees subject to such improper deductions, if the employer reimburses the employees for such improper deductions.

(d) If an employer has a clearly communicated policy that prohibits the improper pay deductions specified in §541.602(a) and includes a complaint mechanism, reimburses employees for any improper deductions and makes a good faith commitment to comply in the future, such employer will not lose the exemption for any employees unless the employer willfully violates the policy by continuing to make improper deductions after receiving employee complaints. If an employer fails to reimburse employees for any improper deductions or continues to make improper deductions after receiving employee complaints, the exemption is lost during the time period in which the improper deductions were made for employees in the same job classification working for the same managers responsible for the actual improper deductions. The best evidence of a clearly communicated policy is a written policy that was distributed to employees prior to the improper pay deductions by, for example, providing a copy of the policy to employees at the time of hire, publishing the policy in an employee handbook or publishing the policy on the employer's Intranet.

(e) This section shall not be construed in an unduly technical manner so as to defeat the exemption.

#### **§ 541.604 Minimum guarantee plus extras.**

(a) An employer may provide an exempt employee with additional compensation without losing the exemption or violating the salary basis requirement, if the employment arrangement also includes a guarantee of at least the minimum weekly-required amount paid on a salary basis. Thus, for example, an exempt employee guaranteed at least \$455 each week paid on a salary basis may also receive additional compensation of a one percent commission on sales. An exempt employee also may receive a percentage of the sales or profits of the employer if the employment arrangement also includes a guarantee of at least \$455 each week paid on a salary basis. Similarly, the exemption is not lost if an exempt employee who is guaranteed at least \$455 each week paid on a salary basis also receives additional compensation based on hours worked for work beyond the normal workweek. Such additional compensation may be paid on any basis ( *e.g.*, flat sum, bonus payment, straight-time hourly amount, time and one-half or any other basis), and may include paid time off.

(b) An exempt employee's earnings may be computed on an hourly, a daily or a shift basis, without losing the exemption or violating the salary basis requirement, if the employment arrangement also includes a guarantee of at least the minimum weekly required amount paid on a salary basis regardless of the number of hours, days or shifts worked, and a reasonable relationship exists between the guaranteed amount and the amount actually earned. The reasonable relationship test will be met if the weekly guarantee is roughly equivalent to the employee's usual earnings at the assigned hourly, daily or shift rate for the employee's normal scheduled workweek. Thus, for example, an exempt employee guaranteed compensation of at least \$500 for any week in which the employee performs any work, and who normally works four or five shifts each week, may be paid \$150 per shift without violating the salary basis requirement. The reasonable relationship requirement applies only if the employee's pay is computed on an hourly, daily or shift basis. It does not apply, for example, to an exempt store manager paid a guaranteed salary of \$650 per week who also receives a commission of one-half percent of all sales in the store or five percent of the store's profits, which in some weeks may total as much as, or even more than, the guaranteed salary.

#### **§ 541.605 Fee basis.**

(a) Administrative and professional employees may be paid on a fee basis, rather than on a salary basis. An employee will be considered to be paid on a "fee basis" within the meaning of these regulations if the employee is paid an agreed sum for a single job regardless of the time required for its completion. These payments resemble piecework payments with the important distinction that generally a "fee" is paid for the kind of job that is unique rather than for a series of jobs repeated an indefinite number of times and for which payment on an identical basis is made over and over again. Payments based on the number of hours

or days worked and not on the accomplishment of a given single task are not considered payments on a fee basis.

(b) To determine whether the fee payment meets the minimum amount of salary required for exemption under these regulations, the amount paid to the employee will be tested by determining the time worked on the job and whether the fee payment is at a rate that would amount to at least \$455 per week if the employee worked 40 hours. Thus, an artist paid \$250 for a picture that took 20 hours to complete meets the minimum salary requirement for exemption since earnings at this rate would yield the artist \$500 if 40 hours were worked.

#### **§ 541.606 Board, lodging or other facilities.**

(a) To qualify for exemption under section 13(a)(1) of the Act, an employee must earn the minimum salary amount set forth in §541.600, “exclusive of board, lodging or other facilities.” The phrase “exclusive of board, lodging or other facilities” means “free and clear” or independent of any claimed credit for non-cash items of value that an employer may provide to an employee. Thus, the costs incurred by an employer to provide an employee with board, lodging or other facilities may not count towards the minimum salary amount required for exemption under this **part 541**. Such separate transactions are not prohibited between employers and their exempt employees, but the costs to employers associated with such transactions may not be considered when determining if an employee has received the full required minimum salary payment.

(b) Regulations defining what constitutes “board, lodging, or other facilities” are contained in 29 CFR part 531. As described in 29 CFR 531.32, the term “other facilities” refers to items similar to board and lodging, such as meals furnished at company restaurants or cafeterias or by hospitals, hotels, or restaurants to their employees; meals, dormitory rooms, and tuition furnished by a college to its student employees; merchandise furnished at company stores or commissaries, including articles of food, clothing, and household effects; housing furnished for dwelling purposes; and transportation furnished to employees for ordinary commuting between their homes and work.

### **SUBPART H DEFINITIONS AND MISCELLANEOUS PROVISIONS**

#### **§ 541.700 Primary duty.**

(a) To qualify for exemption under this part, an employee's “primary duty” must be the performance of exempt work. The term “primary duty” means the principal, main, major or most important duty that the employee performs. Determination of an employee's primary duty must be based on all the facts in a particular case, with the major emphasis on the character of the employee's job as a whole. Factors to consider when determining the primary duty of an employee include, but are not limited to, the relative importance of the exempt duties as compared with other types of duties; the amount of time spent performing exempt work; the employee's relative freedom from direct supervision; and the relationship between the employee's salary and the wages paid to other employees for the kind of nonexempt work performed by the employee.

(b) The amount of time spent performing exempt work can be a useful guide in determining whether exempt work is the primary duty of an employee. Thus, employees who spend more than 50 percent of their time performing exempt work will generally satisfy the primary duty requirement. Time alone, however, is not the sole test, and nothing in this section requires that exempt employees spend more than 50 percent of their time performing exempt work. Employees who do not spend more than 50 percent of their time performing exempt duties may nonetheless meet the primary duty requirement if the other factors support such a conclusion.

(c) Thus, for example, assistant managers in a retail establishment who perform exempt executive work such as supervising and directing the work of other employees, ordering merchandise, managing the budget and authorizing payment of bills may have management as their primary duty even if the assistant managers spend more than 50 percent of the time performing nonexempt work such as running the cash register. However, if such assistant managers are closely supervised and earn little more than the nonexempt employees, the assistant managers generally would not satisfy the primary duty requirement.

#### **§ 541.701 Customarily and regularly.**

The phrase “customarily and regularly” means a frequency that must be greater than occasional but which, of course, may be less than constant. Tasks or work performed “customarily and regularly” includes work normally and recurrently performed every workweek; it does not include isolated or one-time tasks.

#### **§ 541.702 Exempt and nonexempt work.**

The term “exempt work” means all work described in §§541.100, 541.101, 541.200, 541.300, 541.301, 541.302, 541.303, 541.304, 541.400 and 541.500, and the activities directly and closely related to such work. All other work is considered “nonexempt.”

#### **§ 541.703 Directly and closely related.**

(a) Work that is “directly and closely related” to the performance of exempt work is also considered exempt work. The phrase “directly and closely related” means tasks that are related to exempt duties and that contribute to or facilitate performance of exempt work. Thus, “directly and closely related” work may include physical tasks and menial tasks that arise out of exempt duties, and the routine work without which the exempt employee's exempt work cannot be performed properly. Work “directly and closely related” to the performance of exempt duties may also include recordkeeping; monitoring and adjusting machinery; taking notes; using the computer to create documents or presentations; opening the mail for the purpose of reading it and making decisions; and using a photocopier or fax machine. Work is not “directly and closely related” if the work is remotely related or completely unrelated to exempt duties.

(b) The following examples further illustrate the type of work that is and is not normally considered as directly and closely related to exempt work:

(1) Keeping time, production or sales records for subordinates is work directly and closely related to an exempt executive's function of managing a department and supervising employees.

(2) The distribution of materials, merchandise or supplies to maintain control of the flow of and expenditures for such items is directly and closely related to the performance of exempt duties.

(3) A supervisor who spot checks and examines the work of subordinates to determine whether they are performing their duties properly, and whether the product is satisfactory, is performing work which is directly and closely related to managerial and supervisory functions, so long as the checking is distinguishable from the work ordinarily performed by a nonexempt inspector.

(4) A supervisor who sets up a machine may be engaged in exempt work, depending upon the nature of the industry and the operation. In some cases the setup work, or adjustment of the machine for a particular job, is typically performed by the same employees who operate the machine. Such setup work is part of the production operation and is not exempt. In other cases, the setting up of the work is a highly skilled operation which the ordinary production worker or machine tender typically does not perform. In large plants, non-supervisors may perform such work. However, particularly in small plants, such work may be

a regular duty of the executive and is directly and closely related to the executive's responsibility for the work performance of subordinates and for the adequacy of the final product. Under such circumstances, it is exempt work.

(5) A department manager in a retail or service establishment who walks about the sales floor observing the work of sales personnel under the employee's supervision to determine the effectiveness of their sales techniques, checks on the quality of customer service being given, or observes customer preferences is performing work which is directly and closely related to managerial and supervisory functions.

(6) A business consultant may take extensive notes recording the flow of work and materials through the office or plant of the client; after returning to the office of the employer, the consultant may personally use the computer to type a report and create a proposed table of organization. Standing alone, or separated from the primary duty, such note-taking and typing would be routine in nature. However, because this work is necessary for analyzing the data and making recommendations, the work is directly and closely related to exempt work. While it is possible to assign note-taking and typing to nonexempt employees, and in fact it is frequently the practice to do so, delegating such routine tasks is not required as a condition of exemption.

(7) A credit manager who makes and administers the credit policy of the employer, establishes credit limits for customers, authorizes the shipment of orders on credit, and makes decisions on whether to exceed credit limits would be performing work exempt under §541.200. Work that is directly and closely related to these exempt duties may include checking the status of accounts to determine whether the credit limit would be exceeded by the shipment of a new order, removing credit reports from the files for analysis, and writing letters giving credit data and experience to other employers or credit agencies.

(8) A traffic manager in charge of planning a company's transportation, including the most economical and quickest routes for shipping merchandise to and from the plant, contracting for common-carrier and other transportation facilities, negotiating with carriers for adjustments for damages to merchandise, and making the necessary rearrangements resulting from delays, damages or irregularities in transit, is performing exempt work. If the employee also spends part of the day taking telephone orders for local deliveries, such order-taking is a routine function and is not directly and closely related to the exempt work.

(9) An example of work directly and closely related to exempt professional duties is a chemist performing menial tasks such as cleaning a test tube in the middle of an original experiment, even though such menial tasks can be assigned to laboratory assistants.

(10) A teacher performs work directly and closely related to exempt duties when, while taking students on a field trip, the teacher drives a school van or monitors the students' behavior in a restaurant.

#### **§ 541.704 Use of manuals.**

The use of manuals, guidelines or other established procedures containing or relating to highly technical, scientific, legal, financial or other similarly complex matters that can be understood or interpreted only by those with advanced or specialized knowledge or skills does not preclude exemption under section 13(a)(1) of the Act or the regulations in this part. Such manuals and procedures provide guidance in addressing difficult or novel circumstances and thus use of such reference material would not affect an employee's exempt status. The section 13(a)(1) exemptions are not available, however, for employees who simply apply well-established techniques or procedures described in manuals or other sources within closely prescribed limits to determine the correct response to an inquiry or set of circumstances.

### **§ 541.705 Trainees.**

The executive, administrative, professional, outside sales and computer employee exemptions do not apply to employees training for employment in an executive, administrative, professional, outside sales or computer employee capacity who are not actually performing the duties of an executive, administrative, professional, outside sales or computer employee.

### **§ 541.706 Emergencies.**

(a) An exempt employee will not lose the exemption by performing work of a normally nonexempt nature because of the existence of an emergency. Thus, when emergencies arise that threaten the safety of employees, a cessation of operations or serious damage to the employer's property, any work performed in an effort to prevent such results is considered exempt work.

(b) An "emergency" does not include occurrences that are not beyond control or for which the employer can reasonably provide in the normal course of business. Emergencies generally occur only rarely, and are events that the employer cannot reasonably anticipate.

(c) The following examples illustrate the distinction between emergency work considered exempt work and routine work that is not exempt work:

(1) A mine superintendent who pitches in after an explosion and digs out workers who are trapped in the mine is still a bona fide executive.

(2) Assisting nonexempt employees with their work during periods of heavy workload or to handle rush orders is not exempt work.

(3) Replacing a nonexempt employee during the first day or partial day of an illness may be considered exempt emergency work depending on factors such as the size of the establishment and of the executive's department, the nature of the industry, the consequences that would flow from the failure to replace the ailing employee immediately, and the feasibility of filling the employee's place promptly.

(4) Regular repair and cleaning of equipment is not emergency work, even when necessary to prevent fire or explosion; however, repairing equipment may be emergency work if the breakdown of or damage to the equipment was caused by accident or carelessness that the employer could not reasonably anticipate.

### **§ 541.707 Occasional tasks.**

Occasional, infrequently recurring tasks that cannot practicably be performed by nonexempt employees, but are the means for an exempt employee to properly carry out exempt functions and responsibilities, are considered exempt work. The following factors should be considered in determining whether such work is exempt work: Whether the same work is performed by any of the exempt employee's subordinates; practicability of delegating the work to a nonexempt employee; whether the exempt employee performs the task frequently or occasionally; and existence of an industry practice for the exempt employee to perform the task.

### **§ 541.708 Combination exemptions.**

Employees who perform a combination of exempt duties as set forth in the regulations in this part for executive, administrative, professional, outside sales and computer employees may qualify for exemption. Thus, for example, an employee whose primary duty involves a combination of exempt administrative

and exempt executive work may qualify for exemption. In other words, work that is exempt under one section of this part will not defeat the exemption under any other section.

**§ 541.709 Motion picture producing industry.**

The requirement that the employee be paid “on a salary basis” does not apply to an employee in the motion picture producing industry who is compensated at a base rate of at least \$695 a week (exclusive of board, lodging, or other facilities). Thus, an employee in this industry who is otherwise exempt under subparts B, C or D of this part, and who is employed at a base rate of at least \$695 a week is exempt if paid a proportionate amount (based on a week of not more than 6 days) for any week in which the employee does not work a full workweek for any reason. Moreover, an otherwise exempt employee in this industry qualifies for exemption if the employee is employed at a daily rate under the following circumstances:

(a) The employee is in a job category for which a weekly base rate is not provided and the daily base rate would yield at least \$695 if 6 days were worked; or

(b) The employee is in a job category having a weekly base rate of at least \$695 and the daily base rate is at least one-sixth of such weekly base rate.

**§ 541.710 Employees of public agencies.**

(a) An employee of a public agency who otherwise meets the salary basis requirements of §541.602 shall not be disqualified from exemption under §§541.100, 541.200, 541.300 or 541.400 on the basis that such employee is paid according to a pay system established by statute, ordinance or regulation, or by a policy or practice established pursuant to principles of public accountability, under which the employee accrues personal leave and sick leave and which requires the public agency employee's pay to be reduced or such employee to be placed on leave without pay for absences for personal reasons or because of illness or injury of less than one work-day when accrued leave is not used by an employee because:

(1) Permission for its use has not been sought or has been sought and denied;

(2) Accrued leave has been exhausted; or

(3) The employee chooses to use leave without pay.

(b) Deductions from the pay of an employee of a public agency for absences due to a budget-required furlough shall not disqualify the employee from being paid on a salary basis except in the workweek in which the furlough occurs and for which the employee's pay is accordingly reduced.

The New Jersey Department of Labor and Workforce Development is an equal opportunity employer with equal opportunity programs. Auxiliary aids and services are available upon request to individuals with disabilities.



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