pAI

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Policy Title: Overtime & Compensatory Time Policy

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9. Purpose

This policy establishes pAI’s guidelines for working hours that exceed the standard workweek, including the authorization, calculation, and compensation of overtime, or the provision of compensatory time off. Its purpose is to ensure fair compensation, compliance with labor laws, and efficient management of extended working hours.

1. Scope

This policy applies to all pAI employees globally. Specific provisions regarding eligibility for overtime pay versus compensatory time, and the calculation methods, will vary based on the employee’s classification (exempt or non-exempt) and applicable local labor laws.

1. Definitions

| **Term** | **Definition** |
| --- | --- |
| **Compensatory Time (Comp Time)** | Paid time off granted to an eligible employee in lieu of monetary overtime pay, for hours worked beyond the standard workweek. |
| **Exempt Employee** | An employee who, by virtue of their job duties, responsibilities, and salary level, is exempt from federal and local overtime pay requirements. |
| **Non-Exempt Employee** | An employee who is eligible for overtime pay under applicable federal and local labor laws. |
| **Overtime** | Hours worked by a non-exempt employee in excess of the standard workweek (typically 40 hours in a 7-day period), or as defined by local law. |
| **Standard Workweek** | The regular number of hours an employee is expected to work per week, typically 40 hours for full-time employees, as defined in pAI’s Working Hours & Attendance Policy (See Policy HR-07). |
| **Time-and-a-Half** | Overtime pay calculated at 1.5 times the employee’s regular hourly rate. |
| **Unauthorized Overtime** | Any hours worked beyond the standard workweek that were not explicitly approved in advance by the employee’s manager. |

1. Policy Statement

4.1 All overtime work for non-exempt employees must be authorized in advance by the employee’s direct manager.

4.2 Non-exempt employees shall be compensated for authorized overtime hours in accordance with applicable local labor laws, typically at a rate of time-and-a-half.

4.3 Exempt employees are not eligible for overtime pay or compensatory time. Their salaries are intended to compensate them for all hours worked to fulfill their job responsibilities.

4.4 All hours worked, including any overtime, must be accurately recorded in pAI’s designated timekeeping system (See Policy HR-07).

4.5 pAI encourages efficient work practices and discourages excessive overtime, recognizing its potential impact on employee well-being and operational costs.

1. Procedures / Guidelines

5.1 Overtime Authorization (Non-Exempt Employees)

5.1.1 Prior Approval: All overtime work must be pre-approved by the employee’s immediate manager. Employees are strictly prohibited from working unauthorized overtime.

5.1.2 Request Process: Employees anticipating the need to work overtime must submit a request to their manager, detailing the reason for the overtime and the estimated hours.

5.1.3 Manager Approval: Managers shall assess the necessity of overtime, considering business needs and budget constraints, before providing written or documented approval. Verbal approval may be given in urgent situations but must be followed by documented approval.

5.1.4 Unauthorized Overtime: Any hours worked without prior authorization will not be compensated and may lead to disciplinary action. However, all hours worked must still be accurately recorded.

5.2 Overtime Calculation and Payment (Non-Exempt Employees)

5.2.1 Standard Calculation: Overtime is generally calculated for hours worked in excess of 40 hours in a defined 7-day workweek. The workweek typically runs from Monday 12:00 AM to Sunday 11:59 PM.

5.2.2 Rate of Pay: Authorized overtime hours will be compensated at a rate of one and one-half (1.5) times the employee’s regular hourly rate.

5.2.3 Timekeeping: Non-exempt employees must accurately record all hours worked, including regular hours, overtime hours, and meal breaks, using the pAI timekeeping system (See Policy HR-07).

5.2.4 Payroll Cycle: Overtime pay will be included in the employee’s regular paycheck for the pay period in which the overtime was worked.

Table 1 – Overtime Calculation Example (Non-Exempt Employee)

| **Weekday** | **Hours Worked** | **Regular Rate ($/hr)** | **Overtime Rate ($/hr)** | **Calculation** |
| --- | --- | --- | --- | --- |
| Monday | 8 | $20 | N/A | $160 |
| Tuesday | 9 | $20 | N/A | $180 |
| Wednesday | 10 | $20 | N/A | $200 |
| Thursday | 8 | $20 | N/A | $160 |
| Friday | 7 | $20 | N/A | $140 |
| **Total Regular Hours** | **42** |  |  |  |
| **Overtime Hours** | **2** |  | $30 | $60 |
| **Total Weekly Pay** |  |  |  | **$900** |
| *Note: In this example, 2 hours are paid at the overtime rate (42 total hours - 40 standard hours = 2 overtime hours).* |  |  |  |  |

5.3 Compensatory Time (Comp Time)

5.3.1 Eligibility: Comp time may be offered in lieu of overtime pay only to certain non-exempt employees, if permitted by local law and explicitly authorized by pAI for specific roles or projects. This is not a universal entitlement.

5.3.2 Accrual: For every hour of authorized overtime worked, eligible employees may accrue 1.5 hours of compensatory time.

5.3.3 Usage: Comp time must be used within a specified period (e.g., 90 days) and is subject to manager approval, similar to vacation leave requests (See Policy HR-08).

5.3.4 Payout: If accrued comp time is not used within the designated period, or upon termination of employment, it will be paid out at the employee’s then-current regular hourly rate, or as required by local law.

5.4 Exempt Employees

5.4.1 Exempt employees are salaried and are expected to work the hours necessary to complete their job duties. Their compensation is not based on hours worked and they are not eligible for overtime pay or compensatory time.

5.5 Meal and Rest Breaks

5.5.1 Employees working overtime must still adhere to pAI’s policy on meal and rest breaks (See Policy HR-07, Section 5.3). These breaks are not considered hours worked for overtime calculation purposes unless specified by local law.

1. Responsibilities

| **Role** | **Obligation** |
| --- | --- |
| **Employees (Non-Exempt)** | Obtain prior authorization for all overtime work. Accurately record all hours worked, including overtime, in the timekeeping system. |
| **Employees (Exempt)** | Manage their time effectively to complete duties without expectation of additional compensation for hours worked beyond standard. |
| **Managers / Supervisors** | Authorize overtime only when necessary and justified. Monitor employee hours to prevent unauthorized overtime. Ensure accurate timekeeping records are submitted and approved. |
| **Human Resources** | Develop, implement, and interpret this policy. Provide guidance on employee classification (exempt/non-exempt). Ensure compliance with all applicable labor laws regarding overtime. |
| **Payroll Department** | Accurately calculate and process overtime payments or track compensatory time based on approved records. |

1. Compliance & Consequences

7.1 Adherence to this Overtime & Compensatory Time Policy is mandatory for all employees and managers.

7.2 Unauthorized Overtime: Working overtime without prior authorization may result in non-payment for those hours and disciplinary action, up to and including termination of employment.

7.3 Falsification of Records: Falsifying time records (e.g., misrepresenting hours worked, clocking in/out for others) is a serious violation of pAI policy and will result in immediate disciplinary action, up to and including termination of employment.

7.4 Managerial Non-Compliance: Managers who fail to properly authorize or record overtime, or who pressure employees to work off-the-clock, will be subject to disciplinary action.

1. Review & Revision History

| **Version** | **Date** | **Description** | **Author** |
| --- | --- | --- | --- |
| 1.0 | 2025-07-01 | Initial release | HR Director |