

How Can I Pay My Employees?

Unless you are a volunteer organization, you have to pay your employees. The wage earned per year can be determined by one of three methods: commission, hourly, and salary. ("Salary" can refer to either the wage per year or the method of wage payment of giving a set amount per year.) Each one has its benefits.

1. Commission

Commission is determined by the goods sold or completed. This method only works with sales or product creation. The employee earns either a set amount per item made or a set percentage of what he or she sells. There is no minimum wage, for the wage is considered self-determined: the more the employee sells, the more he earns. This can be given on top of a salary or an hourly wage.

For example, someone who makes certain crafts for a company may make \$0.50 per mini keychain. Or, if a sales employee earns 20% percent commission and gets a customer to buy a \$30 knife, the employee earns \$6 of that \$30. Some companies manage the percent commission by having the employees buy the company goods for 80% the list price for the employee to resell to the customer to earn the 20% commission.

Sometimes the company has minimum requirements for how much must be sold a month, and the employee must buy that much of the company goods each month he or she does not sell enough. You only pay your employees for work completed. However, it is limited, for it cannot apply to all jobs. Also, a number of employees dislike this method because it can take a long time before it can provide a full-time income.

2. Hourly

Hourly wage is determined by time worked, and working more than a certain number of hours a week (overtime) must be paid 1.5 times the usual pay (with some exceptions in some types of businesses and jobs). This is by far the most common form of wage in the United States and is therefore the form of wage that most employees are most comfortable and familiar with.

For example, if an employee works 50 hours in one week and is paid \$6.00 per hour, he or she earns $40 \times \$6.00 + 10 \times (1.5 \times \$6.00)$, totaling \$330 for that week.

Federal minimum wage is \$5.15 an hour with a few exceptions; check with your state's laws for exceptions, since the state minimum wage law applies if it is higher than the federal, and some states have some further regulations. Vacation, sick leave, holiday, and severance pay are not federally required, though your state may demand otherwise. Employees prefer such pay bonuses, as well.

3. Salary

Salary is theoretically one set amount paid per year to get the work done; in actuality many employees on salary work 40 hours a week then go home whether the work is completed or not. This is not immensely common, though it can be popular among employers in jobs that often have overtime work because overtime pay is theoretically included.

For example, an employee doing customs paperwork may be paid \$60,000 a year, without any further remuneration for overtime or other usual bonuses, since the salary presumably includes such considerations.

Though popular among some employers, it is less so among employees. You may have difficulty finding and keeping employees, and you are unlikely to receive more than 40 hours of work out of your employees. (Most exceptions occur if the employee is federally responsible if the job does not get done, as with customs paperwork, if the employee enjoys the job, as can encourage more work, or if the employee has religious incentive to complete the work expected, as with the Puritan Work Ethic.)