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U.S. DEPARTMENT OF LABOR  
WAGE AND HOUR DIVISION  
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INTERPRETATIVE BULLETIN ON DEDUCTIONS FROM WAGES

Administrator Elmer F. Andrews of the Wage and Hour Division of the U.S. Department of Labor today (Friday) issued an interpretative bulletin outlining to employers the requirements of the Fair Labor Standards Act on methods of payment of employees.

Accompanying the interpretative bulletin were regulations required under Section 3 (m) of the law determining the reasonable cost of board, lodging and other facilities furnished to employees as part of their compensation.

The bulletin set forth the basic principle that the Act does not permit excessive deductions from wages for the purpose of evading minimum-wage requirements. It stated that the law does not allow an employer to profit from the furnishing of such facilities if that profit would bring the wage below the minimum requirements of the law.

Proper mediums of payment under the Act were declared to be currency or checks payable at par. Scrip was held not to constitute wages, except that if facilities are purchased with scrip, the cost of these facilities to the employer would constitute wages.

The bulletin also ruled that overtime computations, which are made at the rate of not less than time and one-half, should be made without regard to deductions. To compute overtime compensation, the employer would simply take the agreed wage prior to any deductions.

In accordance with the bulletin, the accompanying regulations stated, "Reasonable cost does not include a profit to the employer or to any affiliated person." This was in line with the determination in the regulation that "reasonable cost" under Section 3 (m) is "not more than the actual cost to the employer of the board, lodging or other facilities customarily furnished by him to his employees."

The cost of furnishing facilities which are primarily for the benefit or convenience of the employer cannot be included in computing wages, when this would bring the cash wage below the minimum wage. An example of such facilities would be tools of the trade or helpers.

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