

COMPARING PAY SCHEDULES: WHICH TYPE FITS YOUR BUSINESS?



WHAT IS A PAY SCHEDULE?

Pay Frequency (weekly, bi-weekly, semi-monthly, monthly)
 + Pay Dates (Friday 5/17, Friday, 5/24, etc.)
 = Pay Schedule (when and how often employees are paid).

Pay dates are commonly a few days after the end of a pay period. If a weekly pay period runs Thursday 5/9 through Wednesday 5/15, the actual pay date might not occur until Friday 5/17.

THE FOUR MOST COMMON PAY SCHEDULES

7 WEEKLY

52 Pay Periods Per Year | **40** Hours Per Pay Period

Advantages:

- Favored by hourly workers.
- Overtime payouts processed faster.
- New hires are paid quickly.

Challenges:

- High time and cost to process payroll (4-5 times/month).
- Frequent small payouts may hinder long-term financial planning.

BI-WEEKLY

26 Pay Periods Per Year | **80** Hours Per Pay Period

Advantages:

- Easier overtime calculations for hourly workers.
- Fewer pay periods reduce payroll costs.

Challenges:

- 2 extra pay periods in a year complicate benefits deductions.
- Leap years may shift pay dates, requiring manual adjustments.

31 SEMI-MONTHLY

24 Pay Periods Per Year | **86.67** Hours Per Pay Period

Advantages:

- Aligns neatly with monthly deductions.
- Simplifies accounting with two checks per month.

Challenges:

- Pay periods don't align neatly with 40-hour workweeks.
- Complicates overtime calculations and commission payouts.

MONTHLY

12 Pay Periods Per Year | **173.33** Hours Per Pay Period

Advantages:

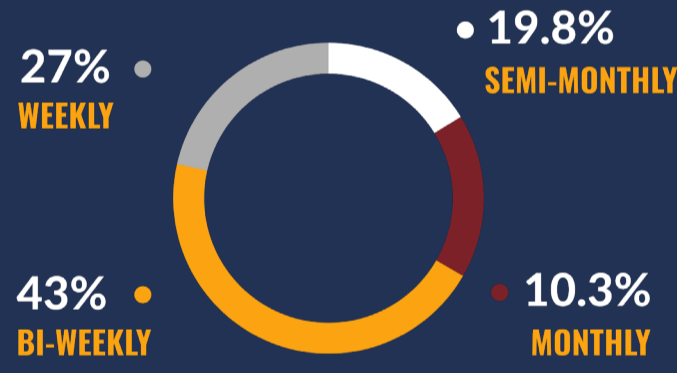
- Lowest payroll processing cost and time required.
- Ideal for monthly benefit deductions.

Challenges:

- Least preferred by employees.
- May result in long-delayed first pay for new hires.

WHICH PAY SCHEDULE IS MOST POPULAR?

According to the Bureau of Labor Statistics¹, here's how businesses in the U.S. are distributed between these four pay schedules:



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MOST COMMON INDUSTRY FOR EACH PAY SCHEDULE

Weekly - Education/Health
 Bi-weekly - Construction
 Semi-monthly - Information
 Monthly - Financial

FACTORS TO CONSIDER BEFORE YOUR DECIDE

LEGAL REQUIREMENTS

Ensure compliance with state pay frequency laws.

OVERTIME RULES

Federal law requires weekly overtime calculations, even for semi-monthly pay.

TOTAL COSTS

Choose a schedule that fits the limits of your payroll budget.

PAYROLL DEDUCTIONS

Make sure your schedule aligns with monthly insurance or benefit payments.

WHAT'S THE RIGHT PAY SCHEDULE FOR YOUR BUSINESS?

Every business is unique, and all of these pay schedules can be effective in the right circumstances.

Your choice will come down to a balance of employee satisfaction, legal compliance, and business efficiency.

Whatever you decide, SPLI can help to take paperwork off of your plate and streamline your payroll processes — so that you can focus on your business.

HAVE QUESTIONS ABOUT PAYROLL? CONTACT AN SPLI EXPERT TODAY!

¹ <https://www.bls.gov/ces/publications/length-pay-period.htm>