

Implementation of Ensuring Minimum Wage for Commission Employees in Workday Payroll

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Abstract – This article focusses on explaining how we can build a solution to pay the commission employees with the minimum wage for the hours recorded if the commission employees not making enough commission using the various option of calculations available in Workday Payroll. This research paper used the delivered functionality of Workday Payroll to model this business function and attach it to Earnings. This research outcome will provide the Workday Payroll view based on US payroll rules. This article proves the success of this design with a successful live case study by implementing this design in Retail industry with over 30000 employees and concludes with the implementation strategy.

Keywords: Workday Payroll, Calculation Engine, Earnings, Pay Component Groups, Arithmetic Calculation, Aggregate Calculation, Allowance Plan

1. Introduction

Organizations having employees in USA need to adhere to legal requirements like OT rules, FLSA calculation and minimum wage. One of the main requirements which needs to comply was the minimum wage which is required to pay to employees irrespective of the rate agreed between the organization and employee. The main challenge on this minimum wage is the various types of minimum wage and the nature of wage amount changing based on US Federal and State Government. Failure of not paying the employee with the minimum wage rules will lead to law suits and penalties. For Commission based employees, we need to apply 1.5 times the minimum wage and not just the minimum wage. This article will provide one of the best options which can be designed in Workday payroll as configuration.

2. What is Workday Payroll?

Workday Payroll is a Cloud-Based payroll management solution which is designed to automate and streamline the payroll business process for organizations irrespective of sizes and categories of employees. It helps payroll businesses to effectively manage their employees' compensation, earnings and deductions configuration rules, tax deductions, tax compliance, payroll reporting, and payroll analytics in a single software solution platform. Workday Payroll offers real-time calculations, managing FLSA rules, delivered connectors with major vendors like ADP, Fidelity, seamless integrations between HR and Finance Systems. Workday Payroll also comes in with best user self-service experience interface, maintaining employee tax elections, direct deposit information and pre built audit controls which make payroll administrator to administer the payroll activities effectively.

3. What is Minimum Wage?

Minimum wage is the lowest hourly amount that an employee should be paid for their labor which is determined by US Federal and State labor laws. Under the Federal Labor Standards Act, states and localities are permitted to set their own minimum wage rate, which will take precedence over the federal minimum wage rate if they are higher. The Federal Minimum wage remains at \$7.25 per hour. Each state and local can have their own minimum wage. In states that do not set a minimum wage rate or have an antiquated minimum wage rate that is less than the rate set by the Federal government, the Federal minimum wage rate will take precedence and apply to all employees within that state. This minimum wage is always effective on a date which is determined by state and hence this needs to be maintained effective date wise.

Types of Minimum Wage:

Custom Minimum Wage: A flat rate defined by the employer.

Payroll Authority Minimum Wage: Rates maintained by payroll authorities.

Calculated Minimum Wage: Rates determined through specific calculations.

4. Workday Delivered Minimum Wage Functionality

As part of the Workday Payroll Solution, the minimum wage of Federal and State is delivered by Workday whereas for local level minimum wage we need to design to capture the same and use it for compensation or in payroll based on the requirement.



Start Date	Value
07/01/2009	7.25
07/01/2010	6.50
05/01/2009	5.50

Figure 1: Workday Federal Minimum Wage



Start Date	Value
01/01/2025	16.50
01/01/2024	16.00
01/01/2023	15.00
01/01/2022	14.00

Figure 2: Workday State Minimum Wage



Start Date	Value
01/01/2025	17.00
01/01/2024	15.00
01/01/2023	14.50
01/01/2022	14.75

Figure 3: Workday Local Minimum Wage

- 5. Workday Compensation can use the minimum wage and update the rate of the employees' compensation, but it will be updated for everyone in the state and any exceptions to the local minimum wage are not managed.

6. Arithmetic Calculation

An **arithmetic calculation** is a method used to perform basic mathematical operations on two values. The supported operations include:

- **Addition:** Combines two values.
- **Subtraction:** Finds the difference between two values.
- **Multiplication:** Multiplies two values.
- **Division:** Divides one value by another.

Key Features

- **Single Operation:** Only one operation can be performed between two operands.
- **Rounding:** If rounding is not specified, results are automatically rounded to the nearest 1/100th (0.01).
- **Currency Consideration:** If the field type is currency, all fields in the calculation must share the same currency code.

Usage

Arithmetic calculations are typically used to derive numeric values from currency or numeric fields, such as calculating profit margins or adjusting financial figures.

7. Instance Set Comparison Calculation

An **instance set comparison calculation** is primarily used to evaluate a report field or a custom field against a value or a set of values using relational operators. These calculations can serve as conditions within **conditional calculations** or **logic calculations**. They are also applicable to determine eligibility in pay and absence components.

Key Features:

- **Relational Operators:** Common operators include:
 - Exact match with the selection list
 - Is empty
 - Is not empty
 - Not in the selection list
- **Usage:** They help in assessing whether a worker meets specific criteria, such as:
 - Worker type (e.g., not an hourly worker)
 - Active withholding orders (e.g., child support)
 - Academic periods (e.g., Spring 2017)

Importance:

Using instance set comparison calculations ensures accurate evaluations, particularly when determining eligibility for various components in payroll and absence management.

Live Case Study – Configure Minimum Wage Adjustment and process in Payroll

One of the Top fitness club companies which got more than 30000 employees across USA and Canada has been using the Workday payroll. This organization has various types of employees like salaried, hourly, commission, exempt 71 commission, unit rate etc.

Requirement

1. This organization has is having clubs across all 50 states of USA and there is a specific requirement for commission employees wherein their minimum wage needs to be computed based on the 1.5 times of federal/state minimum wage
2. The requirement in payroll is to calculate all the earnings the employees earned during the payroll processing and compare the entire gross with the 1.5 times the federal/state minimum wage amount. If the gross calculated by the payroll processing is greater than or equal to the 1.5 times of federal/state minimum wage amount, then there is no need to pay

the Minimum Wage Adjustment and if it is not equal then pay the difference between the Calculated Gross and 1.5 times of federal/state minimum wage amount assigned to the employee.

Implementation Methodology

We have achieved this solution by creating new Payroll Earnings will be configured as MWA Commission Adjustment and an override calculation was designed using Workday calculation features like conditional calculation, pay balances, pay component groups, balance period etc. to check the total gross earned against the Bridge Pay and compute the difference.

Pay Component Group

A pay component group is a collection of earnings, deductions, and related calculations that provide an aggregate value for a specific period or subperiod. These groups are essential for calculations and reporting within payroll systems.

Key Features:

- **Types of Components:** Includes earnings (like gross pay and employer-paid benefits) and deductions (such as taxes and withholding orders).
- **Custom Creation:** Users can create their own pay component groups in addition to those delivered by the system.
- **Limitations:**
 - Do not represent values over multiple periods.
 - Do not support subtraction; for that, pay balances or arithmetic calculations should be used.
- **Filtering:** Pay component groups filter by worktag, although pay accumulations can be configured to not filter by worktags.

Step 1: Creation of new Instance Set Comparism to identify Commission Employees based on Compensation Plan

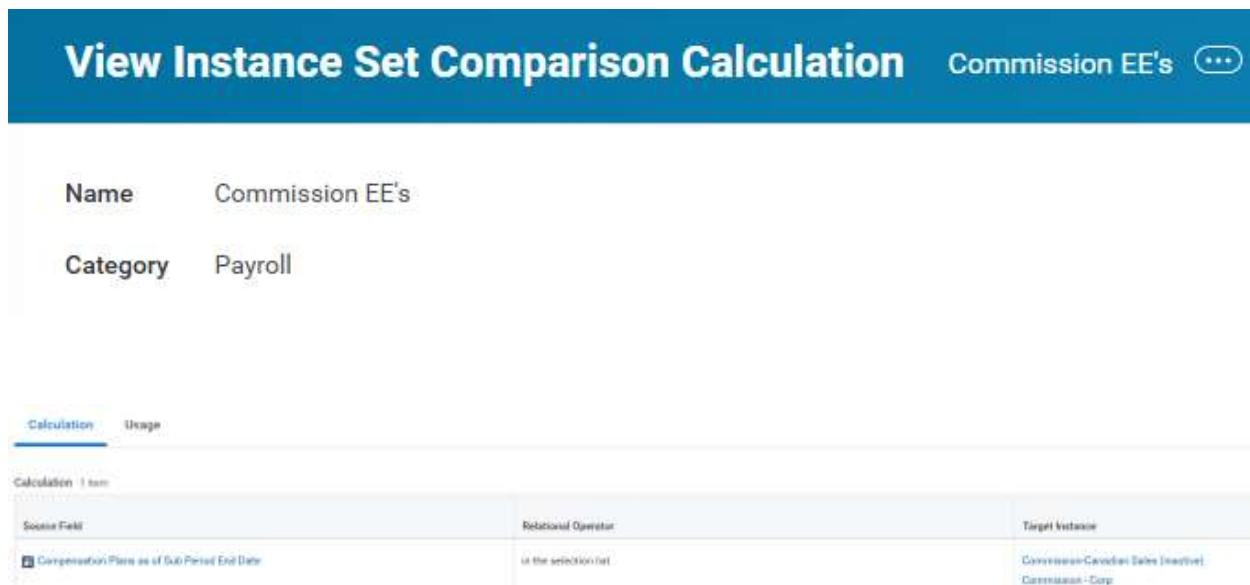
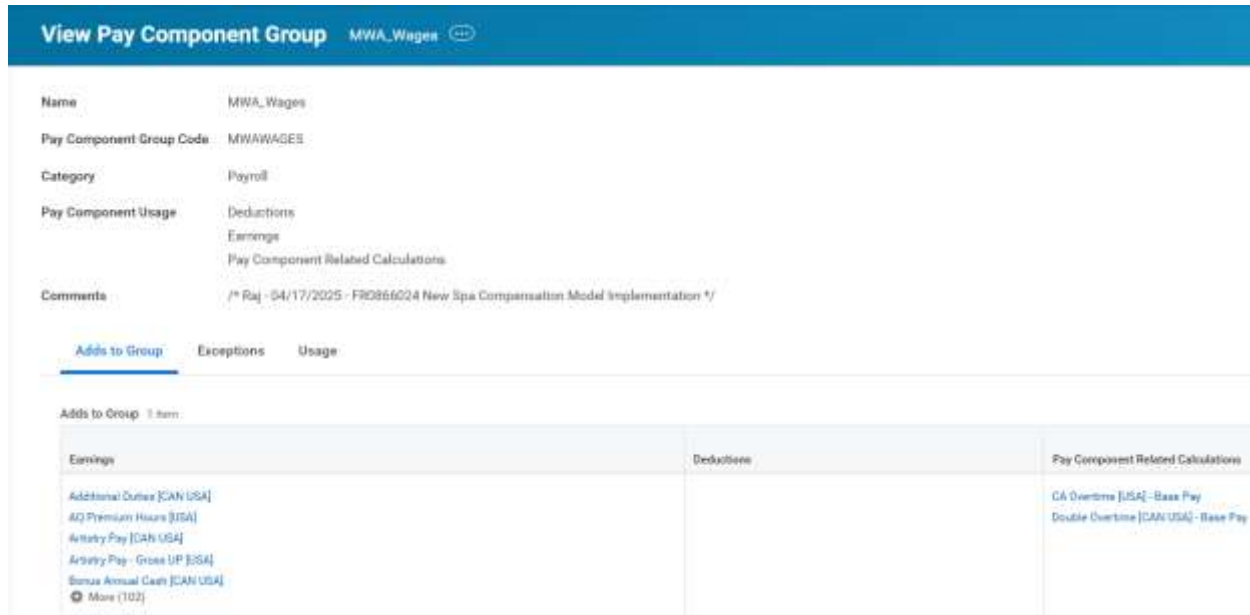


Figure 1: Commission Employees Identification

Step 2: Create of New Pay Component Group to get all the wages computed in current payroll processing period



View Pay Component Group MWA_Wages

Name: MWA_Wages
Pay Component Group Code: MWAWAGEE
Category: Payroll
Pay Component Usage: Deductions, Earnings, Pay Component Related Calculations
Comments: /* Raj - 04/17/2025 - FRO866024 New Spa Compensation Model Implementation */

Buttons: **Adds to Group**, **Exceptions**, **Usage**

Adds to Group 1 item:

Earnings	Deductions	Pay Component Related Calculations
Additional Duties [CAN USA] AQ Premium Hours [USA] Artery Pay [CAN USA] Artery Pay - Gross UP [USA] Bonus Annual Cash [CAN USA] More (102)		CA Overtime [USA] - Base Pay Double Overtime [CAN USA] - Base Pay

Figure 2: New Pay Component Group

Step 3: Create an arithmetic calculation to compute the Minimum Wage * 1.5



View Arithmetic Calculation MinWage*1.5

Name: MinWage*1.5
Category: Payroll

Buttons: **Calculation**, **Usage**

Calculation 1 item:

1st Operand	Operator	2nd Operand
Maximum of Federal/State/Local Min Wage	Multiply	1.5

Rounding: Round to nearest 0.01

Figure 3: Arithmetic calculation – Minimum Wage * 1.5

Step 4: Create an arithmetic calculation to compute the hours clocked for the period * 1.5 time of minimum Wage



View Arithmetic Calculation FLSA Hours*Commission Rate (09282025)

Name: FLSA Hours*Commission Rate (09282025)
Category: Payroll

Calculation		Usage
1 Item		
1st Operand	Operator	2nd Operand
FLSA Hours [USA]	Multiply	Commission MW Rate Adjusted for State Rounding_09282025

Rounding: Round to nearest 0.01

Figure 5: Hours * 1.5 times Minimum Wage

Step 5: Create an arithmetic calculation to subtract the Hours * 1.5 times Minimum Wage from the Wages received for the period

View Arithmetic Calculation		Commission MW Adjustment (09282025)	⋮
Name	Commission MW Adjustment (09282025)		
Category	Payroll		

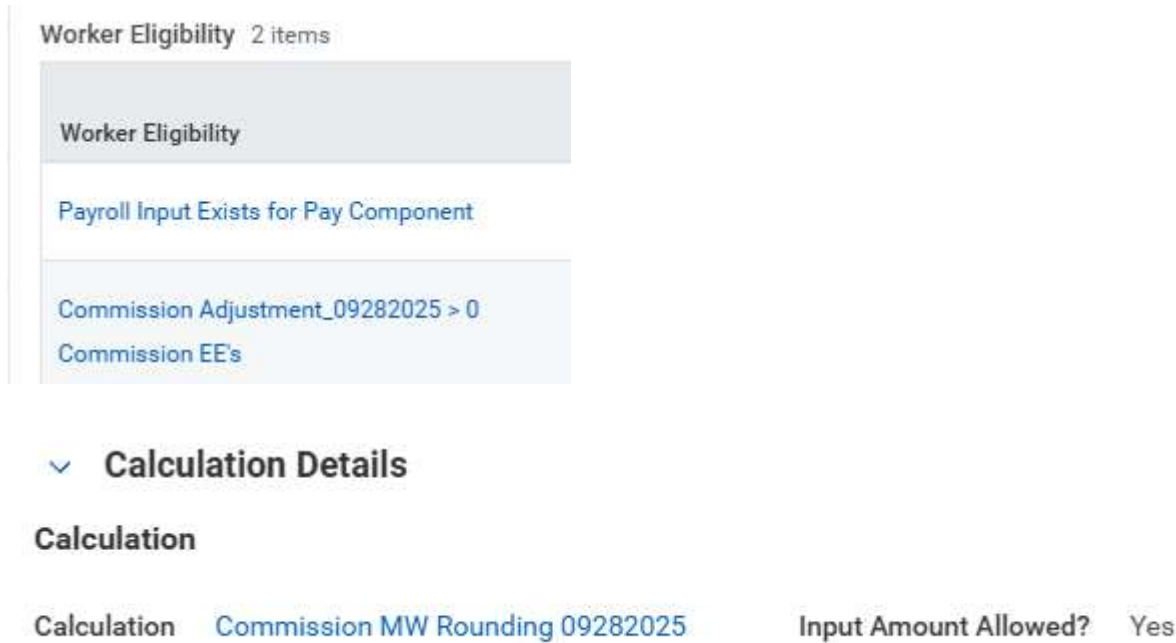
Calculation		Usage
1 Item		
1st Operand	Operator	2nd Operand
FLSA Hours*Commission Rate (09282025)	Subtract	MWA_Wages

Rounding: Round up to nearest 0.01

Figure 6: Computed Minimum Wages - Total Wages received for the period

Step 5: Create new earnings and map the Arithmetic Calculation as Calculation Method

View Earning		MWA-Commission (Non-PT Emps) [CAN USA]	⋮
Name	MWA-Commission (Non-PT Emps)		
Code	WAGE12		
Default Payslip Name	Commission Min. Wage Adjust		
Category	Payroll		
Country	Canada United States of America		



The screenshot shows the 'Worker Eligibility' section with 2 items listed: 'Worker Eligibility', 'Payroll Input Exists for Pay Component', 'Commission Adjustment_09282025 > 0', and 'Commission EE's'. Below this is the 'Calculation Details' section, which is expanded to show a 'Calculation' table. The table has two columns: 'Calculation' and 'Input Amount Allowed?'. The first row shows 'Commission MW Rounding 09282025' with 'Yes' in the second column.

Calculation	Input Amount Allowed?
Commission MW Rounding 09282025	Yes

Figure 7: Earnings Configuration

Final Step: Process pay and validate the results

Case Study Outcome:

This model has been successfully implemented to process minimum wage adjustment for commission employees. This design was implemented successfully, and it processed the Minimum Wage Adjustment with 100% accuracy and generated greater Employee Satisfaction and retention of talent. As this model is designed and implemented with configurable options, already this design proved any addition or exclusion of earnings and deductions was automatically considered as per the rules and the output was 100% accurate without any additional development or cost. This model is considered as one of the successful models in implementation.

Conclusion

Workday Payroll is revolutionizing payroll management by its unique process model with robust configuration capabilities. It provides the payroll business function to configure their own earnings, deduction, and calculation rules. As Workday provides various calculation types for the users to build and use, Users can combine these calculation types effectively to build easy to extraordinarily complex payroll custom calculation rules for state specific time off rate calculations and assign the same to earnings and deductions as their calculations. Workday Payroll calculation engine will automatically process the custom calculation rule once it is attached to the pay components and there is no need to contact Workday vendor to configure these custom calculations. Another especially important advantage is the output of custom calculations will be available in all payroll reports without out any additional configuration or changes. This flexibility of building custom business requirement payroll calculations provides the best user experience to payroll team and satisfy the organization's business goals effectively.

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