



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Labor and
Workforce Development**

Labor Standards and Safety
Wage and Hour

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Dear Employer,

The Alaska Department of Labor and Workforce Development, Wage and Hour office is addressing common wage and hour issues concerning general industry. For the purpose of education, this letter is being provided as an industry-wide notice to address multiple issues that appear to be subject to widespread misunderstanding throughout industries in general. Among the issues that have been the focus of questions, complaints, and subsequent enforcement activities are:

- The implementation of statutorily required paid sick leave following the passage of Ballot Measure 1 in the 2024 general election and subsequent new regulation adopted in 2025;
- The absence of written hiring agreements between the employer and the employee;
- Payment of wages and overtime inconsistent with the *Alaska Wage and Hour Act*;
- Definition of workday, workweek, and year;
- Nonpayment of wages for all hours worked;
- Insufficient or non-existent records of all daily and weekly hours worked by every employee;
- Contractual benefits between employer and employee;
- Nonpayment or insufficient payment for the time spent in travel and other work-related duties;
- Employees being incorrectly classified as independent contractors or volunteers;
- Changes to the rate of pay without the required written notice;
- Breaks and meal periods;
- Employees subjected to unlawful deductions from wages, the withholding of paychecks, or being compelled to reimburse employers without written authorization.

We will address each of these issues in this letter and we are always available to discuss any follow-up questions you may have.

Paid Sick Leave

Following the passage of Ballot Measure 1 in the 2024 General Election, Alaska has adopted laws guaranteeing paid sick leave to most employees. Alaska's paid sick leave laws went into effect on July 1, 2025. All covered employees will accrue sick leave at the same rate, 1 hour per every 30 hours worked. These hours worked are cumulative. The hours counted for salary-exempt employees may be limited to 40 hours per week.

The amount of paid sick leave that can be accrued and used in a year is capped depending on the number of employees an employer has. While accrual and usage are capped, the sick leave balance is not capped. Unused sick leave must be carried forward into the next year.

Employers who have existing paid time off programs need to review their policies to assure they meet the minimum standards established by the new law. Employers are free to offer a more generous plan to their employees if they choose.

Employers are prohibited from interfering with, restraining, or denying the use of paid sick leave. They cannot require employees to find coverage for missed shifts or take adverse actions against employees for the usage of paid sick leave. Documented verification of the need for paid sick leave, such as a doctor's note, can only be requested for paid sick leave usage of more than three consecutive workdays and must comply with statutory requirements.¹

The Department has published frequently asked questions to aid with the understanding of Alaska's new sick leave laws and has provided a link to the ballot measure language. These can be found at: <https://labor.alaska.gov/lss/sick-leave-faq.html>.

Written Hiring Agreements and Changes in the Rate of Pay (see page 6)

Under Alaska Labor Law, employers must provide all employees with a written hiring agreement. This must include their rate of pay, where they receive payment, and the established payday which cannot occur less frequently than once per month (i.e. daily, weekly, bi-weekly, or monthly). Any time the employer elects to make a change, they must provide the employee with written notification of the change no later than on the payday before the time of change. The change cannot be made in the middle of a pay period and cannot be retroactive.²

Minimum Wage and Overtime

Except as otherwise provided for in law, an employer shall pay to each employee a minimum wage, for all hours worked in a pay period, whether the work is measured by time, piece, commission or otherwise.

The current Alaska minimum wage is \$13.00 per hour as of July 1, 2025. The minimum wage will increase to \$14.00 on July 1, 2026, and \$15.00 on July 1, 2027, due to the passage of Ballot Measure 1 in 2024. Alaska's minimum wage will return to annual adjustment using the

¹ AS 23.10.067

² AS 23.05.160

Consumer Price Index for the previous calendar year on January 1, 2028. Ballot Measure 1 only changes the minimum wage rate; it does not change to whom the minimum wage applies.

Barring any allowable exemptions, an employee who works over 8 hours in a workday and/or more than 40 straight-time hours in a workweek must be paid 1.5 times their regular rate of pay³ (this requirement of the law is referred to as “overtime”⁴). Furthermore, if an employee is paid multiple rates of pay the overtime is to be calculated by using a weighted average formula unless there is an established agreement to pay overtime at 1.5 times the rate of pay for the type of work being performed during the overtime hours.⁵

If the work is directed by or allowed by the employer or if the employer has reason to suspect that the employee worked, the time spent working is compensable.⁶ This principal is referred to as work “suffered or permitted” by the employer and extends to work performed by employees staying late, arriving early, or performing work at home. It is the duty of management to exercise control and ensure that work is not performed if it does not want it to be performed. An accurate record of all daily and weekly hours worked must be kept, and most importantly, the employee must be paid correctly for all these hours.

Days, Weeks, and Years

Employers reserve the right to define the workday, workweek, and year as they see fit. If no definition is made in writing as part of a hiring contract or other agreement, the calendar default of midnight to midnight, Sunday to Saturday, and January 1 to December 31 is applied. A workday may be a regularly occurring 24-hour period that begins at any time. A workweek is seven consecutive workdays. A year may be a calendar year, fiscal year, hiring anniversary, or other clearly identified period. As overtime is calculated based on workdays and workweeks, this may affect employee compensation.

Salary

Payment on a salary basis does not eliminate overtime requirements. Salary is a method of wage payment, it does not grant any inherent exemptions from the law. Salary is most commonly used to compensate “white-collar” employees that are statutorily exempt from the *Alaska Wage and Hour Act*. Individuals who are paid on a non-exempt salary basis must be paid in a manner consistent with the minimum wage and overtime requirements of the *Alaska Wage and Hour Act*.

Non-exempt employees must be paid overtime. If a fixed and recurring pay rate for a set period of time such as weekly or monthly (salary) has been established, “the applicable compensation basis must be converted to an hourly rate when determining the regular rate for computing overtime compensation and a written contract must be provided showing the hourly rate, the overtime rate, and the fixed number of hours worked each week to arrive at the specified, fixed salary amount. If the contract fails to establish a fixed number of daily and weekly hours that the salary is intended to compensate, or if the actual hours of work deviate from the hours specified in the contract without a corresponding adjustment in hourly pay, the salary will be considered to be compensation for an eight-hour workday and 40-hour workweek, and overtime will be

³ 8 AAC 15.100

⁴ AS 23.10.060

⁵ 29 CFR §778.419

⁶ 29 CFR §785.11

computed on that basis.”⁷ In simpler terms, a non-exempt salary agreement is functionally a contract for a set number of hours worked at a set pay rate. Increases or decreases in hours worked must be compensated accordingly.

To be properly classified as a salary exempt employee, an employee must meet a three-part test. First, they must be paid on a salary basis. This means they are paid a fixed rate regardless of hours worked with limited exception. Second, they must be paid the minimum salary level which is set at two times the minimum wage for a 40-hour workweek. This is currently \$1,040/week and will increase to \$1,120/week on July 1, 2026, and \$1,200/week on July 1, 2027. Third, the employee must meet the duties test by performing work that falls into an approved category of executive, administrative, professional, computer, or outside sales employee. To determine if an employee qualifies as a salary-exempt employee consult the *Code of Federal Regulations 29 C.F.R. §541, Alaska Statute 23.10.055, and Alaska Administrative Code 8 AAC 15.908*, or contact the Wage and Hour office for additional information.

Compensatory Time

An employer cannot give compensatory time instead of overtime wages as that is not lawful in Alaska.⁸ The employee is entitled to overtime pay when they have worked overtime hours and it must be paid on their paycheck and shown on the paystub.

Accurate Record of Hours Worked

An employer shall keep an accurate record of all the daily and weekly hours worked by each employee.⁹ This recordkeeping requirement applies to all employees regardless of how they are compensated or how they are classified to include salary-exempt employees. A mere record of hours scheduled may not be sufficient to account for all the hours actually worked by the employee. As a best practice, employees should also keep a record of hours separately from their employer’s so they can check the employer’s accounting for accuracy at the time of payment. This record could also serve as evidence of hours worked in the event of a dispute over wages occurs, such as when an employee is directed to finish a task after having clocked out.¹⁰

The burden to keep hours is borne by the employer under statute. Requiring an employee to keep a timesheet does not absolve an employer of this responsibility. Failure of an employee to follow employer reporting policy or issues with electronic reporting systems also do not resolve employers of the responsibility to maintain employee records and ensure employees are paid on the appropriate payday. Failure to follow employer policies may result in adverse administrative actions up to and including termination, it cannot result in the withholding of pay.

Wage Claims

Claims for unpaid overtime or minimum wage must be filed with our office within two years from the date the work was actually performed. You should file a claim as soon as you are aware that you may be owed additional wages and if you are unable to resolve the issue with your employer directly. The Department can refuse to accept a claim for a variety of reasons such as

⁷ 8 AAC 15.100

⁸ 8 AAC 15.100(d)(2)

⁹ AS 23.05.080

¹⁰ Wage and Hour Advisory Memorandum No. 2006-2

the claim is not valid or enforceable, your employer has filed for bankruptcy protection, you have waited too long to file, or the claim exceeds the statutorily allowable amount of \$20,000.

The time it takes to resolve a wage claim can range from several days to a year or more. Many things can speed up or slow down the payment of a claim. If your records are complete and your employer is cooperative, the process is faster. However, if your records are poor or your employer is uncooperative, it may take longer.

The Department must ensure that your employer is given the opportunity to defend themselves from your claim. This is called “due process.” Timeframes used by the department are consistent with those used by the courts and may be extended based on case specific situations.

Wage claims are not the only option to recover unpaid wages. You can hire an attorney or take it to small claims court.

Holiday Pay, Vacation Pay, Severance Pay

There is no law that says employers have to give holiday, vacation, or severance pay. It depends on whether your employer has promised to pay this type of pay. These are considered contractual benefits that are between the employer and employee. The employer should have provisions in the contract identifying how these benefits are to be paid, and these provisions must follow all applicable laws.

Travel Time

The employer must determine whether time spent in travel is working time. In contrast to regular home to work travel, which is not compensable, if time spent in travel is part of the principle activity of the employee’s work day, such as going to the bank to make a deposit, or going to purchase materials for the job.¹¹ When an employee has been directed to provide labor at one job site and is then assigned to provide labor at a second job site, the time spent in travel between the two sites is also compensable time.

Right to Return Transportation and Subsistence

An employer who provides, pays for, or agrees to provide or pay for transportation for a person from the place of hire to a point inside or outside the state to employ the person shall, when the job comes to an end, provide the person with return transportation to the place of hire, or to a destination agreed upon by both parties.¹² This is defined as all transportation costs to return the employee to the original place of hire.¹³ Return transportation does not include the employee’s family, vehicles, or belongings. These matters would be handled under the cover of a contract.

The employer is not required to pay for the employee’s return transportation if the employee was terminated for fighting, intoxication, lying on job application, or having unexcused absences from duties for more than three consecutive scheduled workdays. If the employee quits, the employer is not required to pay for return transportation unless they quit because the employer misrepresented wages, lodging or working conditions, or quit for health or safety reasons.

¹¹ 29 C.F.R. §785.38

¹² AS 23.10.380

¹³ 8 AAC 20.030(a)

On-Call Time

An employee who is required to remain on call on the employer's premises or so close thereto that the employee cannot use the time effectively for their own purposes is working while "on call". An employee who is not required to remain on the employer's premises but is merely required to leave word at the employees' home or with company officials where the employee may be reached is not working while on call.

Independent Contractor, Volunteer, or Employee?

Frequent calls to Wage and Hour have also raised the issue of workers being classified as independent contractors rather than employees. When determining whether or not the relationship between the business and the alleged employee is subject to the *Alaska Wage and Hour Act* and the *Fair Labor Standards Act* (FLSA), it must be determined "whether the worker is dependent upon finding employment in the business of others. If the facts show such a dependency, the worker is an employee."¹⁴ Employers are encouraged to review the factors established by the Alaska Supreme Court (see footnote #14). In general, workers should be treated as employees to avoid issues with agencies such as Wage and Hour, Workers' Compensation, Unemployment Insurance taxes, and IRS taxes, unless the alleged employer can clearly demonstrate that a worker is an independent contractor. The mere possession of an Alaska business license, the provision of an IRS 1099 form, or simply calling someone an independent contractor is not enough to substantiate independent contractor status.

With regard to volunteers, a for-profit business is barred from using volunteer labor.¹⁵

Change Rate of Pay

The employer can change the rate of pay as long as the employee is given written notice of the change the payday before it takes effect. For example, if the employee's normal payday (the day the employee is paid their wages) is on the 20th of the month, the employer could give the employee written notice of a change in the rate of pay any day up to and including the 20th. All work done by the employee after the 20th would be at the new rate.

A contractual clause that merely advises an employee of the **possibility** of a future change does not constitute notice of an **actual** change in pay. The statutory timing requirement "*on the payday before the time of change*" requires notice that is contemporaneous with the change itself. Notice provided months or years in advance does not satisfy the plain-language requirements of the statute.

For example, a clause in a hiring agreement stating that an employee's rate of pay *may* be reduced if the employee is late more than three times in a month, or if the employee fails to submit a timesheet, does not notify the employee that a pay reduction **will occur** at a specific time. Because such provisions do not provide notice of the actual change when it is implemented, they do not constitute adequate notice under the statute.

¹⁴ *Jeffcoat v. State, Dept. of Labor*, Sup. Ct. Op. No. 3162 (File No. S-1444), 732 P2d 1073 (1987)

¹⁵ AS 23.10.055(6)

Breaks and Meal Periods

Employers are required to provide break periods of at least 30 minutes for minors ages 14 through 17 who work 5 or more consecutive hours and are going to continue to work. Employers are not required to give breaks for employees 18 and over. If your employer allows breaks, and they last less than 20 minutes, you must be paid for the break. If your employer allows meal periods, the employer is not required to pay you for your meal period if it lasts more than 20 minutes and you do not work during that time.

Deductions

An employer and employee may enter into a written agreement to provide for deductions of monetary obligations of an employee. An employer may not require compensation from an employee to which they are entitled through force, intimidation, or threat of dismissal from employment, or any other manner. A written agreement for deductions is not valid if it would reduce the employee's wage rate below the statutory minimum wage and overtime rates.

An employer may not deduct from an employee's wages any of the following:

- Customer checks returned due to insufficient funds or any other reason,
- Non-payment for goods or services as a result of theft or credit default,
- Cash or cash register shortages, unless the employee admits willingly and in writing to having personally taken the specific amount of cash that is alleged to be missing,
- Lost, missing, or stolen property, unless the employee admits willingly and in writing to having personally taken the specific property alleged to be lost, missing or stolen,
- Damage or breakage costs, unless clearly due to willful conduct of the employee and the employee has acknowledged responsibility in writing.

An employer shall give each employee a written or electronic statement of earnings and deductions for each pay period. The statement of earnings and deductions must contain the employee's:

- Rate of pay;
- Gross wages;
- Net wages;
- Beginning and end dates of the pay period;
- Federal income tax deductions;
- Federal Insurance Contribution Act deductions;
- Alaska Employment Security Act contributions;
- Board and lodging costs;
- Advances;
- Straight time and overtime hours actually worked in the pay period;
- Other authorized deductions;
- Sick leave used in the accrual year established under 8 AAC 15.107; and
- Sick leave balance.¹⁶

¹⁶ 8 AAC 15.160

Final Paycheck

If the employment is terminated by the employee, payment is due at the next regular payday that is at least three days after the employer received notice of the employee's termination of services. If employment is terminated by the employer, regardless of the cause for the termination, payment is due within three working days after the termination.¹⁷ The day of firing, weekends, and bank or state holidays, are not included in these three days. If an employer violates this statute, the employer may be required to pay the employee a penalty in the amount of the employee's regular wage, salary or other compensation from the time of demand to the time of payment, or for 90 working days, whichever is the lesser amount.

Workers' Compensation Coverage

Any business operating in Alaska with even one part-time employee is required to carry workers' compensation insurance under Alaska Statute 23.30.075. The policy must be bound in the State of Alaska; Alaska is not a reciprocal state and does not recognize coverage bound in any other state or country, even if the policy purports to cover an injury occurring in Alaska. There is no exemption for family members or friends for purposes of workers' compensation liability. Employee status is determined using the independent contractor definition found in Alaska Statute 23.30.230(a)(12). The criteria in this definition are all-inclusive. Penalties for not having workers' compensation coverage are severe. It is a crime under the Alaska Workers' Compensation Act for employers to misclassify employees or deduct all or any portion of workers' compensation premiums from an employee's paycheck. If you have questions regarding workers' compensation requirements, please download and review the Employer's Guide to the Alaska Workers' Compensation Act at https://labor.alaska.gov/wc/publications/employer_guide_to_wc_act.pdf or contact the Alaska Division of Workers' Compensation at (907) 269-4980.

Unemployment Insurance Coverage

An employer misclassifying a worker as an independent contractor instead of an employee may be liable for penalties and interest for failure to report the worker and pay associated taxes. If you have questions regarding unemployment tax requirements, please contact Employment Security Tax at (888) 448-3527.

Resources

In conclusion, a business that is involved in practices that are not consistent with Alaska wage and hour laws must correct the discrepancies immediately to avoid future enforcement actions. We hope that your organization will take this opportunity to conduct an internal review and voluntarily make any wage adjustments. We have noted several applicable statutes and regulations for your review. Employers are encouraged to conduct a complete review of Alaska's wage and hour laws and regulations as published in the *Pamphlet 100* publication, which can be found at: <https://labor.alaska.gov/lss/forms/pam100.pdf>. Our website can be found at: <https://labor.alaska.gov/lss/whhome.htm>.

Wage and Hour provides a cost-free counseling service to Alaska employers, and we invite you to take advantage of this service. A regular, monthly webinar is offered to employers and employees concerning wage and hour laws. Check our website for the webinar schedule and

¹⁷ AS 23.05.140

contact our office at (907) 269-4900 for registration. In addition, an investigator is on duty each business day to answer any questions you may have.

Alternatively, you may wish to contact a private attorney. The Alaska Lawyer Referral Service may be able to assist you with locating an attorney to address your specific concerns. You may contact this office at 1-800-770-9999 or visit the following website for additional information: <https://www.alaskabar.org>.