



Managing employee job rates and other production based incentive policies while staying in compliance with Fair Labor Standards Act (FLSA) and union requirements, continues to become more complex for manufacturing companies. Some of the common challenges facing companies in this industry are:



Rates based on different factors (plant, job, work order, etc.):

Many manufacturing companies pay different rates based on the type of work performed, where they worked, their union or department and other factors. Managing the different variables that influence employee's rate can be very time consuming.



Unique incentive policies due to union or other rules:

To attract and retain the most productive employees, or to stay in compliance with union contracts, manufacturers often provide company-specific incentives based on seniority, work performed, etc. as part of the employee's compensation.



Incorporating production into employee's compensation:

To incent employee's to produce more of the company's products, many manufacturers have production based pay policies (e.g. piece rate) so employees can earn more based on their efficiency on the job.



FLSA compliance with rate & incentive complexities:

Accurately calculating each employee's proper overtime earnings to be in compliance with FLSA can be quite complicated when having to factor in multiple rates of pay earned in the week, incentive pay, or other earnings (e.g. equipment pay).

Pre-Evaluation Questions:

1.) Do you pay employees different rates based on work performed?

While many time & attendance or payroll systems can manage assigning rates based on 1-2 variables (e.g. Department and Job), companies with multiple variables (e.g. Location, union, department, job, work order) or employee-specific rates often have to use Excel or other manual methods to manage their complex rate requirements.

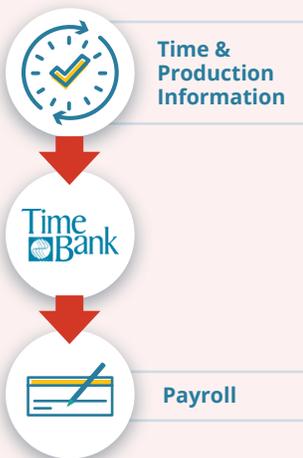
2.) Do you have any incentive pay policies to reward and retain your top performers (e.g. Step Pay, Piece Work, Production Pay)?

Many manufacturing companies have established company specific incentive policies that reward employees who are most productive and experienced. Many companies have performed these calculations manually for years since commercially available systems cannot automate these critical incentive rules.

3.) How are you managing compliance with FLSA based on your unique time AND production pay policies?

Since FLSA overtime requires factoring in different rates of pay and other earnings, manufacturing companies often are the most complex accounts to automate the accurate calculation of the weekly average overtime rate. If companies are managing their incentives and other rates manually, they are forced to calculate FLSA manually which can expose significant compliance violations and government fines.

How IDI Extends Your HCM Workforce Management System:



Multiple Rate Solution

- Determine appropriate employee pay rate based on the company's specific variables (e.g. Union, location, department, job, work order).
- Accommodates effective dated rates and includes ability to import rates from external source (e.g. other system or spreadsheet).
- Ensures employee gets proper rate of pay for each unit of work performed and can be further enhanced to calculate FLSA compliant overtime rate.

Piece Rate Solution

- Automates the calculation of company's Piece Rate or Production Rate policy to pay employee's earnings based on items produced (e.g. widgets, parts, furniture components, etc.).
- Ensures employee gets higher of piece earnings vs. hours worked at minimum wage.
- Calculates FLSA Overtime rate that factors in piece earnings and hours worked.

Punch/Hours/Amounts Imports into Time & Attendance

- Automates the import of employee in/out times, non-worked hours, or production information (e.g. pieces/amounts) from company's ERP, shop floor or other system into time & attendance system.
- Allows companies to benefit from HCM vendor's time management while maintaining their existing production system.

Financial Impact on P&L:

- **Cost savings** by avoiding government fines for wage & hour or other internal compliance violations (e.g. union grievances).
- **Time/cost savings** with automated, accurate calculation of employee job and incentive rates.
- **Retain talent** by maintaining (and automating) incentive policies that reward top performers.