

What is a highest wage rate policy?

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Unlike many industries that pay employees the same rate of pay regardless of work performed, in the construction industry there are several factors that need to be evaluated to ensure the correct rate is used for each hour worked by an employee in order to avoid Department of Labor violations.

A wage determination, or wage decision, is made to assign the appropriate rate of pay to employees in order to comply with contract-mandated rates based on the project, union, job, or location where work is performed.

A highest wage rate policy is designed to protect employees by ensuring they will get the most favorable rate of pay even if asked to perform a task that is below their normal rate of pay.

In some cases the highest rate is their base rate (e.g. if asked to perform a task on a contract that pays less), but more often the contract or union-mandated rate is highest. Some companies use highest rate evaluations to determine the highest rate owed to the employee for the shift, day or pay period. Some companies offer further generous policies that pay the highest wage rate for an entire DAY based on the work performed. This can be a retention or recruiting tool to get the best talent.

Example of a highest wage rate scenario:

The employee worked 3 jobs in a given day that pay \$12/hr, \$15/hr, \$20/hr. If the company pays "highest rate of the day," the employee will receive \$20/hr for all jobs worked in the day. Oftentimes there are minimum thresholds to achieve highest rate of the day (e.g. must work at least 2 hours in the highest paying job).

Most Time and Attendance Systems cannot handle the complexity of assigning wages based on multiple wage-decision factors.

How can IDI help?

IDI can automate your manual processes! Our Time Bank™ Multiple Labor Rates solution can be used for construction companies subject to contract-mandated wage rates with highest wage rate policies. Our solution removes the need to rely on time-consuming and error prone manual calculations for compliance in order to avoid a Department of Labor violation and can also factor in individual companies' policies and unique business rules.

When Time Bank is run at the end of the pay period, it retrieves the time and labor information from the time system and associates the specific rates of pay, including any premiums and benefit earnings, with the contract, job, and worker classification, and assigns the highest wage rate. After determining rates, Time Bank calculates the weekly average rate of pay, or FLSA rate, used for all overtime hours in accordance with FLSA guidelines.

With the click of a button, Time Bank reads the rates from a stored user-maintained table or from a client-provided comma-delimited file, the calculation is made, and the results are passed to payroll.

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[Department of Labor](#)

[IDI Construction Solutions Video](https://www.youtube.com/watch?v=HcNADpvViqc)

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