

How do manufacturing companies pay employees?

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If you're in the manufacturing industry, then you know that teamwork, planning, decision making, and problem solving are required of workers, in addition to quality and quantity of output. To attract and retain workers with all of these skills, managers may choose compensation systems with variable pay rates and/or incentives.

There are several types of compensation policies that manufacturing companies may use to pay employees, and some companies use a combination of these policies.

Team or Experience-Based Incentives

These pay policies are based on incentivizing the employee to produce more product or meet (or beat) efficiency standards. Some incentives are tied to a crew or team's output, often called gain sharing, or goal sharing, where part of compensation is linked to quality-adjusted productivity. These kinds of incentive rates attempt to reward harder-to-observe skills (such as teamwork), and can lead to higher profitability and to greater satisfaction in the workplace.

Another type of incentive compensation with variable pay rates are wage progression, or step pay, policies. This pay policy factors in achieving certain skills or merit (e.g. mastering multiple pieces of equipment) and seniority (longevity with the company). Rates change as you move through the steps, or grades.

Production Pay

This compensation policy, often called piece rate, is based on paying workers a defined piece rate multiplied by the number of pieces completed by an individual (e.g. 100 units of widget A at \$0.50/piece = \$5.00 in piece, or production, pay). The more pieces the employee produces, the higher their pay.

Multiple Job Rates

In addition to production pay and/or unique incentive policies, many manufacturing companies pay different rates based on multiple variables including the type of work performed (job, task, subtask, work order), where the work is performed (division, department, location/plant), when the work is performed (Shift 1,2,3), and how the time

is classified (straight time, overtime, training, administrative, PTO).

Shift Differential

Shift Differential is when a bonus or modified rate is paid to employees when they work on a certain type of shift or job code. For example, employees at Helen's company receive an extra \$2 per hour if they are willing to work in the evening. Helen's base rate is \$15 per hour, so when working in the evenings Helen should be paid a rate of \$17 per hour; \$15 plus the shift differential of \$2.

Unions

Many manufacturing companies have some or all of their employee population from a union(s). Each union has their own wage and benefit scales that must be accurately calculated and reported on each pay period.

For companies that have one or more of the above pay policies, accurately calculating the proper overtime earnings that factor in time worked, incentives, production pay and/or union wages becomes even more complex to be compliant with FLSA guidelines.

Most Time and Attendance systems are not designed for these complexities.

How can IDI help?

IDI can automate your time-consuming processes and help you avoid Department of Labor violations! Our Time Bank™ Multiple Labor Rates solution is designed for companies employing workers with variable rates of pay based on several factors, such as union, location, job, incentive pay, etc. Our solution removes the need to rely on time-consuming and error prone manual calculations.

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 union, location, job and incentive pay. 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, a client-provided comma-delimited file, or another system, the calculation is

made, and the results are passed to payroll.

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Department of Labor

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