

What are team or experience-based incentive rates?

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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.

The incentive-based compensation systems attempt to reward harder-to-observe skills (such as teamwork), and can lead to higher profitability and to greater satisfaction in the workplace.

One type of incentive-based system is a group incentive pay called gain sharing, or goal sharing, where part of compensation is linked to quality-adjusted productivity.

Other types of incentive-based systems are wage progression systems and step pay systems. Both of these systems can factor in merit (e.g. mastering multiple pieces of equipment) and seniority (longevity with the company). Rates change as you move through the steps, or grades.

Wage progression is the step-by-step advancement of a worker's compensation rate from a beginning rate to the maximum allowable rate. Rate advancement is based on wage progression rules.

Step pay is the step-by-step advancement of a worker's compensation rate based on a job grade scale spanning multiple steps. Rate advancement is based on step pay rules.

Most Time and Attendance or Payroll/HR systems are not designed for these complexities:

- defined rate changes based on multiple variables
- team-based incentives
- effective dated rates based on multiple variables into the future

How can IDI help?

IDI can automate your time-consuming processes managing step/wage progression or other incentive rates and help you avoid employee disputes or lawsuits! Our Time

Bank™ Multiple Labor Rates solution is designed for companies employing workers with variable rates of pay based on several factors and incentives, such as experience and team productivity. 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 from internal rate tables that identify when an employee is eligible for the next "step" in the progression, or if a group working on the same job is eligible for other incentives. After determining the accurate applicable 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 and the results are passed to payroll.

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