



PIECE RATE INFORMATION

OVERTIME

Workers get OVERTIME if they work in excess of 40 hours a week to accomplish their piece rate production. BUT, the method for calculating overtime premium is different.

This is the method mandated by the US Dept of Labor:

Example #1 – If Joe works 40 hours in a week and production is 202 cars, at \$2 per car, his gross wages will be \$404. *[no overtime example]*

Example #2 – If Joe works 47 hours in a week and production is 202 cars, at \$2 per car, his gross wages (before figuring the overtime premium) will be \$404. His overtime premium will be \$30.08 calculated as shown below, producing TOTAL WAGES of \$434.08 for the week. *[7 hours overtime example]*

1. (\$404.00 piece rate earnings) divided by (47 hours) = \$8.5957 hourly rate
2. (\$8.5957 hourly rate) divided by 2 = \$4.2978 overtime premium rate
3. \$4.2978 multiplied by 7 hours = overtime premium of \$30.08

Example #3 – If Joe works 33 hours in a week and production is 202 cars, at \$2 per car, his gross wages are \$404. *[undertime example]*

Example #4 – If Joe works 38 hours in a week and production is 246 cars, at \$2 per car, his gross wages are \$492. *[undertime example]*

Example #5 – If Joe works 53 hours in a week and production is 288 cars, at \$2 per car his gross wages (before figuring the overtime premium) will be \$576. His overtime premium will be \$70.64 calculated as shown below, producing TOTAL WAGES of \$646.64 for the week. *[7 hours overtime example]*

4. (\$576.00 piece rate earnings) divided by (53 hours) = \$10.8679 hourly rate
5. (\$10.8679 hourly rate) divided by 2 = \$5.4339 overtime premium rate
6. \$5.4339 multiplied by 13 hours = overtime premium of \$70.64

Conclusion – No matter what hours are worked, Joe benefits greatly by being as productive as possible. If he can do the same amount of cars in under 40 hours he can leave earlier and earn the same amount of money. If he has to stay more than 40 hours in a week, the greater his production, the higher his overtime premium will be.

On the flip side, it is management's responsibility to make sure that quality stays where it needs to be because the workers now have an incentive to rush through the process. And, it is also management's responsibility to avoid overtime where possible through vigilant scheduling because of its negative expense effects to the business.

UNDERTIME

One of the biggest advantages to the worker of piece rate compensation plans is that they get paid a flat rate without regard to the time spent producing the desired results.

If they can produce 40 cars in 8 hours or 200 cars in 40 hours worked, they know what they're going to get paid. BUT, if they can do the same thing in 35 hours or less they still get paid the same amount. Therefore, the more efficient and aggressive they are, the less time they have to spend working to earn the same amount. Their productivity gains go straight to themselves!