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SLG Class Action Survival Guide Series

Wage and Hour claims outpace all other types of workplace litigation. In 2012 alone, settlements of wage and hour cases equaled \$467 million bringing the total since 2007 to about \$2.7 trillion. In class actions, companies paid an average of \$4,800,000 per case.

Nearly every class action lawsuit that SLG has recently seen has included claims for incorrect piece-rate compensation, incorrect nonproductive time compensation and inaccurate wage statements.

What follows is Part 1 of our 5-Part SLG Survival Guide series designed to educate and provide user-friendly compliance guidelines for steps that can be taken to protect your company from falling victim to multi-million dollar lawsuits.

Piece-Rate Compensation Systems

(Part 1 of 5)

What is it?

Piece-rate compensation is a method of compensating employees on the basis of the number of units turned out. This rate is based upon an "ascertainable figure" paid for completing a particular task.

What it means?

Employers who have piece-rate compensation plans must make sure that all piece-rate employees are compensated at no less than the minimum wage for all hours worked.

Employers should keep in mind that simply re-naming their compensation plan into a base rate plus incentive and/or bonus plan does not change the nature of the piece-rate compensation plan in the evaluation by the Division of Labor Standards Enforcement ("DLSE") because it is still based on the units picked or completed.

What to do?

- Explain piece-rate compensation system and the piece rate formula to employees and in the company policy handbooks.
- Maintain accurate daily production records for all pieces earned and the rate designated.
- Maintain accurate and detailed payroll records to reflect the number of piece-rate units earned and the rate at which they are compensated.
- List the piece-rate formula, the number of pieces completed and the rate at which they are compensated on the employee wage statements.
- Ensure that the Cal. Lab. Code 2810.5 Notice to Employees accurately reflects the piece rate.

Coming Next: Nonproductive Time Compensation...

