How Manufacturers Can Manage Labor Law Compliance

Introduction

Even in an age in which robots and other machines have become increasingly common in the manufacturing workplace, your workforce continues to play an invaluable role in meeting your organization's production targets and customer expectations for quality.

However, to use your workers' skills and talents most effectively, you need to hire and manage them within the parameters of applicable labor laws. Failing to maintain compliance can not only result in financial and reputational risk for your organization, but also pose a threat to worker safety, well-being and morale.

To ensure you're doing all you can to build a productive and committed manufacturing workforce, you can take advantage of workforce management tools that automate workflows for time and attendance, scheduling, leave management and more. These tools can be configured to comply with federal and state labor laws governing overtime, shift differentials and paid leaves. As a result, every hour of worker time is spent productively and you meet your goals for efficiency and compliance.

A Summary of the Key Labor Laws Affecting Manufacturers

The Department of Labor (DOL) enforces over 180 federal laws, many of which apply in some form to manufacturers. In addition, there are also state laws covering areas such as minimum wage, paid and unpaid leave, and overtime for manufacturing and other workers.

Given the sheer number of federal and state laws affecting your business, it is near impossible to become an expert on them all. However, it is critical to become familiar with the key requirements applicable to your manufacturing workforce so you can create processes that reduce compliance risk and allow you to meet rigorous production schedules. The following are the key laws you should know when managing your manufacturing workforce:
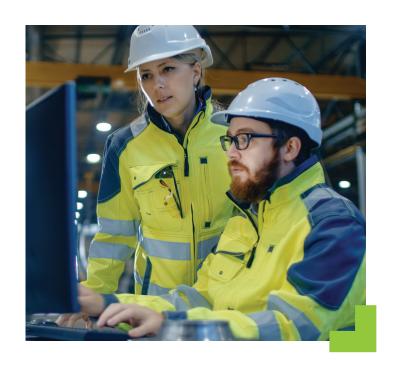
Fair Labor Standards Act (FLSA)

Under the Fair Labor Standards Act (FLSA) employers must offer the federal or state minimum wage and pay overtime to all eligible, non-exempt employees. According to the Department of Labor (DOL), most manufacturing workers are covered under the FLSA because they work in "manufacturing, processing, and distributing establishments that produce, handle, or work on goods for interstate or foreign commerce."

To comply with the FLSA, you need to pay workers time and a half for all hours worked over 40 per week and keep accurate records of hours and wages. In addition, the FLSA also requires manufacturers to pay employees for time spent "oiling, greasing, cleaning or installing machines at the start or end of the workday; time spent in travel from job site to job site; or time spent at a designated place to receive instructions or to pick up and carry tools to a designated place."

State Wage and Hour Laws

In addition to the FLSA, many states have specific laws for minimum wage, overtime eligibility, and paid and unpaid leaves. For example, California, Washington and Massachusetts have minimum wage rates more than double the federal minimum wage of $7.25. Furthermore, some states have overtime rules that go beyond FLSA requirements. For example, in Colorado, employees are entitled to overtime pay if they work 12 or more consecutive hours in a work day.

Affordable Care Act

The Affordable Care Act (ACA) is known for offering affordable healthcare benefits to the previously uninsured, but it also carries reporting requirements for employers. If your organization employs 50 or more workers, you must submit an annual report to the IRS detailing the benefits offered to full-time employees. Given that the IRS defines full-time employees as those working at least 30 hours per week, you need to carefully track all employee working hours throughout the year. Even employees who work variable schedules may be considered full time and eligible for benefits under the ACA.

Family and Medical Leave Act

Under the Family and Medical Leave Act (FMLA), if your organization has 50 or more workers, you must provide up to 12 weeks of unpaid leave to employees with serious health conditions or who need to care for a new child or ill family member. To ensure you are providing employees with their full entitlement, you'll need to track starting and ending dates in conjunction with other leaves, such as workers' compensation and sick leaves.

Occupational Safety and Health Act

The safety of your manufacturing workforce is essential, especially given the risk of injuries and accidents at production sites. Certified Occupational Safety and Health Administration (OSHA) inspectors routinely visit manufacturing sites to test for compliance with personal protective equipment requirements and other safety measures. OSHA noncompliance penalties for serious offenses can reach $13,653 per violation, and can also pose serious risks to the health and safety of workers.

Americans with Disabilities Act

Though manufacturing environments commonly require workers to engage in physical labor, you still must meet Americans with Disabilities Act (ADA) requirements for accessibility and make accommodations for workers with disabilities. Recently, the Equal Employment Opportunity Commission (EEOC) provided guidance on COVID-19 testing and vaccination requirements based on ADA guidelines. For example, you can require employees to undergo COVID-19 testing and vaccination before entering the workplace without violating ADA rules against medical examinations. This is particularly valuable in the manufacturing workplace, as employees cannot work remotely during a crisis.

Though there are several key laws affecting how you manage work shifts, overtime and leaves, it is possible to maintain flexibility in workforce management while also remaining compliant. By using automated time tracking and scheduling solutions, you can streamline your workforce management activities and tackle many of the common challenges facing manufacturers today.

How to Address Labor Law Compliance Challenges in Your Manufacturing Company

Your manufacturing operations require an optimal combination of workers on each shift to run smoothly. Without these workers, you can encounter delays, dips in work quality, and accidents that bring everything to a grinding halt. To keep that from happening, you need the right systems in place to keep an eye on every shift and stay informed about the productivity of every worker and team.

Here are some of the common challenges associated with managing wages and hours for your manufacturing workforce and how you can address them:

You need to accurately calculate overtime for employees on blended schedules.

When manufacturing employees earn different pay rates according to the work they perform, it can be challenging to determine the rate to use when calculating overtime hours.

For example, a plant machine operator may earn one hourly rate when operating equipment, but another rate when supervising machine operators at another plant. If that same employee works overtime, you could accidentally apply the wrong overtime rate, resulting in an underpayment to the employee and violation of FLSA overtime requirements.

To address this issue, you can configure your integrated workforce management solution to calculate accurate overtime in line with DOL rules for calculating the weighted-average wage rate. As a result, you can pay workers accurately and avoid the headache of manually calculating overtime for unique schedules.

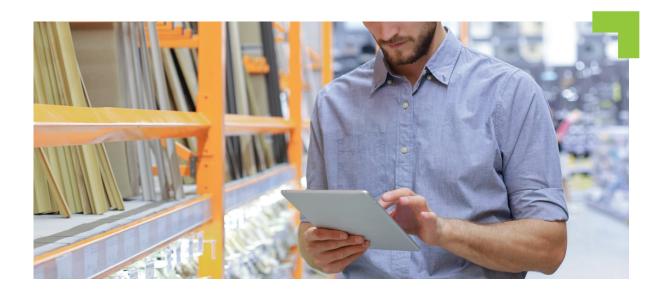## You need an efficient way to calculate the cost of different jobs.

If your manufacturing workers clock in, work on the same task all day, and then clock out, it's easier to match their time to specific projects. But if they work on several projects in a given day—for example, they operate a machine for one product in the morning and support assembly of another product in the afternoon—it's much harder to align worker hours to specific job and product codes. And when you have all your labor costs in one budget, you can't determine how much it's costing you to manufacture one product versus another. It's also more difficult to identify your most productive employees.

To track the exact amount of time workers spend on specific tasks without losing track of all hours worked, you can benefit from using dynamic time and labor tracking. A mobile time clock combined with a labor tracking and costing solution allows workers to clock in and out of tasks in real time, so you can accurately track hours and see how time is allocated across different job codes. With this capability, you can avoid manual time sheet calculations and measure worker efficiency.

You need to manage multiple time and attendance policies.

Though the bulk of your manufacturing workforce may consist of full-time hourly workers, some may be part time, seasonal, unionized and non-unionized. And although your full-time unionized workers may have contractual entitlements to overtime, shift differentials and double-time, other workers may not have those entitlements. However, for all groups, you need to provide overtime, pay and eligible FMLA leaves in compliance with the law.

To accurately track time and attendance for all worker classifications, you need a software solution that is flexible enough to accommodate the policies covering your workforce. For example, when you use a solution such as TCP's TimeClock Plus, you can track worker absences, overtime and schedules according to both the law and your internal policies. You can pay time and a half and double-time to eligible employees and keep part-time and temporary workers on a set schedule. You can also set shifts and create a fair system for leave bidding and overtime requests in accordance with your collective bargaining agreements.

You need to align time and attendance, scheduling and payroll.

Using disconnected systems for recording time off, setting work schedules and paying workers often results in inconsistent reporting and erroneous paychecks. For example, even a small error in recording a worker's return-to-work date from unpaid leave can result in scheduling complications and underpayments. Furthermore, storing workforce data in different systems can lead to incomplete record keeping that puts you at risk for DOL record-keeping noncompliance.

A surprise DOL inspection can be highly disruptive and even result in production delays while you sort out potential wage and hour violations. Instead of putting your production schedule at risk, you can integrate your time and attendance and scheduling software with your payroll or human capital management (HCM) system. Integration of these systems creates a seamless, bi-directional flow of workforce data, covering hours worked, paid and unpaid absences and worker pay. As a result, you have an accurate account of worker absences and pay can be adjusted accordingly.

Integration also offers opportunities to organize workforce records. With the addition of a document management solution, you can store information such as schedules, leave data and employee documents in one place, making them fully accessible to internal staff who need access. And if the DOL requests to see your records, you can easily access what you need at a moment's notice.
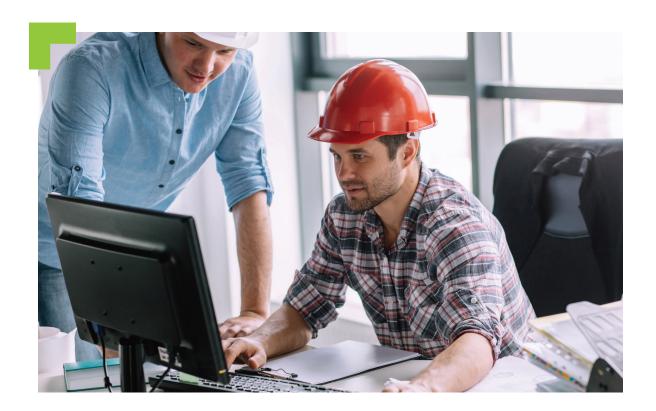
You need a better way to track work leave.

Manufacturing is not only one of the largest industries, but it also makes up a large share of total workplace injuries. According to the Bureau of Labor Statistics, manufacturing accounted for 15 percent of all private industry nonfatal injuries and illnesses in 2019. As a result, at any point during the year, you are likely to have workers absent on sick leave, workers' compensation leave or FMLA leave.

Because each kind of leave has applicable federal and state requirements for how much time off employees can receive and at what rate of pay, you need a way to differentiate between leaves and ensure you're providing what's legally required. Moreover, you need to know how much employee absences are costing you, both in terms of replacement workers and lost productivity.

By categorizing leave and carefully tracking leave patterns over time, you can ensure workers receive their legally allowed leave. A robust absence management solution allows you to approve time-off requests, run reports on paid and unpaid leaves, and filter leaves according to parameters such as leave type, date and duration. At any time, you can access dashboards showing you who is out on leave, their expected return-to-work date, and where you need to schedule replacements to fill in for absent employees. With these added insights, you can identify areas of concern and reduce absences where possible.

You need to implement contact tracing across all production sites.

During the pandemic, manufacturing employees were among the few that couldn't work remotely. As a result, it has been critical to monitor the workforce for signs of illness and protect the health and safety of all workers. Contact tracing and symptom checking protocols are a key way to protect the workplace and prevent the spread of COVID-19.

A time clock solution with an integrated mobile app allows you to collect worker symptom information across all work locations. When combined with a touchless thermal sensor time clock attachment, you can monitor and track employees for signs of fever and take the necessary steps to isolate concerning cases. These tools also support detailed reporting so you can stay informed about areas of concern across sites throughout the work day.

You need to eliminate sources of time waste.

Though you can't control variables such as machinery breakdowns and supplier delays, you can take steps to reduce areas of waste that threaten productivity and interfere with production schedules. Employees punching in too early, too late or having a coworker punch in for them can delay work and contribute to wasted time.

Instead of dealing with uncontrollable variability in worker start and stop times, you can track and measure working hours with pinpoint accuracy with the help of best-in-class time tracking and scheduling solutions. For example, you can use TCP's time and attendance software to monitor exceptions and notify you before they become a problem. As an added option, you can also use a biometric time clock to prevent buddy punching and other wasteful clock-in and clock-out practices.

Conclusion

Today's manufacturers provide goods that help people feed their families, get to work and access the internet. That's why it is critical to have the systems and processes in place to maintain a productive workforce. Though federal and labor laws present challenges in effectively managing your workforce and accurately tracking time and attendance, you can take advantage of solutions designed to simplify key processes so you can manage costs, efficiency and compliance more effectively.

In addition to tracking worker time, today's automated time and attendance solutions can help you comply with collective bargaining agreements, keep track of workers' compensation and other leaves, and understand the labor costs associated with different products. As a result, you can have full visibility into your workforce and manage your compliance risk at the same time. For more ideas on how to improve your workforce management capabilities, schedule a consultation today.