Work Sharing Solves Fiscal, Labor Challenges

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Manufacturers around the country have found themselves struggling to find the qualified workforce needed to meet demand. This problem is compounded by the ever present threat of economic downturn, making it difficult for employers to maintain their workforce and ensure that employees remain available for work as needed, despite layoffs and other challenges.

Work sharing provides two means of addressing these challenges. The first definition of work sharing is often referred to as job sharing. In this strategy, manufacturers share employees, who work part-time for each employer. This helps employers make up for the lack of available and experienced labor, but is not without its own potential complications.

First, it remains to be seen if work sharing in this form can provide a long-term solution to the issue of manufacturers not being able to find enough qualified employees to fill available positions or if the available labor force is big enough to sustain this strategy. Manufacturers must also consider potential conflicts created by sharing skilled labor.

For this version of the work sharing strategy to be a feasible solution to a workforce shortage, manufacturing executives and human resources teams should create contracts that explicitly spell out the requirements for employees, thus allowing manufacturers to better handle any issues that may arise related to over-scheduling, workers not meeting manufacturers’ needs, or other issues.

The second, and more common, definition of work sharing provides an effective alternative to employers faced with layoffs. Nearly two dozen states have adopted work sharing programs that allow employers to reduce hours, generally by 20 to 40 percent, for groups of employees rather than laying them off. Employees in this situation are then allowed to apply for partial unemployment benefits to help fill a portion of the income shortfall created by the work reduction.

There are many examples of how this type of work sharing has been effective. Earlier this year, SharedWork Ohio was established as a program similar to ones in nearly 30 other states. Kenworth Truck Company, a large employer in Ohio that has experienced ebbs and flows in its business the past several years, has said it would consider eliminating operations to states that used shared work to help it avoid layoffs.

This strategy is in many ways beneficial to all involved. Employees are not laid off, and avoid all the negative consequences of a layoff. In many states, employers are required to maintain existing insurance and benefit plans for the employees involved. The states avoid having large numbers added to unemployment, and face minimal added costs to their unemployment insurance programs. The U.S. Labor Department estimates that states spent $125 million on work sharing programs in 2011, saving more than 61,000 jobs.

Manufacturers that have used these types of formal work sharing programs can significantly reduce their overhead and operational costs at a time when margins are extremely thin. One Tier 2 automotive manufacturer in Michigan has reduced its unemployment insurance costs significantly and have not had to deal with the headaches and operational challenges associated with layoffs, recruiting of lower-paid labor, and quality issues that can come with inexperienced employees.

During the summer, this auto manufacturer has been able to create a flexible schedule for its employees that allow for the maximization off time off during the desirable weather months with a slight reduction in overall hours to the employer. Allowing for more long weekends and flexible time has slightly reduced the sting of lower hours and overall pay for its employees, while the manufacturer has been able to continue providing full health benefits through Michigan’s work sharing program. Earlier this year, Michigan was the first state to offers qualified employers work sharing with no risk of tax penalty as long as federal money is available. As with traditional unemployment, states cap the benefits workers can receive.

Most importantly for manufacturers, employers are able to continue employing their experienced workers at a reduced cost while they wait for an economic rebound, thus retaining their experienced, skilled employees and workplace continuity, while avoiding a labor shortfall as well as the costs associated with employee turnover.

Depending on the economic and financial situation facing a manufacturer, one or both of these work sharing strategies should be considered. Available programs depend on the state and specific industry in which a manufacturer is located.

Has work sharing in the manufacturing industry been successful for you? Comment below!

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