



CRAFTING SUCCESS:

THE EMPLOYER'S GUIDE TO THE

MANUFACTURING INDUSTRY



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Introduction

IN 2022, MANUFACTURING CONTRIBUTED \$2.3 TRILLION TO THE U.S. GROSS DOMESTIC PRODUCT (GDP), MAKING UP 11.4% OF TOTAL GDP. THE 15.2 MILLION EMPLOYEES WORKING IN THE MANUFACTURING INDUSTRY REPRESENT 9.6% OF TOTAL U.S. EMPLOYMENT.

Due to manufacturing's importance to the U.S. economy, there is broad bipartisan support for bringing more manufacturing opportunities to the U.S. One of the more recent legislative actions is the CHIPS and Science Act, which boosts the manufacturing of semiconductors in the U.S.

With this significant industry primed for growth in the near future, there are distinct challenges for leadership within this sector. Concerns such as recruitment and retention, safety, training and development, and compliance are common in manufacturing.

Throughout this guide, you will learn about regulations and best practices that address these issues and how FrankCrum can provide services to address your company's needs.



Recruitment and Retention

RECRUITMENT AND RETENTION IN THE MANUFACTURING INDUSTRY ARE CRITICAL CONCERNS, AS THE SECTOR FACES A GROWING SKILLS GAP AND AN AGING WORKFORCE.

Attracting and retaining talent has become increasingly challenging due to evolving technological demands, competition with other industries, and changing worker expectations. Manufacturers must address these issues by implementing innovative strategies. Failing to manage recruitment and retention effectively could lead to productivity declines and hinder the industry's ability to adapt to future demands.

Creating Partnerships

Sometimes, posting a job opening online is not enough. Considering that certain skill sets may also be challenging to find, manufacturers should create partnerships that will attract talent now and create a sustainable pipeline for future talent.

One option is reaching out to local high schools and trade schools. The National Student Clearinghouse shows that enrollment in vocational-focused community colleges increased 16% from 2022 to 2023 as Generation Z has continued moving away from traditional four-year colleges and universities. By forging partnerships with these schools, employers can speak directly with students interested in welding, electrical assembly, CNC operation, and other manufacturing skills. This is not only an opportunity to recruit fresh talent as they graduate with certifications in needed fields, but an opportunity to publicize your company's name in the community as an employer of choice.



Another option is building a partnership with the local Chamber of Commerce. Chambers of Commerce will typically have programs for employers, and even manufacturing employers specifically, to lift up the industry within the community and attract new talent. Chamber events also present engagement and professional networking opportunities, which can be particularly relevant for supervisory employees.

Often, state-affiliated programs assist employers and employees with job training and placement that can be leveraged in searching for talent. These include CareerSource in Florida, Worksource in Georgia, CalJOBS in California, Career Centers in New York, and WorkInTexas in Texas. Displaced workers will often reach out to these resources, which presents an advantage for employers. Employers can typically post their openings on job boards through these and other resources and will often have access to review the resumes of workers looking for opportunities.

Working Interviews/Skills Testing

One of the most frustrating aspects of hiring a new employee is finding out they do not possess the skills they claim. You hire someone who says they have been welding for five years, but once they start, you discover they can only do simple spot welds, which is not at the level required for the job. According to the Society for Human Resource Management (SHRM), the average cost per hire is nearly \$4,700 when accounting for hard costs, such as placing job ads and performing pre-employment background checks, and soft costs, such as the time managers invest in interviewing candidates and productivity lost while the position is vacant.

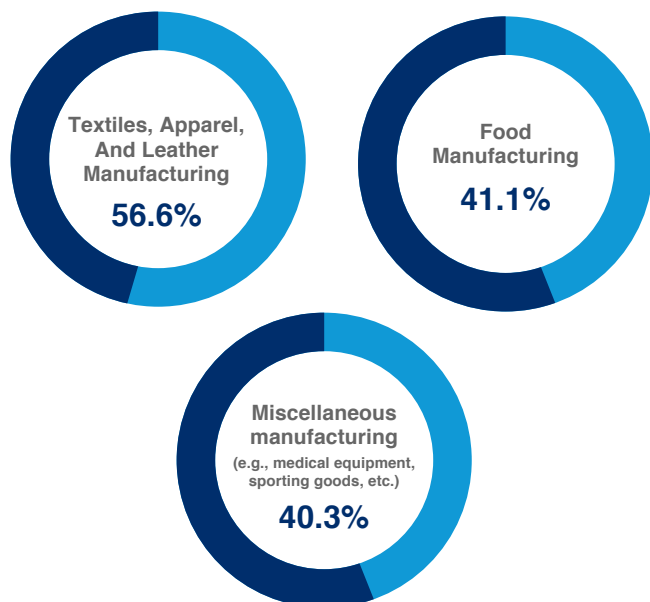
To cut down on sinking money into a candidate who may not be the right person for the company, you might consider “working interviews,” or more properly named, skills testing. Skills testing involves a candidate demonstrating relevant skills during their interview process. However, employers should take caution when administering these tests. If the interviewee is performing work usually performed by one of your employees, this person must be treated as an employee of your business, i.e., paid for their work. Instead, set up simulated scenarios. Returning to the welding example, you could have the interviewee demonstrate various types of welds on scrap metal or use a virtual welding simulator. Other options for skills testing, depending on the nature of the job, would include a written test identifying different tools or having the employee walk you through scenarios of how to troubleshoot machinery not working correctly.



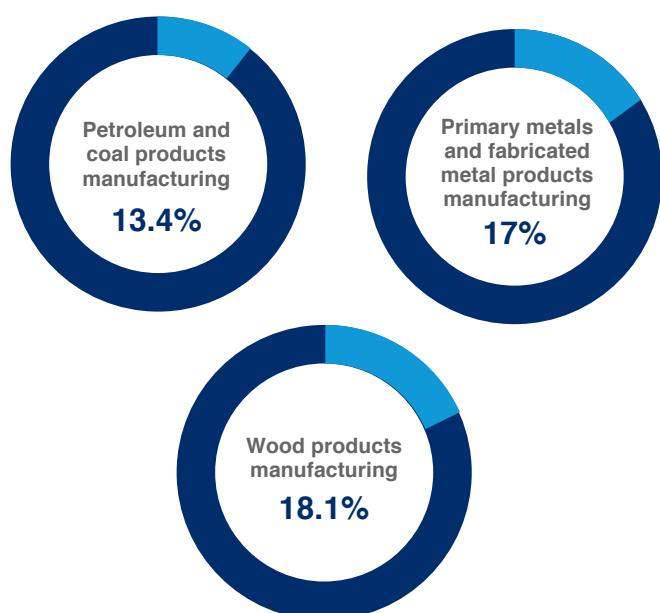
Gender Diversity

According to the Bureau of Labor Statistics (BLS), women accounted for 29.5% of manufacturing employees in the U.S. in 2023, even though they accounted for 47% of workers across all industries. This number also widely fluctuates depending on the manufacturing sector. The following manufacturing sectors have the highest and lowest percentages of female workers.

Most Women Workers:



Fewest Women Workers:



Although women account for over half of all textile, apparel, and leather manufacturing workers, the average hourly pay rate is \$18.00 across all positions within this area. Comparing the petroleum and coal products manufacturing sector, where women workers are least represented, the average hourly pay rate is \$37.68, more than double. Overall, women are underrepresented in higher-paying manufacturing sectors.

Reasons that women may be underrepresented in some sectors include:

- ✓ Outdated stereotypes that manufacturing is a dirty and dangerous job that requires big, strong workers.
- ✓ Societal expectations for gender roles that make women feel like manufacturing isn't for them.
- ✓ The prevalence of sexual harassment, where over 60% of women working in manufacturing reported experiencing some form of sexual harassment at their workplace.
- ✓ A lack of work-life balance.

What can an employer do to build a more gender-diverse workforce?

Here are some suggestions that would not only attract and retain more female employees but would be a positive to the workforce in general:

- ✓ Implement a clearly defined anti-harassment policy, train employees on sexual harassment, and quickly investigate and take action on all reports of harassment.
- ✓ Ensure equal pay and promotions regardless of gender.
- ✓ Consider family-friendly benefits, such as flextime, paid family leave, and subsidized childcare.
- ✓ Support continuing education and re-skilling to give opportunities to high-performing employees.

Engagement Teams

In 2023, 33% of U.S. employees reported being engaged in their work and workplace, 50% reported being not engaged, and the remainder were actively disengaged, sometimes called “loud quitting.” Engaged employees are more likely to be satisfied with the workplace, have better work output, and are less likely to resign.

One way to get employees engaged is by giving them an opportunity to make a difference in the workplace and the community. Referred to as engagement teams, these are groups made up of people from across the company, from management to production employees, to ensure that all facets of the company are represented and valued. This helps avoid management decisions for the company that may seem tone-deaf in relation to the needs of general employees.

Employers can decide to have one team or multiple teams specializing in different areas, such as:



Event planning team:

plan company events, such as Veteran’s Day luncheons to honor employees who are veterans



Community service team:

coordinate community events such as neighborhood clean-ups



Environmental team:

develop ideas to help the company become more environmentally responsible, such as implementing a recycling program



Health and wellness team:

implement ideas to improve health among employees, such as fitness challenges or distributing water on production floors



Overcoming Communication Barriers

Employees engaged in their work are 87% more likely to stay with their company. Unfortunately, surveys show that only 25% of manufacturing employees are engaged. One factor that often damages engagement levels is communication, whether between management and nonmanagement or between employees, due to language barriers.

Managers should consider the following when communicating with their employees:

Keep communication relevant and useful. An overwhelming amount of information can make it difficult for employees to identify and track what is important.

Managers should view communication as essential and not as a mere formality. Otherwise, employees may respond with similar indifference.

Communication is a two-way street. Managers should provide employees with plenty of opportunities to engage with management and leadership regularly.

The medium used to communicate is important. Determine what method of communication works best based on your workforce and the message itself. Bulletin boards, intranet pages, or internal communication apps like Microsoft Teams can be used to communicate company or department-wide messages. In contrast, in-person meetings, phone calls, or email can be used for individual communication.

Managers should strive to be proactive in their communication. Reactive efforts can come across as disorganized and cause employees to lose confidence in management.

Make sure what you are communicating clearly aligns with business goals and priorities, and that context is provided.

When it comes to a workforce that speaks multiple languages, it is important for companies to overcome language barriers. Effective communication of instructions and policies to employees keeps everyone striving towards the same goal and is critical from a safety perspective. The Occupational Safety and Health Administration (OSHA) has said that language barriers are a factor in 25% of on-the-job accidents. This is especially true in industries regularly using heavy machinery or toxic substances.

Here are some tips on how to continue working safely and effectively when some employees may not be able to speak a common language:

Have work documents, such as safety manuals, employee handbooks, and SOPs, translated to other languages spoken by employees (some states even require this).

Leverage professional and trusted employee interpreters to assist with translation during meetings.

Utilize translator technology such as Google Translate on a smartphone or a standalone two-way translation device, such as Poketalk.

Offer language classes to employees.

Post information around the workplace in all key languages.



Training and Development

TRAINING AND DEVELOPMENT ARE CRUCIAL IN THE MANUFACTURING INDUSTRY, SERVING AS THE BACKBONE FOR MAINTAINING A COMPETITIVE EDGE IN AN EVER-EVOLVING MARKET.

As technology advances and production processes become more sophisticated, a well-trained workforce is essential for ensuring efficiency, safety, and innovation. Continuous training enhances employees' skills and knowledge and fosters adaptability, enabling the industry to meet new challenges and embrace emerging opportunities. Investing in development programs leads to improved productivity, reduced errors, and a more engaged workforce, ultimately driving the long-term success and sustainability of manufacturing operations.

FrankCrum TrainingHub is our online learning management system (LMS). It was designed to provide our clients with a solid training program to foster better compliance outcomes, safer work practices, greater productivity, and reduced risk of lawsuits and fines. TrainingHub offers an extensive catalog with thousands of industry-specific courses focusing on compliance, leadership skills, harassment, health and safety, decision-making, teamwork, etc. It also allows the client to customize training content and have it uploaded by FrankCrum.

For more information about our training packages and to receive a quote, please contact the FrankCrum TrainingHub Manager at traininghub@frankcrum.com.

Management Training

While training all employees is important for your business (such as anti-harassment training, which is strongly recommended), management training is crucial. Your managers are there to lead teams, provide direction and motivation, and bridge the gap between leadership and general employees.

While effective training should cover the day-to-day tasks that managers should be equipped to handle, it should also cover subjects such as:

Conflict resolution:

how managers can deescalate conflicts between employees and recognize when the issue should be brought to their manager/Human Resources or, in extreme circumstances, to law enforcement.

Project Management:

how managers can apply tools and techniques to achieve tasks and activity success.

General employment laws:

how to recognize when an employee may require a reasonable accommodation under the ADA, what constitutes harassment and their role as a manager, or when an employee requires a protected leave of absence.

Effective interviewing:

if your managers are involved in interviewing, they should be trained on recognizing red and green flags on candidates and what questions to avoid.

Mentorships

Providing training in a given position is important to the success of a business, especially in manufacturing where mistakes can be costly. However, it may not always be possible to formally train an employee in every situation within their first day or week on the job. This is where mentorships will help bridge the gap. A mentorship program can help increase safety awareness, enhance employee productivity, improve job satisfaction, increase team collaboration, and help employees develop better communication skills.

A mentorship is where an experienced employee is paired with a new employee, anywhere from the first three months to one year, and serves as a trusted source of knowledge. Mentors help ensure that the formal training an employee receives is reinforced and that questions are answered.

When choosing employees to serve as a mentor, look for individuals who possess:

- ✓ Patience in teaching and guiding others
- ✓ A sincere desire to share their knowledge
- ✓ Passion for continuous learning and development
- ✓ Strong active listening skills

By utilizing mentorships, mentors can pass on technical skills, share industry-specific knowledge, provide feedback to new employees, and encourage continuous learning. This, in turn, will improve the quality of work, reduce errors, and increase efficiency. Such mentors can also provide a wealth of knowledge to management, such as consulting on which employees may be struggling or have the potential to move up within the company.

If you decide to implement a mentorship program at your company, the following steps should be taken:

- ✓ Establish clear goals and objectives for the program that align with the organization's overall mission.
- ✓ Dedicate adequate time and resources to guarantee the effectiveness and longevity of the mentoring initiatives.
- ✓ Offer training and support to both mentors and mentees, equipping them with the necessary skills and knowledge for success.
- ✓ Cultivate a culture of mentoring and continuous learning within your organization, encouraging employees to actively seek and offer mentorship.





Upskilling and Reskilling

As some individuals with certain manufacturing skills become increasingly more challenging to find, employers must find ways to work with what they have or, more accurately, work with untapped talent already employed at their company. This is where upskilling and reskilling can prove helpful to your business.

What is upskilling and reskilling?

Upskilling is learning additional skills or enhancing existing abilities that support and improve an employee's current position. This type of training provides opportunities for upward mobility, such as a CNC machinist moving up to a CNC Programmer role.

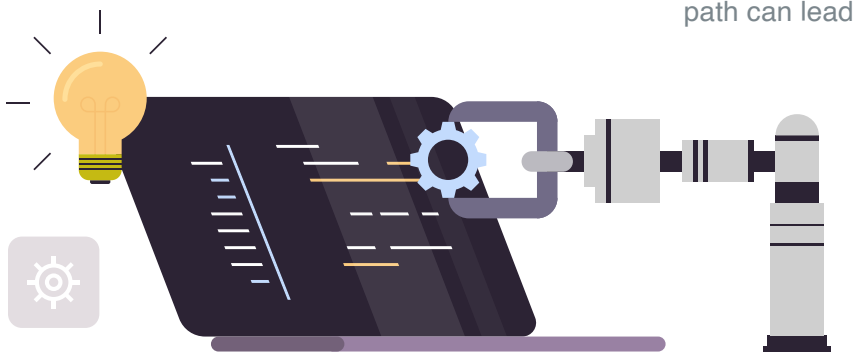
Reskilling is learning an entirely new set of skills or training for a new role. This type of training provides opportunities for lateral moves and new career prospects. An example of this would be training a welder for an engineering position.

What are the benefits of upskilling and reskilling?

One benefit of upskilling and reskilling is the individual is already employed. This reduces the costs of hiring a new employee, such as background checks or posting job ads. The employee is also familiar with how the company functions and may have already picked up on some skills for lateral or upward movement, which would be a learning curve for an external hire. As the employer, you also are familiar with the individual yourself, so you would have a better idea of their strengths and weaknesses and what areas to focus on, which you would not know if hiring a fresh recruit.

As technology progresses, advances in some areas will eventually force employers to reskill their workforce, so getting a head start on developing this process would benefit your company and put you ahead of less nimble competitors.

Finally, reskilling or upskilling employees can contribute to employee retention; an employee who sees their employer investing in their future and career path can lead to the employee sticking around longer.



How do you start the reskilling/upskilling process?

Reskilling and upskilling can be introduced to your company by creating a career pathing program. Career pathing is the process of aligning opportunities for employee career growth with organizational talent priorities and is driven by the individual's skills, interests, and career objectives.

You should begin by evaluating the specific skills needed for each role and by understanding the type of training required for employees moving into the role. What abilities are needed coming into the role and what would the training program look like to get someone to be proficient? You should also conduct a skills gap analysis to compare your current employees' skills to the skills your company will need to remain competitive.

Next, you will need to understand your individual employee's career goals and existing skills. Having your employees assess their own skills can reveal potential that could have gone unnoticed. Without having these conversations, you may not be aware that the 24-year-old you recently hired to work on the assembly line is getting a master's degree in engineering.

With this information in hand, you can develop a clear path for moving your employee from their current position to the role that would best benefit both the employee and the company. Discuss the type of training or mentoring that would be provided, steps the employee should take (including any necessary certification or formal education), and milestones the company will look for.

Reskilling and upskilling your workforce may take time and planning. However, the payoff will lead to lower employee turnover, a better-trained workforce, and future-proofing in the face of technological advances. In the manufacturing sector, reskilling and upskilling are particularly relevant for creating a reliable supply of difficult-to-find trades, specialties, and knowledge, making your company less reliable in an anemic job market for continued operations.





Safety

Implementing a Safety Officer/Team

Workplace safety is vital to keeping employees safe, and costs associated with workers' compensation low. It's even more important in the manufacturing industry, which has a heightened risk for job-related injuries. In 2022, the Bureau of Labor Statistics showed a total of 396,800 recordable nonfatal injuries and illnesses in the manufacturing industry; this was second only to the healthcare and social assistance industry.

To reduce the number of workplace injuries, employers should consider designating a safety officer or implementing a safety team. A safety officer or team is responsible for:

- ✓ Conducting safety training with new employees and refresher training with existing employees
- ✓ Performing inspections and safety audits to identify unsafe equipment, areas, or practices and to take remedial action
- ✓ Investigate accidents and incidents to determine the cause and take steps to avoid similar incidents from happening again
- ✓ Creating and implementing safety policies
- ✓ Manage emergencies and ensure plans are in place in case of inclement weather, active shooter, and other emergency situations
- ✓ Communicate with management and employees to ensure that expectations and responsibilities are shared and understood

Some companies opt to hire a designated safety officer or manager whose sole responsibility is the safety of the company, while other companies may opt to have this duty placed within an existing role, such as the Operations Manager. Companies may also opt to build a safety team with existing managers and employees, preferably with at least one person representing each department within the company, to allow for multiple viewpoints on safety. Companies should consider the best option for them based on their size, level of complexity, exposure, and budget. A safety team may be more appropriate for a smaller company, while a larger company with a greater level of federal and state oversight may benefit from a dedicated safety manager.



Workplace Violence

Manufacturing is one of the top five industries for elevated risk of workplace violence. Workplace violence is any act or threat of physical violence, harassment, intimidation, or other threatening disruptive behavior that occurs at the work site. It ranges from threats and verbal abuse to physical assaults and even homicide in rare cases.

Employers can reduce the chances of workplace violence by implementing a zero-tolerance policy towards any kind of workplace violence. Employees should be encouraged to report harassing, disruptive, or abusive behavior, and corrective action must be consistently applied regardless of who violated company policy. Employers should also consider if they want to include a provision in their policy banning firearms and other weapons in the workplace. Many states require employers to allow employees to store firearms in their personal vehicles, even if parked on company property. However, all states permit employers to implement a policy that prohibits employees from bringing firearms into the actual place of work.

Employers should also provide workplace violence training so employees can develop an awareness and understanding of situations that represent a risk of such violence. While employees should be able to recognize these situations, employees should not be expected to become experts in psychology or to physically subdue a threatening or violent individual. Employers should discourage employees from engaging in any physical confrontation with a violent or potentially violent individual.

A final way to reduce the chance of workplace violence is to limit access to the workplace. Installing locks, badge readers, or other security devices at all entrances that are not meant to be accessible to the public will reduce the chance of unstable individuals wandering into the workplace.



Lockout/Tagout

When employees need to service or maintain machinery, proper procedures should be followed to disable the equipment to prevent the release of hazardous energy or injury. When machine safeguards need to be removed or bypassed (such as during maintenance or servicing), employees should always engage in lockout/tagout (LOTO). This standard is estimated to prevent 120 fatalities and 50,000 injuries each year.

Lockout/tagout is a safety procedure to ensure that dangerous machines are properly shut off and cannot be started up again before maintenance or servicing work is completed. This procedure involves placing a lock and a tag on the energy-isolating device (such as a switch or valve) that controls the flow of energy to the machine. The lock physically prevents the device from being operated, while the tag provides a visual warning that the machine is under maintenance and should not be used. LOTO is critical in preventing the accidental release of hazardous energy, which can cause severe injuries, including electrocution, crushing, or amputation. Only the employee who places the lock and tag on the machine should remove it.

Training employees on LOTO procedures is vital because it equips them with the knowledge and skills to safely control hazardous energy sources. Properly trained employees understand the importance of following LOTO protocols and the specific steps involved in locking out and tagging out machinery. This training helps prevent mistakes that could lead to serious accidents or fatalities. Furthermore, a well-trained workforce ensures that everyone in the workplace knows the potential dangers and the correct procedures to mitigate those risks, fostering a safety culture and compliance with regulatory standards.



Fall Protection

Falls are one of the most common causes of severe workplace injuries and death, and manufacturing alone has about 16,000 falls each year. Employers have a duty to keep their employees safe, which means preventing falls where possible.

Steps employers can take to reduce falls include:

- ✓ Guard every floor hole into which a worker can accidentally walk (e.g., using a railing and toe-board or a floor hole cover).
- ✓ Provide a guard rail and toe-board around every elevated open-sided platform, floor, or runway.
- ✓ Regardless of height, if a worker can fall into or onto dangerous machines or equipment, employers must provide guardrails and toe-boards to prevent workers from falling and getting injured.
- ✓ Other means of fall protection that may be required on certain jobs include safety harnesses and lines, safety nets, stair railings, signage, and handrails.

For employees who walk or work on a surface four feet or more above a lower level, a guardrail system, safety net system, or personal fall protection system must be in place. Employees who must utilize a fall protection system should be trained regularly on when and how to use it to ensure proper usage.

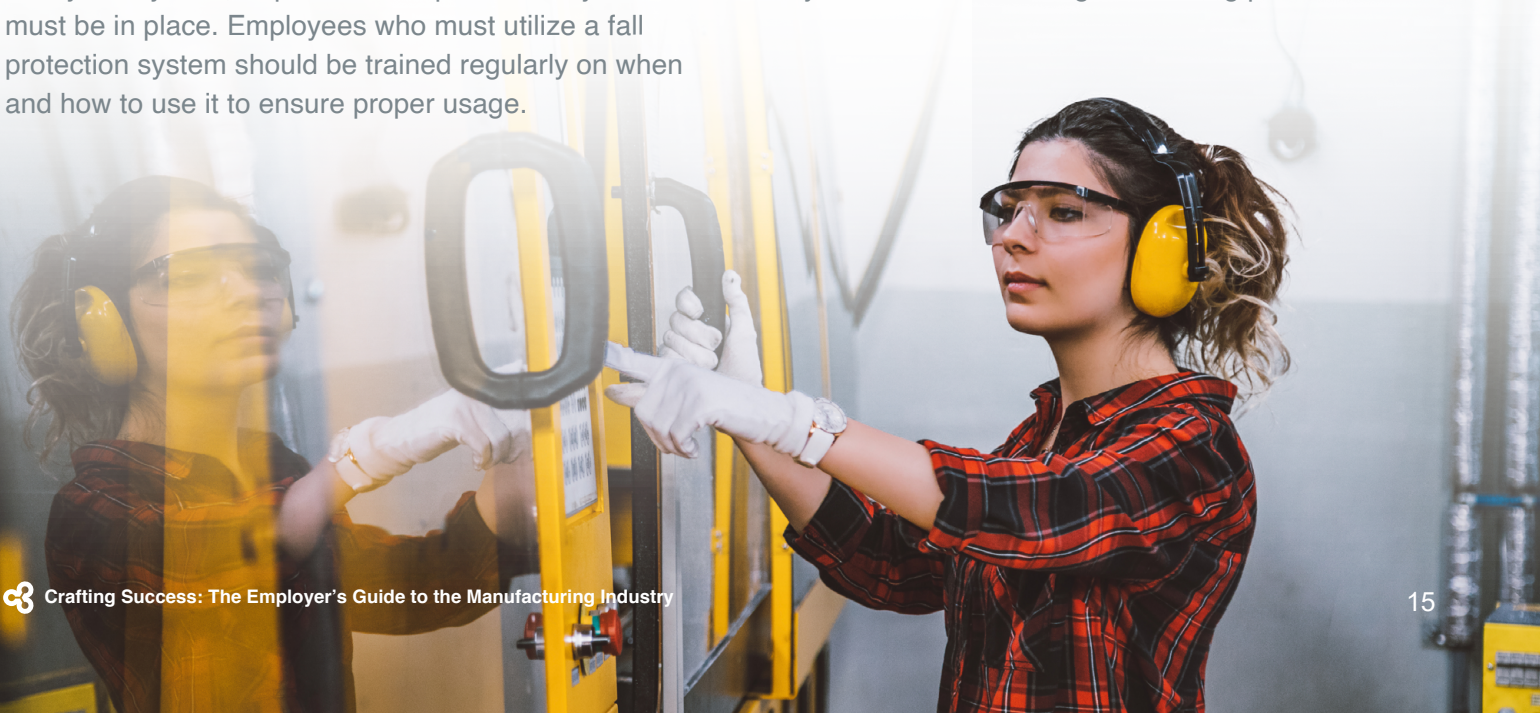


Hearing Protection

Manufacturing facilities tend to be a noisier environment than most workplaces. According to the CDC, about 46% of all workers in manufacturing have been exposed to hazardous noise, and around 20% of noise-exposed employees have hearing impairment.

If possible, hazardous noise should be minimized as much as possible to reduce exposure overall. This is because employees may often choose inadequate hearing protection, wear it incorrectly, or use it inconsistently. However, if there are limited opportunities to reduce noise exposure, employers should select appropriate hearing protection for employees; sufficient protection would be equipment that reduces noise exposure to the recommended exposure limit of 75-85 dBA. Too much protection should be avoided as this can make workers less aware of their surroundings or cause them to take off hearing protectors to hear properly, defeating the purpose. When the noise level is over 100 dBA, employees should be provided with double hearing protection, such as earmuffs over earplugs.

Employees should also be regularly trained on how to properly use hearing protection and when to use it. Fit tests should be performed periodically to ensure the hearing protection provides the right level of noise reduction. Management should also be trained so they can enforce the usage of hearing protection.





Repetitive Motion Stress Injuries

Repetitive motion stress injuries can occur in manufacturing when workers repeatedly perform the same task or hold the same position for long periods. These injuries can affect the musculoskeletal and nervous systems, particularly the hands and upper extremities. Some examples include carpal tunnel syndrome and tendonitis. Symptoms of Repetitive Motion Stress Injuries include pain, tingling, weakness, aching or tenderness, stiffness, throbbing, and cramping. Although it is not one specific incident that can cause these injuries, a repetitive motion stress injury can still result in a worker's compensation claim.

Some preventative measures that management can implement include:

- ✓ Perform job analyses for all positions deemed "at risk"
- ✓ Reinforce ergonomics training by reminding employees to maintain proper body posture
- ✓ Conduct periodic walk-through surveys, especially when job tasks change
- ✓ Encourage employees to take micro-breaks and stretch regularly
- ✓ Encourage employees to report any early signs or symptoms of discomfort to a manager
- ✓ Utilize a job rotation schedule to reduce strain
- ✓ Provide training with an ergonomics professional or healthcare provider
- ✓ Implement mechanical aids and engineering controls whenever feasible
- ✓ Aim to minimize or eliminate overtime work

A photograph showing three people in a manufacturing environment. A woman in an orange jacket, a man in a blue work jacket, and a man in a blue suit are gathered around a tablet, looking at the screen. The background shows industrial equipment and a factory floor.

Compliance

COMPLIANCE IN THE MANUFACTURING INDUSTRY IS CRITICAL TO ENSURING COMPANIES ADHERE TO A COMPLEX WEB OF REGULATIONS AND STANDARDS.

This includes obligations related to federal contracts overseen by the OFCCP, distinguishing between employees and independent contractors, and avoiding pay misclassifications between exempt and nonexempt employees. Proper understanding and implementation of these compliance factors are essential for employers in the manufacturing industry to avoid costly repercussions and maintain ethical business practices.

Federal Contracts/OFCCP

Many manufacturing employers may seek and be awarded federal contracts, so it is important that they understand the requirements and how they are managed. The Office of Federal Contract Compliance Programs (OFCCP) plays a vital role for manufacturing employers engaged with federal contracts.

The OFCCP enforces regulations promoting equal employment opportunity and mandates affirmative action, ensuring that companies do not engage in discriminatory hiring, promotion, or other employment decisions. For manufacturers, this means creating and maintaining detailed affirmative action plans (AAPs) that outline specific goals for improving the representation of women, minorities, veterans, and individuals with disabilities within their workforce. These plans must be regularly updated and include measurable objectives, such as hiring benchmarks and timelines for achieving diversity goals.

Employers with federal contracts must also be prepared for OFCCP audits, which can be comprehensive and involve a thorough review of employment records, policies, and practices. The agency may request data on hiring, compensation, promotions, and terminations to

assess whether the employer is meeting its affirmative action obligations. Failure to demonstrate compliance can result in sanctions, including financial penalties, mandates to correct discriminatory practices, and even the cancellation of federal contracts.

Another critical aspect of OFCCP compliance is ensuring pay equity. The OFCCP requires that manufacturing employers conduct regular reviews of their compensation practices to identify and address any disparities that could lead to pay discrimination based on race, gender, or other protected characteristics. This involves maintaining detailed records of pay structures and adjustments and being transparent in compensation decisions. Non-compliance in this area can lead to significant penalties, including back pay awards and other corrective action.

Overall, understanding and adhering to OFCCP requirements is crucial for employers with federal contracts to maintain their eligibility for federal contracts and avoid costly legal repercussions. This involves meeting regulatory standards and fostering an inclusive workplace that values diversity and equal opportunity under evolving federal standards.

Employees vs. Independent Contractors

Depending on certain situations, employers in the manufacturing industry may occasionally have a need to utilize independent contractors. However, W-2 employees and 1099 independent contractors are not interchangeable labels, and employers should proceed carefully with how workers are classified.

When determining whether a worker should be classified as an employee or an independent contractor, the following six factors should be considered:

1. The degree of permanence of the work relationship
2. The nature and degree of control over the performance of the work
3. The worker's opportunity for profit or loss
4. The use of the worker's skill and initiative
5. Investments made by the worker and the employer
6. The extent to which the work performed is an integral part of the employer's business



An example of an employee would be someone who is hired at will to perform assembly work, is subject to your company's handbook and policies, including a specific work schedule, reports to a manager at the company, and their work is integral to the business (assembling the product that the company is selling). Comparatively, an independent contractor may be someone that you hire to renovate a portion of the production floor. They have a contract stating the work would be completed in six months, the workers are not subject to your company's handbook or your typical employee's schedule, they do not report to a manager at your company, and this work is not integral to your business (even though it may help your business be more efficient with the renovation).

Employers should strive to classify workers correctly, as improper classification of an independent contractor can be costly. Employers can be fined and held liable for unpaid employment taxes, overtime, and minimum wage. Employers can also be penalized for failing to provide coverage under their workers' compensation policy and group health benefits. Employers that willfully and/or repeatedly violate the law can also face criminal charges and jail time.

Pay Misclassification (Exempt vs. Nonexempt)

Employers should use caution when classifying employees as exempt or nonexempt. All employees are either exempt or nonexempt. This classification will determine all the aspects related to wages for each individual that are necessary to remain in compliance with wage and hour laws.

Exempt employees are typically paid a fixed salary and must meet certain requirements for an exemption. “Exempt” means exempt from the law's minimum wage and overtime provisions. Exempt employees are often in a supervisory or management position. However, there are a variety of exemptions available based on job duties. Employers should note that “blue-collar” employees who regularly perform manual labor, including positions like machinists, welders, and assembly-line workers, are not permitted to be classified as exempt. While exempt employees are not entitled to overtime if they work more than 40 hours in a workweek, employers may not pay them less for working fewer hours with very limited exceptions.

Nonexempt employees are those who are covered by the law's minimum wage and overtime provisions. Employers are required to keep track of the number of hours worked by each nonexempt employee, regardless of the pay method. Wages to nonexempt employees can be paid by the hour, on a piece rate basis, by the day, with a commission structure, etc., or any combination of these methods. Regardless of the method used for payment, employers must still

1. Keep track of all hours worked;
2. Pay at least minimum wage for all hours worked; and
3. Pay overtime when applicable.

As the manufacturing industry tends to be more process- and systems-oriented, most employees should be classified as nonexempt. Any employee can be nonexempt, but not just any employee can be exempt. An exempt employee must meet the criteria for an exemption. Being paid on a salary basis is not synonymous with being an exempt employee. While most exempt employees are salaried, this pay structure does not automatically make someone exempt. Nonexempt employees can be paid on a salaried basis, but their hours will still need to be tracked, paid at least minimum wage, and receive overtime if they work over 40 hours in a workweek.

Likewise, even if an employee's duties qualify for an exemption, if you don't follow the rules (i.e., if you deduct from their pay), an employer can lose the exemption and could owe back wages for weeks in which the employee worked overtime.

Misclassification of employees as exempt when they do not meet the qualifications can be a very costly mistake. In a typical wage and hour lawsuit, a non-prevailing employer may end up paying back wages plus damages equal to the amount of the back wages, an attorney to represent them, as well as the employee's attorney's fees. Given that state and federal law is specifically set up to impose severe and disproportionate penalties on employers that misclassify employees or violate other wage and hour laws, compliance and avoidance is the proper strategy for employers in this area.



Why FrankCrum

Although FrankCrum clients appreciate our long and successful track record, financial stability, technology capabilities, and the wide range of services we offer, what we hear most often is that they appreciate being able to speak with a live person who gives them straight answers to what may sometimes be difficult questions.

That's the way we do business - one person at a time, one client at a time. It's literally part of our DNA as the FrankCrum family of businesses: what we call "A Family of Employer Solutions."

Our company history began in 1981, when Frank W. Crum, Jr. and his father started offering temporary staffing services, with a deep commitment to the success of business owners. Because of that

commitment, we have expanded our professional offerings over time as clients partnered with us to help them grow.

Today, that family of businesses - still owned and operated by Frank Crum, Jr. and now his son, Matt and daughter, Haley - offer HR services through FrankCrum PEO, workers' compensation and general liability insurance through Frank Winston Crum Insurance and staffing services through FrankCrum Staffing. You'll find the same operational philosophy in all three companies; Frank refers to it as "doing the right things for the right reasons."

It boils down to this: Running a business can be hard. Managing your human resources program shouldn't be. Let us know how we can help.

Contact a FrankCrum Consultant Today



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