

Executive Briefing #7 – Shift Differential



Building the Bridge Between Operational Best Practices and Employee Morale

The Shift Differential - A Giant Waste of Money

Shift differentials, or shift premiums as they are sometimes called, are used to incent employees to work less desirable shift schedules. The concept is that paying off employees to work these schedules can make the problem go away. Unfortunately, shift differentials do not work, they do not solve any problem and they often create additional problems.

If shift differentials are paid to employees based on the lack of popularity of a particular shift, then the pay should be commensurate with the pain. In a national study conducted by Core Practice, employees currently working shift schedules indicated their first choice between working days, evenings, and night shifts. Here is what they told us:

1st Choice: 76% of all employees preferred working **DAY SHIFT**

2nd Choice: 16% preferred **NIGHT SHIFT**

3rd Choice: Only 8% wanted to work **EVENING SHIFT**

Most people think working night shift, often labeled “graveyard shift,” is the least desirable. The answer is clearly no. Second shift is the least popular time to work - only half as popular as nights. As a parent, working evening shift means you almost never see your children. When you are home they are either asleep or at school. Although night shift is often harder on the body and sleep patterns, it gives families more time together.

If this is generally true, then should night shift get the most differential? Shift differentials range from 10 cents to 15% of total compensation. The latter usually occurs in high skilled environments like pharmaceutical operations or high tech. However, the more typical compensation is 25 cents for evening shift and 50 cents for night shift.

The Second question is whether the money is a true motivator. As an employee working 8-hour evening shifts, total additional compensation would equal \$2.00. This is before taxes are taken out! An employee would have a hard time buying a coffee these days with the after-tax income from this “benefit.” And this is to make up for working the least desirable shift schedule in the country!

Core Practice is a leading provider of operational and labor strategy consulting services with over 20 years of experience designing, developing, and implementing innovative labor solutions. Core Practice’s labor strategies combine the best people with the right equipment at the right time and provide clients with a competitive advantage. Core Practice has worked extensively with clients in manufacturing, distribution, contact center, and mining industries. To learn more about Core Practice and what we do, please contact:

John Frehse
Managing Partner
212.534.0539
jfrehse@corepractice.com

Ethan Franklin
Managing Partner
312.255.1646
efranklin@corepractice.com

The reality is that employees traditionally have issues with their shift schedules. By trying to “buy them off” with 25 cents, we have not solved the problem. Many employees state that management is quantifying their hardship with 25 cents and it is offensive. They still hate the schedule. If we did it based on inconvenience, shouldn't employees receive several dollars an hour? How do we quantify this? The reality is we cannot. There is no way to put a dollar figure on lost time with loved ones or poor quality of sleep due to unorthodox work times.

Management teams often think they know what will make their employees happy. The easy, and often lazy response to unrest is to increase financial compensation. Oddly enough, that is typically not the largest pain point for the workforce. We know this because when asked about compensation, employees tend to rate the combination of pay and benefits they receive highly. We asked “Compared to other companies in the area we receive good pay and benefits” over 80% of employees respond “yes.” By giving them additional compensation, management teams are trying to take an easy way out, and worse, they are doing nothing to actually improve. Solving an operational problem with a financial solution is illogical. It does not make sense.

And now you have a new problem. Employees who receive a shift differential often want it to increase. The complaints about how “other facilities give their employees one dollar an hour” will start to occur. Without the differential, employees focus on issues like predictability and days off that more dramatically impact their quality of life.

So what is the answer? If employees do not like second shift, why not get rid of it? If your operation runs 24 hours a day (whether it runs 4, 5, 6, or 7 days a week), 12-hour shifts might be a solution. They give employees more days off, and the second shift start times are completely eliminated. Employees on both day and night shift can spend quality time with their families and, compared to 8-hour shifts, they can get up to 87 more days off each year while still making the same amount of money. Other answers can include tighter controls staffing and overtime strategies so employees can at least more accurately plan for days off.

Remember, the architecture of your shift strategies may be suboptimal. Solve this operational problem with operational improvements and do not react by taking the easy way out. It turns out increasing pay through a shift differential is not easy, but it is also not a way out.

Notes: