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Labor Daze

How to Use Scheduling to Control Rising Labor Costs

Executive Summary

In today's economy, many U.S. businesses struggle to stay competitive in the face of growing labor costs and production outsourcing by the competition. But with the help of their timekeeping systems, businesses can employ scheduling strategies as a way to control escalating labor costs by maximizing workforce effectiveness, managing labor coverage budgets and lowering labor-related administrative costs.

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Labor Costs on the Rise

Generally, labor costs outweigh all other production costs and they are on the rise. During the first quarter of 2011, the U.S. Department of Labor's Bureau of Labor Statistics reported that a 2.6 percent increase in hourly compensation overshadowed a 1.6 percent productivity gain, resulting in a 1.0 percent raise in unit labor costs. This is a 1.2 percent increase from Q1 2010.[i]

Two major contributors to increased labor costs are understaffing and overtime. An organization with understaffed teams, groups or departments will quickly find its employees logging more overtime hours — and paying a premium rate for their time. James Dulebohn, professor of human resources at Michigan State University states that compensating for low staffing levels with overtime pay can be more expensive than hiring additional employees.[ii] This trend is most visible in the public budgets of state and local governments. In 2010, the state of New Jersey reportedly paid $227 million in overtime, equivalent to 4.6 percent of the state's total payroll.[iii]

In a sharply competitive marketplace, controlling labor costs is one important way businesses can maintain their competitive edge. The good news is organizations can easily monitor and manage cost-increasing factors such as understaffing and overtime to decrease their financial impact. But how?

Taking Control: Labor Costs & Scheduling

One simple and efficient way to manage labor costs is through scheduling. Scheduling hones the productivity and performance of an organization's workforce through customized management.

Sound expensive to implement? Not necessarily.

Today, most companies use an automated timekeeping system for payroll record-keeping. By employing the system's existing functionality, businesses can optimize workforce planning, budgets and administration to lower labor-related costs.

Secrets of Effective Scheduling

There are two types of labor-related costs that can be managed with scheduling: the cost of labor itself and the administrative costs associated with workforce management. When it comes to lowering labor costs, scheduling offers three benefits. First, it maximizes workforce effectiveness, ensuring individual and department work schedules are operating optimally. Second, it manages budgets so that labor costs can be scrutinized for efficiency opportunities. Finally, it minimizes labor-associated administrative costs by automating organizational tasks.

Maximizing Workforce Effectiveness

Scheduling allows organizations to review and manage worker hours both on an individual basis and a department, group or team basis. To manage individual employees, an organization's timekeeping system must allow managers to:

- View and edit individual employee schedules
- Update employees' schedules directly on time cards instead of logging in to a separate scheduling application
- Create an audit trail of changed data
- Notify supervisors of employee leave requests so that approved leave is factored into the individual's schedule

Successful scheduling on a group level requires managers to be able to:

- View department schedule (including all workers) for a specific time
- Review schedule summary for the entire month
- Factor in individual workers' leave time so that responsibilities of the absent worker are covered by the rest of the department or temporary help
- Set up repeating work schedules to maintain scheduling consistency and avoid confusion

When scheduling effectively at both the individual and group levels, managers can readily identify labor overages, outages and opportunities for greater efficiency.

Managing Labor Budgets

The most direct way to control labor costs is to analyze and optimize the costs directly associated with an organization's workforce. The ability to report and review labor-related operational budgets is crucial to striking the perfect balance between workers' time and productivity. Specifically, an organization can use its timekeeping system to:

- Analyze labor costs at the individual and group level, and review hours and cost by department, team, brand, location, job function, and so on
- Examine cost as it relates to productivity by tracking key performance indicators
- Set target budgets for time worked and time paid
- Compare budget to actual hours worked in real time without waiting for after-the-fact reports

A timekeeping system with flexible yet robust reporting gives organizations the ability to match labor costs with estimated time and budgets as well as actual time, budgets and productivity outcomes to identify potential areas of optimization.

Minimizing Labor-Related Administration

Basic tasks related to HR and payroll can be easily automated by a functional time-keeping system, saving money and time on the administrative end. Organizations can

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trust a practical timekeeping system to help them:

- Manage employee leave requests
- Provide workers 24/7 access to their work schedules, time cards and leave balances
- Encourage employee "self-service" including submitting leave requests to managers, approving time cards and recording performance-related data
- Automate complicated pay rules to keep payroll accurate

Placing labor-associated administrative tasks in the hands of a timekeeping system frees resources in the HR and payroll departments and ensures accurate recordkeeping.

Controlling Labor Costs with Scheduling

As labor costs in the U.S. increase and production sails overseas to cheaper labor markets, many U.S. businesses find their competitive edge threatened. One way simple and effective way to manage labor costs is through scheduling. With the help of a robust timekeeping system, scheduling helps managers examine labor usage, costs and budgets (actual and projected) on both an individual and group level so that managers can identify and hone their operations. Additionally, a timekeeping system automates basic labor-related HR and payroll functions. It saves time and money, maintains accurate and compliant records and ensures the continued success of the organization overall.

Footnotes/Bibliography

[i] U.S. Department of Labor, Bureau of Labor Statistics. "Productivity and Costs, First Quarter 2011, Preliminary." May 5, 2011. <http://www.bls.gov/news.release/pdf/prod2.pdf>

[ii] Gibson, Ginger. "N.J. Workers Earned $227M In Overtime Pay Last Year." The Star-Ledger. May 1, 2011. <http://www.nj.com/news/index.ssf/2011/05/nj_workers_earned_227m_in_over.html>

[iii] Ibid.

About Attendance on Demand, Inc.

Attendance on Demand employee time and attendance service supports the labor management needs of thousands of companies over a quarter of a million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data — calculating pay rules, scheduling employees, budgeting labor, and automating record keeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

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