

IMPROVED LABOUR PLANNING AND TRACKING.

9 TIPS FOR DELIVERING SUSTAINED LABOUR SAVINGS.

1. Rostering is not Labour Planning

Labour is often one of the most controllable and immediate cost reduction opportunities available in otherwise efficient organisations. However, replanning labour is complex, sometimes carries an industrial relations risk, and is one of the most difficult benefits to deliver if not completed correctly.

Good rosters are the output of an effective labour planning process achievable by following the guidelines set out below.



2. Develop a robust labour planning process.

To ensure the lowest possible labour costs planners need to clearly **understand the factors that impact labour costs** and develop an effective labour planning process.

An **effective labour planning process** considers the following key elements:

- The provisions of the Industrial Agreements (Award/EBA rules, labour mix, labour flexibility, multi-skilling, pay rates)
- The understanding the **Business Processes** (Sequencing of activities, capacity constraints, downstream & upstream dependencies)
- The understanding the **Peaks, Deferability and Idle Time** of work and processes (Manipulate task scheduling, production planning, operating time windows)
- Then flatten out the peak **Labour Demand Drivers** to increase efficient utilization (Identify how many staff, what skills, where needed, when needed, for how long)
- Establish the shift patterns **needed to cover the profiled demand** (factor in minimum shift lengths, meal breaks, drop down or fixed roster patterns)
- **Create and publish the rosters** (ensure minimal shift -> roster degradation in the process)

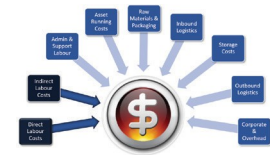


3. Balance Labour along with other factors.

Labour is only one of the costs of providing a product or service and needs to be balanced together with the other costs of production to deliver a lowest total cost product.

- In Service organisations labour costs are a major part of the total cost-to-serve and often offers significant cost reduction opportunities.
- In Manufacturing organisations, the material costs and asset costs generally dictate the cost drivers. However, labour often still remains one of the largest controllable costs and will benefit from improved planning.

In some instances, an increase in labour costs may actually deliver a reduction in overall unit costs.



4. Understand your labour standards and demand drivers.

Labour planning depends on a **clear understanding of the task standards**. These are the standards that apply for each task (skills, duration, # of people). Your ability to generate tight rosters depends on your ability to quantify and then deliver to these standards. An important aspect of planning is identifying and understanding best practice Task Efficiencies and using these in the planning and day of operations process. Reducing variation in task standards has significant labour cost benefits, and often drives the focus of improvement projects in a robust labour planning environment.

Having a clear understanding or forecast of the labour drivers (how many tasks, when) is also crucial in being able to develop a good roster.



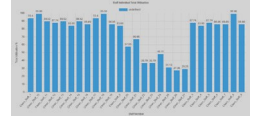
5. Create Cost Visibility.

Planning labour as part of a lowest cost service model requires end-to-end visibility which is generally missing in traditional approaches. Many rostering software solutions are available, but they are all too often predicated on and driven by rapid implementation timeframes where labour standards assumptions have not been tested beforehand. Unfortunately, many organisations have experienced an increase in labour costs when following this approach.



6. Avoid isolation traps - maximise efficient staff utilisation.

The labour cost per unit of product or service comprises a combination of \$/hr and units/hr output. Labour planning should focus on scheduling work at the lowest \$/hr as well as at the ensuring the highest productive utilisation of their time. People tend to work at a rate which allows them to complete their work in the time allocated. This can result in high costs and the inability to deliver savings if the process of planning and managing to best practice efficiencies is not understood or applied.



7. Find ways to simplify or manage complexity.

The difficulty in quantifying and costing all these constraints together means that organisations are often not confident that they have the lowest cost labour plan in place.

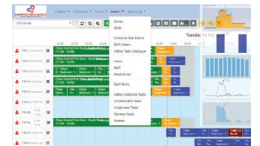
Focus on the significant constraints and start there. With some visibility of these key constraints, reduction opportunities will often become self-evident.



8. Create planning and real time status visibility.

Technology is changing the way people work. Providing staff with task planning and status visibility is delivering both cost savings as well as more engaged staff.

Efficient utilisation of resources can bring unit costs down and provide job security in high labour rate environments where outsourcing can be tempting.



9. Talk to the right people.

Obtain input from suppliers or service providers who have a track record in implementing demand driven, constraints-based labour planning solutions. Talk to companies who have experience in assisting companies with process re-design AND labour planning and rostering as these two combined will enable a work-able lowest cost roster solutions.



Benefits provided by applying end-to-end cost visibility labour planning.

- ⊗ **Immediate Savings:** Significant short-term savings achieved from improved planning and rostering in the order of 10% to 26%. This was after LEAN initiatives had been implemented in several cases.
- ⊗ **Targeted Improvement Strategies:** Visibility of costs and constraints enables businesses to selectively target improvement projects.
 - Target strategies which will deliver the largest labour cost reductions
 - Creates inputs for Cost-To-Serve reduction strategies
- ⊗ **Negotiation Strategies:** Support for Enterprise Bargaining Agreement negotiation
 - The outcome of the review forms a “fact-based” framework for communication with staff and unions.
 - Has received widespread support and has significantly reduced conflict during negotiations or competitive bid situations.
- ⊗ **Outsourcing Strategies:** Used for outsourcing, in-sourcing and external supplier negotiations
 - Fact-based quantification of costs that can actually be reduced internally sets the benchmark for what the maximum amount is that can be paid for external service providers.
 - Clarity in how utilisation may be improved by in-sourcing activities.
- ⊗ **What-If Modelling and Real Time Scheduling**
 - Allows scenario planning and on-the-day optimisation of tasks, shifts and rosters.

If you want to know more about Demand Driven – Constraints Based Labour Planning and Real Time Management approaches please visit our website at www.improformance.com or e-mail us at sales@improformance.com