



## Controlling Labor Using Active and Effective Strategies

by Craig Pendleton

The two largest enemies of profitability for operators are labor and utilities. These continue to rise and will never decrease. The cost of goods can be controlled by adjusting pricing. Most consumers are aware of rising prices of goods when shopping at retail outlets such as grocery stores. In many cases guests actually expect pricing increases in a casino or food and beverage outlet when they see these prices increasing outside of the casino. Less visible to customers are the increasing costs of labor and utilities. Of the two, labor is the greatest challenge and frequently more volatile. Utilities are typically addressed by operators during the process of re-engineering, procedure adjustment and equipment replacement over time.

Labor is challenging for many reasons. Attracting the best employees within a casino's marketplace can mean paying the highest wages. With benefits, the added payroll burden to casinos may be over 40% of the staff member's base wage rate. If a casino succeeds in creating a great work environment, turnover and training costs can be reduced but ultimately these are balanced against the continually increasing costs of escalating employee benefits. Time on the job typically results in increased weeks of vacation and other benefits for the staff member.

All operators schedule staff and attempt to control labor. Many do not have effective systems that allow measurement in realtime for aggressive adjustment of staffing to achieve labor results. Often the measurement metrics available are fragmented or provided long after the fact. This does not allow the operators to react and correct staffing this merely provides figures to show results. This common practice is ineffective.

The labor control process starts with the presumption that the physical layout of the facilities, menu offerings, menu engineering, suggestive selling and complexity of menu are established and acceptable. Often adjustments to these areas can provide significant improvements in labor costs.

### General Steps to Begin an Effective Labor Control Program

#### *Take daily measurements*

This involves manual or automated processes of providing the operators with daily measurements comparing projected sales and projected labor hours to actual sales and actual labor hours spent.

#### *Establish original staffing models and goals based upon specific levels of sales*

Many operators base projected scheduling models on guest counts or menu covers (meals) and the amount of staffing required to produce the products and service. There is a minimum amount of staffing required to open and close an outlet as well as serve even a few guests. The minimum level of staffing can typically serve a certain amount of guests before more staffing is required. Determine at what level of guests additional staffing is required to create model schedules and a matrix of meals versus staff hours.

#### *Continue this process until model schedules exist for all tiers of sales up to and including the highest sales levels typically served*

These schedules and the corresponding staff hours form the basis of how many hours may be "spent" for each day's projected sales. Always schedule staffing by the hour and not in 8 hour shift "blocks." Additional staffing required to serve the next sales level rarely requires the addition of entire shifts.

#### *Project sales for future days converted to scheduling metrics*

Operators must consider past sales, promotions and project sales (guests served) by the day. Convert sales dollars to guests served or meals/covers based upon history of check average or sales per guest and create projected sales for each day of the week.

#### *Apply staffing models to each day with hard limits of not exceeding targeted hours*

Schedules should be applied for each day following the previously created staffing models. This is the budget of how much labor can be spent on the projected sales.

#### *Measure actual sales and labor immediately after each day*

Compare actual figures to projected sales and labor to create a flash report with the next day's target of actions. In the event of overspending of labor dollars this will be how many labor hours, by position, which must be reduced to bring labor back to budgeted levels. These targets must be in the form that operators schedule and manage (i.e. hours under/overspent - not specified in labor dollars or labor percentages). Keep a running total of week to date results to allow all management to understand the impact of their original actions and the results of their attempted corrective actions.

#### *Provide measurement and results to all involved parties*

Supervisors and lead staff members need to understand if results are being achieved and if corrections are effective.

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The greatest threat to achieving labor results is the inactivity of supervisors to reduce staffing when business slows down during a shift. Continuing to follow the scheduled hours when sales levels will be less than projected will result in overspending of labor hours. In restaurants this is not only a front of house exercise. Dining room managers often are more effective than kitchen supervisors in cutting staff due to their proximity to the guest flow and the desire of the tipped staff who would rather leave early when the guests/sales are not available. Chefs and kitchen managers must understand that if the outlet serves 50 less guests than projected this means that there is already prepared inventory for 50 guests leftover that was produced and not used available for use in serving the next day's guests. This product will not need to be produced the next day. Adjustments must occur in all areas.

### Points of Truth About Labor Control

- Labor control must be an invisible practice to the guests. Controlling labor and the steps involved must never negatively affect guest service and experience. Labor control is the active management of opportunities as they present themselves and the strict adherence to an agreed upon budget based upon an agreed upon level of projected sales.
- The mere process of making something important, paying attention and taking active steps typically provides improvements.
- There is no perfect level of staffing in a dynamic business. Flexibility, instant measurement and reaction are the keys. Operating a casino is different than a manufacturing business with established production levels. Casino business levels are constantly changing based upon a multitude of factors.
- Measurement provided after it is too late to act is only a report and not a tool. P&L statements are “after action” reports and are not timely enough to allow operators to take corrective action to affect labor.
- Most operators have significant resources for measuring results. Few have systems to do so and provide results in real time that allows operators to act.
- Using a dynamic system of labor management is rare and not intuitive.

- Start by taking the advice from the operators on the floor when determining how much staffing is needed, get proficient at managing this and then subsequently challenge staffing requirements and increase efficiencies. Alienation of the front line supervisors at the beginning of this process can potentially defeat your efforts.
- Labor is achieved or lost through overspending in the early part of the week when sales are lower and more subject to fluctuation. The greatest error is when operators fail to act by reducing labor when sales begin to slow down and do not reach projected levels. The staffing schedule cannot be followed when projected sales do not meet these levels.
- The weekend, during heavy sales, is never the time to attempt to recapture overspent labor. All hands are needed.
- It is easier to save a labor dollar when the opportunity presents itself than to recapture labor overspent.
- When supervisors state that no one else understands their specific outlet/department, this does not absolve them from participating in the process. Dynamic and reactive labor control can be tailored and customized for any business.
- If this was simple, everyone would be doing this effectively. This requires coordination of many different departments to provide the real time measurements and utilize any existing tools that may already be available within time keeping and POS systems.

Within a casino there may be departments/outlets that are better at achieving labor results without negatively affecting guest experience. The departments that are the most effective in controlling labor should be used as the models and coaches for other departments. What works for one department can be adapted to other departments. The multiplicative effects from the success of each department will greatly improve casino financial results and assist in changing the culture of labor management. ♣

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