



# Forecasting and Budgeting Optimal Employee Scheduling for Retail, Hospitality and Healthcare

## Summary

Forecasters say 2014 may be the year the U.S. economy gains real ground. But predictions are tempered by the past five years when the economy didn't gain the traction forecasters promised. With real recovery taking root, businesses need to be open to opportunity but optimize the strategies that kept them afloat in rougher waters. For retail, hospitality and healthcare employers, it means optimizing employee scheduling with forecasting and budgeting tools to strike the right balance between productivity and profitability.

## Economic Recovery in 2014?

“Each of the past few years has ended with optimism that next year the U.S. economy will finally pull itself out of the mud,” writes Wall Street Journal reporter David Wessel. “This year [2014] might just be the one that doesn’t disappoint.”<sup>1</sup>

Wessel goes on to explain, forecasters “predict an economy that performs better in 2014 than it has for the past several years,” which could be the best news employers have heard in the past five years.

With all the cost-saving measures employers undertook to keep balance sheets looking their best, companies would be glad to reap significant benefits from their boot strapping. But Wessel’s article notes that of all the forecasters surveyed, 70% said the economy is likely to do worse than their predictions with only 30% stating the economy is likely to do better, suggesting we’re not out of the woods yet.

## The Economy and Employers

What does that mean for employers in 2014? It means staying open to opportunity while optimizing the cost-saving strategies that helped them weather the past few years.

From a day-to-day standpoint, these umbrella strategies need to be translated into clear action plans. For instance, employers whose cost-saving strategies include reducing labor budgets must strike the right balance between profitability and productivity. This is particularly true for employers whose labor budgets make up a significant chunk of operational costs in industries including retail, hospitality and healthcare.

## The Real Costs of Labor

In retail, an industry with typically low profit margins, it’s estimated that labor costs can average more than 10% of revenue.<sup>2</sup> In hospitality, the average can reach up to 45% of operating expenses, and in 2012 labor costs for hoteliers increased to accommodate rising occupancy levels.<sup>3</sup> And in 2013, approximately 60% of healthcare operating budgets went to labor costs.<sup>4</sup>

As the economy gains more traction, optimized employee scheduling will be key to profitability. In fact, Zeynep Ton, a professor of Operations Management at MIT Sloan School of Management, explains that employers who “strive to find the staffing level that maximizes profits on a sustained basis,” demonstrated greater profitability.<sup>5</sup>



What's the bottom line? To stay profitable, employers need to ensure efficient, effective scheduling of workers, striking an ideal balance between overstaffing (essentially paying for unneeded labor from workers) and understaffing (limiting productivity and service with too few staff).

## 6 Signs of Inefficient Scheduling

How can you tell if your scheduling is less than optimal? There are typically six signs of inefficient scheduling:

1. **High labor costs** – Labor costs that are higher than normal for your industry (without reason or extenuating circumstances) suggest overstaffing and could potentially impact labor costs.
2. **Low labor costs** – Labor costs significantly lower than average imply understaffing and could negatively affect productivity, customer service or patient care.
3. **Customer service complaints** – An uptick in customer complaints could point to understaffing. This can have a much more serious long-term effect including drops in revenue, performance and customer loyalty.
4. **Inconsistent day-to-day operation** – If one day employees stand around with nothing to do, and the next day a skeleton crew struggles to take care of business, inefficient scheduling is the problem.
5. **Low employee morale** – The art of scheduling is to create teams of employees with good chemistry and skills that complement each other. If current scheduling doesn't allow for this, employee morale can drop, affecting your business and your customers.
6. **Regulatory and union issues** – In highly regulated or unionized industries, compliance issues are the most obvious sign of inefficient scheduling and usually demand immediate attention.

If your organization struggles with one or more of these problems, poor labor scheduling is likely to blame. It's important to note that many of these signs have a domino effect. For instance, union issues can lead to low employee morale, which leads to customer service complaints. Or inconsistent day-to-day operation leads to low labor costs, which leads to customer service complaints. Suddenly one problem becomes three. So it's important to strike the right balance between productivity and profitability with optimized scheduling practices.



## Optimized Scheduling with Forecasting and Budgeting

What's the best way to optimize employee scheduling? With a forecasting and budgeting tool.

Forecasting and budgeting tools help optimize scheduling through the use of labor ratios. A labor ratio is a custom ratio based on your business needs, such as nurse-to-patient or housekeeping-staff-to-guest-occupancy. Once that ratio has been computed, managers use it to schedule employees efficiently.

Forecasting and budgeting tools offer several benefits to organizations:

- **Efficient employee scheduling**

Businesses can easily strike the right balance between overstaffing and understaffing, productivity and profitability. Ensuring that the right people are scheduled at the right time can reduce overtime and improve customer service and patient care.

- **Labor budget targeting**

Forecasting and budgeting tools set targets for elements like worked time and paid time off so managers can create schedules within these parameters more easily.

- **Criteria comparison**

Managers can compare labor budgets to employee schedules and actual hours worked for immediate decision-making and long-term strategic planning.

- **Multiple location scheduling**

Forecasting and budgeting tools help manage staff scheduling for multiple locations to ensure consistency.

- **Employee labor tracking**

The other side of scheduling is tracking employee labor and wage data to ensure every schedule is optimized effectively.

These are just a few of the benefits organizations reap with forecasting and budgeting tools. So what should you look for in a forecasting and budget tool?



## Finding Your Ideal Forecasting and Budgeting Tool

There are four key criteria in assessing a forecasting and budgeting tool:

1. **Integrated with time and attendance and payroll data.**

This is important for strategic decision-making and reporting as both time and attendance and payroll data are influenced and affected by employee scheduling. Optimized scheduling demands managers understand how each category impacts the other to find the balance point.

## 2. **Featured in a Cloud-based system.**

Cloud-based systems allow organizations to implement labor management strategies at a fraction of the cost of buying a proprietary system. Also, HR and management don't need to rely on IT staff to keep the system updated and configured since the vendor handles it as part of the service.

## 3. **Offers browser-based access.**

A Cloud-based system should offer browser-based access, allowing appropriate workers access from anywhere through any Web browser. This is particularly important for organizations with multiple locations. Additionally, this means the system is "always on," regardless of location or time zone.

## 4. **Ability to create custom reports in real time.**

Easily creating reports to help you track and analyze labor information supports real-time decision-making. Real-time reports allow managers to review up-to-the-minute period totals and identify issues proactively, avoiding unplanned overtime and potential compliance penalties.

## Conclusion

Forecasting and budgeting tools are powerful for businesses looking to strengthen their edge in the recovery economy. Striking the perfect balance between overstaffing and understaffing promises satisfied customers, optimized productivity, and profitability today and tomorrow.

## About Attendance on Demand, Inc.

Attendance on Demand supports the labor management needs of thousands of companies and more than a half 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 recordkeeping 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.



To find out how Attendance on Demand can help your organization, call 800-465-9980 or visit [www.attendanceondemand.com](http://www.attendanceondemand.com)

## References

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