

Hotelreport

Intelligence and analysis for the hotel industry

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Tessa Shepherd, finance director at Eproductive, explores the opportunities to save time and money that the introduction of a Labour Management System brings to hotel companies

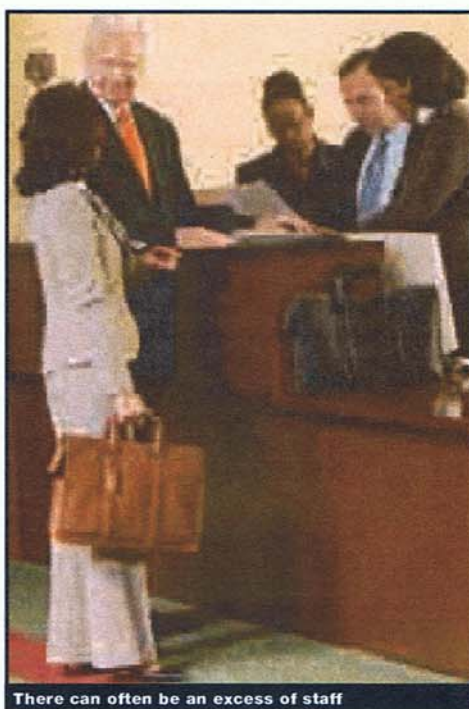
No more hard labour

Riding out the recession is a high priority on everyone's agenda and with hotel revenues unlikely to see much growth for some time to come, the focus keeps coming back to cost. When things get tough, there's no better time to look at a hotel's biggest variable cost – labour.

One of the core functions of any hotel manager is to manage staffing levels, ensuring the right number of people are in the right place at the right time. Too often there are surplus staff in one area of a hotel, while another area is left short staffed. And how many times is there a sudden hike in occupancy rates leaving housekeeping rushing to clean rooms at a faster rate, leading to a fall in brand standards delivery? That's not only taxing for the staff working in these different areas, it's also likely to leave guests with a bad experience and affect the hotel brand – such an important currency in these difficult times.

For many hotel groups struggling to get a handle on labour, it's probably down to the processes they currently have in place. Those same groups may well have implemented sophisticated revenue management systems and could also have invested heavily in procurement teams and stock control systems. However when it comes to 'purchasing' labour the company chequebook is handed to many schedulers who typically use spreadsheets with data that is out of date and backward-looking. For group senior management, looking at topline hotel labour cost as a percentage of revenue can hide irregularities in individual hotels as these are evened out when consolidated up. No wonder, then, that labour cost is sometimes out of control.

By comparison several leading hotel groups have implemented a Labour Management System (LMS) to tackle this problem. The greater discipline and



consistency that a systemised approach brings gives strategic level benefits:

- substantial payroll savings through increased productivity and better scheduling
- improved compliance to legislative and company rules
- better adherence to brand standards
- process reduction

The visibility also means that if staff cuts have to be made, management know where to do it with minimum impact on standards and staff morale.

Bridging the systems gap between business forecasting and payroll, the LMS has become a major force for change in these groups, giving schedulers the data to make informed decisions through a common tool updated in real-time by all those involved. The goal is to provide visibility of data for all levels of management that will help the organisation improve its overall performance.

A good LMS should allow management to see the true cost of labour in advance of the scheduling week whilst there is still time to make changes. The LMS should also identify productive hours ie with non-productive working types such as holidays and sick stripped out. Matching staff scheduled on productive hours to productivity benchmarks is key to the effective delivery of labour cost budgets. Benchmarks can be established centrally or locally - or a combination of the two. Productivity benchmarks should be available for any output eg covers, rooms cleaned or check-outs. Measuring productivity against other metrics such as the achievement of brand standards and guest satisfaction gives management visibility of controls additional to that of cost.

Benchmarking of different hotels and regions, the rapid spread of best practise and improved cost performance are the result of implementing an effective Labour Management System. This will enable group senior management to put a labour strategy in place, ensuring that the group is prepared for whatever the downturn may throw up.

Eproductive provides the EpS Labour Management System on a 'Software as a Service' (SaaS) basis for hotel groups. Tessa Shepherd is the Finance Director of Eproductive and can be reached on 01306 875785 or www.eproductive.com

Time in lieu or overtime?

In volatile times when anticipated business can fluctuate wildly from one week to the next, it's worth considering the best way to flex your staffing levels accordingly. Should you overcompensate to be confident you always have the staff to meet guest demand? Or make sure you're not overstaffed by pushing teams to work harder in the busy periods?

Many hotels will attempt to find a comfortable median between these two extremes, by asking staff to work overtime or time in lieu to help when the hotel is busier. But which is best: lieu or overtime? And what is the difference to the bottom line between the two? The following gives an example of cost savings possible by using lieu instead of overtime in a two week period:

Overtime:

Busy Week – 20 hours of overtime worked, incurring a cost of 20 hrs x £6 (£120) above normal payroll.

Quiet Week – no overtime scheduled. No additional cost but no savings either.

TOTAL ADDITIONAL PAYROLL COST OVER TWO WEEKS = £120

Lieu:

Busy Week – 20 hours of Lieu Earned worked, which incurs no additional payroll cost but adds 20 hrs x £6 to lieu accrual on P&L.

Quiet Week – hours reduced by scheduling staff as Lieu Taken, the payroll cost being covered by a release to P&L of accrual.

TOTAL ADDITIONAL PAYROLL COST OVER TWO WEEKS = £0

The lieu option allows you to flex the contracted hours up to meet guest demand in a busy period, and down to take up the slack in a subsequent quiet time, thereby reducing the need for expensive overtime.

Of course, getting this balance right presumes that you can schedule the correct number of productive hours as well as, critically, lieu and overtime.