

The Flexible Schedule

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The ability to react rapidly to changes in demand is one of the most crucial capabilities in business today. At one time you might have staffed extra people or carried extra inventory, but that is expensive. Every wasted dollar eats away at your margins. Whatever your industry, you need a way to respond quickly to fluctuations in demand while minimizing your costs. But what if you can do both? The right scheduling system customized for your unique demands provides the flexibility to meet these spikes in volume efficiently, without putting undue burdens on your employees. The three most important forms of schedule flexibility are outlined in this article. The first step is to understand how hourly cost structures help determine the right plan for flexing the workforce.

Cost—Where To Set The Bar

Flexibility is often synonymous with high levels of idle time and overtime. Before looking at different types of schedule flexibility, we need to understand any adverse costs associated with the existing employee schedules. The next step is to set the appropriate baseline staffing level and the base hours each employee will be scheduled to work. The flex up (overtime) or down (reducing hours) is driven from these base figures. Most employers assume that all employees should be scheduled for 40 hours a week. But what if random, short term slumps in demand occur? Scheduling less than 40 hours is not just more expensive because of the fixed benefit costs, but it is also a morale killer. How much overtime is reasonable from both a cost and employee safety standpoint for the companies that need to flex hours up? Many companies pride themselves on limiting overtime to 8 percent or less.

However, in many companies, overtime actually can be less expensive, and the employees often want overtime. With today's employee benefit costs rising, especially health care coverage, the total employee benefit load can be very expensive. In most large companies, including 83 percent of those in the Fortune 500, fixed cost benefits, like healthcare and vacation, are based on 40 hours of work a week and are greater than \$0.50 per dollar of the average hourly wage. Additional benefits do not accrue if full time employees work overtime. So, despite what many believe, overtime is less expensive than an hour of straight time, since the 50 percent overtime premium is less than the benefit cost burden. A facility's biggest concern should not be overtime, but idle time, when an employee is onsite but not fully productive. Idle time ranges from 4 to more than 30 percent, depending on the industry and the current scheduling system, but most facilities average between 16 and 23 percent.

In a 300 person facility with an average wage of \$17 an hour, a reduction of 5 percent of idle time results in immediate cost savings of \$816,000 annually. With an idle hour, the facility must pay for the benefits and the wage of that employee—all

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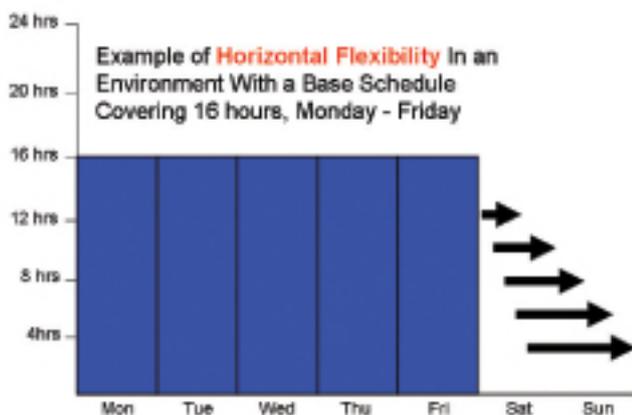
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for non productive work. At least with overtime, the assumption is that productive work is occurring because the company has gone out proactively and scheduled this extra time. As a result, the adverse cost of work done on overtime may be zero or even positive, versus having extra people on straight time. In other words, understaffing is always more cost effective than overstaffing.

Flexibility

The right flexible scheduling system allows you to meet unexpected changes in demand while lowering costs and minimizing employee disruption. There are three main types of flexibility, and each one serves a different demand profile. Some companies need short bursts of increased operation in order to fill customer requirements. Other companies need increases at the end of the week, either to compensate for productivity losses during the week or to fill last minute orders. In many cases, our clients need a carefully engineered balance of these scheduling abilities. The traditional set of schedules most companies use limits their ability to adjust strategically to meet customer demand in a cost effective way. Often existing schedules allow some flexibility but not enough to meet today's on demand world. A business with a uniquely tailored scheduling system can most efficiently and effectively meet the special demands of its customers and the needs of its employees.

Horizontal Flexibility



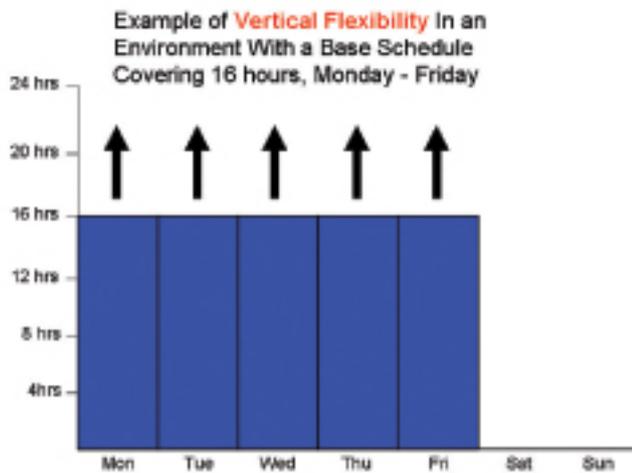
For companies working more traditional Monday through Friday (or Monday through Saturday) schedules, whether it is one, two or three shifts, horizontal flexibility is the most basic system. However, horizontal scheduling is strongly disliked by employees, because these schedules are the most unpredictable. As the week progresses, productivity losses, last minute volume demand and unexpected downtime can often cause the business to need additional volume on scheduled days off.

This forces the employees to work during their prized days off with little warning. Some companies attempt to overcome the predictability dilemma by scheduling Saturday or Sunday as overtime almost every week (See Graph #1). This is only a short term solution and will eventually result in productivity losses, as well as health, safety, and morale concerns due to the number of days an employee works

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and the uncertainty of free time. Horizontal flexibility only works in environments that do not have day-to-day customer requirements that must be filled immediately. Companies fully covering 24 hours each day may only be able to flex out to the weekend, based on every hour already being utilized Monday through Friday. As customer lead times continue to shrink, the end of week “make up period” will be a thing of the past.



Vertical Flexibility

For companies needing short bursts of increased production, vertical flexibility may be the right answer. The production line employees would work past their scheduled end times, but this schedule only works if there are unused hours in the day, and employees can either stay late or come in early (See Graph #2). This vertical flexibility can be used in small increments of time to capture short term increases in customer demand. Employees often like this strategy in the short term, because it can help keep them off weekend work while still providing overtime opportunities. The challenge is to avoid the reduced productivity sometimes associated with extended hours as well as the disruption to employee sleep patterns which can lead to increased accidents and errors.

The problem most often associated with traditional schedules set up to flex vertically is that they are hard to flex down. Although employees can add hours to their schedules, subtracting hours typically means going below 40 hours of work, angering employees and increasing the benefit costs per employee labor hour.

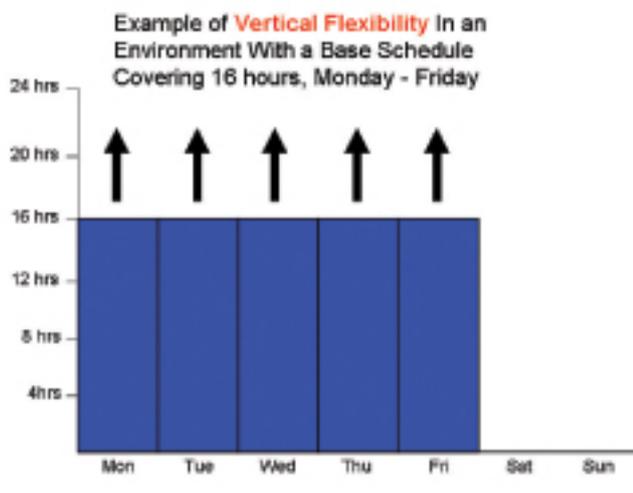
The Core Density Model

Density flexibility combines the benefits of both horizontal and vertical but cannot be accomplished with traditional schedules. In this model, employees are asked to come in on their days off during the week while minimizing the possibility of weekend work (See Graph #3). In distribution and contact centers, and many other service businesses, density flexibility could mean bringing employees in one at a time instead of adding an entire shift of employees when only a fraction of the group is needed. Many manufacturing facilities require a whole crew to come in to run a line to augment production, which may limit this strategy's effectiveness. However, the Core Density Model does work on production lines where speed can

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be increased with additional labor. This model might not be the low cost option in process manufacturing plants, but may handle short term bursts in customer demand, ensuring customer retention and the ability to profit during the longer periods of time when operations are run with lower cost models. However, many times the increase in short term variable costs may be offset by spreading the fixed costs over the additional units or by allowing maintenance to accomplish the preventive maintenance on the weekends which will boost productivity.



The Core Density Model works well when employees are working weekend schedules or shifts longer than 8 hours, such as 10 and 12 hour shifts, with days off during the week. Employee demand for overtime also can help make this plan successful. This density model is the best way to handle both planned and unplanned absenteeism. Regardless of your work environment, one employee at a time could be added to manage this challenge. Given the choice, employees would rather come in on a free Thursday if they could be certain of a free Saturday or Sunday. Predictability is crucial, and none more so than weekend predictability. This belief has proven true around the country and the world as the Core Density Model has gained popularity. Density flexibility can place needed manpower on any day of the week, utilizing the low cost of overtime to satisfy customer demand.

Conclusion

How well does your current schedule flex to meet both your business and employee needs? Does your company require horizontal, vertical, density flexibility scheduling, some combination of all three, or another innovative plan? You can increase profits, and satisfy customers *and* employees with scheduling that responds to your current business needs as well as better positioning your facility for the future. Great schedules are within your reach. Satisfying the business and employees can be part of a solution that works for everyone. The reality is that the old, traditional schedules of the past do not provide the flexibility that is required in today's competitive environment.

For more information, visit www.corepractice.com.

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