

Financial training for non financial staff



The financial training specialists

Managing staff costs

Here's another in our series of articles about managing your budget. The illustrations and examples are based upon an HR or Learning & Development budget, the issues are applicable to any discipline.

In "How will you spend your budget?" we looked at the link between what we do and what we spend. "What if your budget is cut?" examined how we can deal with a reduction in our budgets. In this article we'll look at some of the cost issues surrounding staff.

The importance of staff costs

For many budgetholders people are their biggest cost. Therefore this article sets out to look at some of the issues around people costs.

Issues such as: "What's the cost per day of my people?" "When should I use agency staff, temps and contractors?" "My workload is seasonal, my staff aren't. How do I manage?"

How much do my staff cost?

"There are 260 working days in the year, so my team member on a salary of £26,000 costs me £100 a day. Right?"

It's the obvious answer, but it's wrong!

A gross salary of £26,000 pa is less than the full cost of employing the team member. The employer also (often) pays employment taxes. In the UK this is Employer's National Insurance, in 2014 this is 13.8% extra on the gross salary. Then there are the employer's pension contributions (often 5% to 10% of gross salary in the UK). There are other benefits in kind (company car, private health cover, etc). Not to mention the cost of training, equipment (PC, tools, uniform, desk, etc), and any other employment costs.

All of these can increase the cost by 25% or so, quickly turning the £26,000 into around £33,000.

The 260 days a year isn't too reliable either. We pay our people for 260 working days, but there are public holidays (8 in the UK, but often 11 in the public sector); holidays (typically 20 to 25, sometimes 30 in the UK), then time off sick, and away being trained (easily another 7 days, often more). So 260 days has come down to 220 days.

Our calculation of £100 per day has suddenly become £150 per day.

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And that assumes that every day in the office is a productive day. What about the admin tasks that stop our team being productive? Team meetings, staff appraisals and issues, updates, timesheets, focus groups, union or First Aid responsibilities, etc?

These quickly add up. If they take up a day every week the staff cost per productive day is now almost £190. This is nearly twice our initial estimate of £100!

What about agency staff, temps, contractors, etc?

Now we know the real cost per day of employing our people we can compare this to the cost of temporary staff, and make a proper financial evaluation.

Be careful though – our decision will always be more than just a financial decision. The financial aspect is important, but there are other issues as well.

There is a proper place for temporary staff, to deal with temporary shortfalls in staff or skills – the problem comes when the temporary resource becomes permanent.

The highest cost temporary staff is usually contractors or consultants, in their various forms. They can frequently be costing us (and earning) twice or three times as much as the employee they sit alongside.

As they are so expensive the first question needs to be “Do we really need them?”

The next question needs to be “How do we make sure they are here for as short a time as possible?” As they are so expensive we need to ensure they are only doing the things we need their specialist skills for. Make sure they’re not wasting their time (and our budget!) doing the more mundane things our staff can do.

Then we need to make sure we have planned a quick exit route for them. We want them to do the job and leave, or we want our people to acquire their knowledge and skills by working alongside them. We don't want to still be paying them a premium rate five days a week a year later!

I write this as one of those expensive training consultants! One of my clients illustrated this well. I designed the training, and the plan was for me to deliver the first two courses, with two of their people sitting in. We would co-deliver the next two courses, and they would deliver the following two, with me sitting in and giving feedback. After that I was no longer needed.

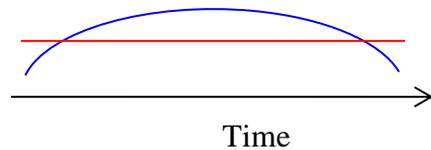
Dealing with a seasonal workload

Many businesses have a seasonal demand or workload, but their staff are available throughout the year.

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Staff availability

Staff time needed

This gives some interesting cost issues. Expensive overtime (or agency staff) is needed in part of the year, and in other parts of the year we are paying our staff even though they are not fully utilised.

There are several issues to consider here – some obvious, and some less obvious.

The obvious issue is about aligning the workload and staff availability. Are there any tasks that can be done in the quieter part of the year, obviating the need for overtime or temps? Alternatively, can we change when our staff are available? This could involve timing training for the quieter part of the year, or incentivising staff to take their holiday in a quieter time of year. (The key here is incentivising, not coercing – it's their holiday entitlement, and up to them when they take it).

The less obvious issue is costing the staff structure. More permanent staff means less overtime in the busy period, but more slack time (that needs paying for) in the quieter time. Fewer permanent staff means less slack time, but more overtime. What staffing level optimises this balance?

What next?

In another article we'll look at negotiating for more budget, and at what we do with the monthly budget report.

Find more at www.attainmenttraining.co.uk.

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