

# Optimum Staffing By DAVE REGAN

For most sectors of the printing industry, the current slowdown in economic activity has been severe. Many of us who lived through previous recessions know the same methods learned then still apply: Reduce costs in every area, increase productivity in any way possible and, most importantly, do the best you can to keep sales steady or growing.

For what seems like an eternity, we've been hearing that offering the lowest price and the highest service are the biggest demands from our clients. To ensure you're offering both, it helps to develop an optimum staffing program in addition to your methods for controlling supply and other costs.

### Value your staff

The shop down the street can purchase a new machine that is faster than yours, and you can respond in kind. You can cut a special deal with a vendor, but so can your competition. Where does the true competitive advantage lie? Within your staff.

Print clients are asking and reacting to the same questions your competitors are:

How can we beat this recessionary cycle, or at least survive it?

What really sets us apart from each

other? Is it having the best machine? Offering full-service printing or specializing? Price?

Your best customer is a specific

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print buyer within a client company. What happens to your business when that person leaves the company? The same thing happens to your customers when their contact person leaves your company. The only thing that really sets a company apart is the people on its staff, including yourself.

### Striking a balance

What qualities do you look for when

you hire a person to run a press or a high-speed copier? Lowest cost per hour? Highest output per hour?

If the lowest-cost employee only produces an average of 6,000 iph during a two-month time period, you may actually lose production. The math is straightforward: 21 working days per month, eight hours a day, comes to 336 hours or 2,016,000 impressions produced. At full capacity, the machine can produce 10,000 iph. So the number of lost impressions totals 1,344,000 (3,360,000 minus the 2,016,000 the worker produced). That's more than half the units produced, in this scenario. Granted, full capacity is a target, not an everyday standard.

To be more straightforward: If the lowest-cost worker is paid \$10 per hour plus workers' compensation costs and retirement plan matching costs (the national average cost is 1.1527 x the hourly rate, not including benefits), the per-hour labor cost to produce 6,000 impressions is \$11.52. If you want 10,000 units, you'd need to pay that same worker: \$10 (per hour) + 0.00192 (cost per unit) x 4,000 units (the difference between the units currently being produced and your goal of 10,000

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## Calculating Labor Cost

Day	Production at 60%	Hours per Day	# units per Hour	Daily Labor Cost at 60%	Production at 100%	Hours per Day	Daily Labor Cost at 60%
1	48,000	8	6,000	\$92.16	80,000	8.0	\$92.16
2	48,000	8	6,000	\$92.16	80,000	8.0	\$92.16
3	48,000	8	6,000	\$92.16	80,000	8.0	\$92.16
4	48,000	8	6,000	\$92.16	-	-	-
5	48,000	7.59	6,000	\$92.16	-	-	-
				240,000			\$460.80
						240,000	\$276.48

1.99875 extra days needed to achieve 240,000 impressions

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 units) x 1.1527 (previously mentioned additional labor costs), which equals \$19.21 per hour (see chart).

There are many ways to determine the fair pay rate for a position (maximum production vs. pay). In this case, we are using a method solely based on the objective production of units. Using the same time period and the same worker, you could combine training and a higher pay rate and remeasure the yields. Another possibility is to replace the inefficient worker with a new one at a higher pay rate and again test the yields. Once this process is complete, you will find the optimum balance.

You can measure the benefits of having the proper person, at the correct pay rate, to maximize your company's competitive advantage. But, you also must translate this process to other positions where production is not solely measured in units.

**Optimizing the entire staff**

The first steps in maximizing the efficiency of your labor is to look at your past year's sales per week and by month. Most shops will notice they have two peak production seasons; one in spring and the other in fall. You will need to consider the maximum sales your shop is capable of producing at 100 percent capacity, not including overtime. Realize that when you try to calculate this, you need take into account not simply machines running at 100 percent all the time, but also setup times, cleanup and normal maintenance. Set a reasonable, achievable goal.

Once that's accomplished, you need to overlay that production goal line across your sales chart from last year. In this form, the sales chart provides some valuable insight into how to optimize your staffing levels throughout the year. On average, this data tells a company it's staffing for 90 percent production, but, at the busiest times, it's only operating at 80 percent of capacity. Worse, because each of the

two slower seasons can last three or more months, the shop is using only 45 percent to 60 percent of its year-round labor capability.

For example, if you have 10 workers employed full-time at an average of \$12 per hour each, your total labor bill

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for the year is \$287,713.92 (10 x 40 x 12 x 52 x 1.1527, including workers' compensation, retirement fund matching, and holiday and vacation pay). Plot this line on your chart, and consider this number against the production you calculated to be achievable at 100 percent. You will notice that you're paying for 100 percent production at all times, but your actual production is, on average, 45 percent to 60 percent of what you would have expected.

The similarity between this example and the first is striking. Except, of course, the dollar values in the second example are much higher. Ask yourself why you're staffing for 100 percent when you never can produce at that level. Calculate the amount of money you could save if you staffed closer to your actual sales, year-round.

**What to do**

One overall strategy to consider is maximizing a core group of full-time workers' quality and skill sets. Continually strive to increase each position's pro-

ductivity to 90 percent or higher. Some simple ways to do this include:

- Training;
- Cross training;
- Keeping each worker as interested and challenged as possible;
- Paying the appropriate rate; and
- Rewarding achievement.

Of the 10 workers in the second example, the shop would benefit from downsizing to five or six — and those remaining, core workers should be treated with the respect and dignity one would treat equals. When demand picks up due to seasonal demand or a one-time occurrence beyond what the core group could produce easily, additional part-time or flexible workers could be retained. In the event of long-term growth, part-time workers could be rehired as full-time employees.

If you adopt an optimum staffing program similar to this, internal and external working relationships will consistently develop, rewarding you and your team. As a bonus, consider what lowering your labor cost 40 percent or more will do to your competitors.

The key is to recognize that your greatest asset is your staff and its skills. Training and development is costly for a company, but consider how much more costly it is to a worker. A good way to operate your business is to not always take the cheapest route but the most efficient. There is a difference.

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*David Regan is president of PrintStaff Inc., which has its headquarters in Boston. Contact him at 877-377-4687, ext. 222 or dregan@printstaff.com.*