Bring your labor into sharper focus
A new lens on wiser workforce management
Executive summary

Think about how diverse your company’s labor force has become. In addition to your long-standing, full-time employees, you probably take on a motley collection of part-time, contingent, and freelance workers, depending on your week-to-week and month-to-month needs. Hourly pay ranges are all over the place. Some workers may get benefits; others do not. Your efforts to schedule the hours and activities of all these different kinds of workers—not to mention trying to monitor how efficiently and effectively they work—have no doubt risen to a virtually unmanageable level of complexity.

Under these conditions, the old ways of managing your workforce just will not cut it. Measuring how much you spend on your workforce can no longer be left to the audit team as an annual budget exercise, where “doing well” meant compliance, accuracy, and past spending trends. It is no longer sufficient to understand how much you spend; now, companies need to know whether what they are spending is reasonable, and how that affects other aspects of their workforce management efforts.

To that end, timekeeping and scheduling have emerged from the back-office world of purely transactional activities to become an invaluable source of financial and operational optimization. New ways to compare the data you already collect about Human Resources (HR), payroll, and scheduling with other business information can now give you an entirely new perspective on your workforce.

A key is to be able to see the whole, within the context of all your company’s other activities, and then to use that complete view to optimize any number of variables—not just labor cost and scheduling, as important as they are, but also metrics like employee contentment, customer loyalty, and product quality. Intelligent use of analytics can transform workforce management from an essentially tactical, transaction-based function into a strategic tool for helping your company succeed.
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Changes come to the workforce

Despite the many different kinds of software companies have at their disposal to manage their labor needs, the 21st century workplace is an incredibly complex place. From payroll to scheduling to the rise of the contingent workforce and the gig economy to regulatory changes, companies must cope with many factors that determine who to engage, how much to pay them, and how to arrange their schedules.

**Optimal pay**

If you ask workforce managers what their greatest concern is, many will likely point to the cost of their labor force. Given that payroll cost can be one of the biggest areas of spending, it is no surprise that managers are always looking for ways to save on these costs.

The problem is that they are pretty sure they are overspending, but they do not know how much, or where, or why. According to the Bureau of Labor Statistics, there are 78 million hourly workers in the United States and those hours can vary day to day, i.e., more than 54% of the workforce population that is operating behind a veil of complexity and massive amounts of time data. Despite the automation of timekeeping and the optimization of scheduling, corporate workforces persist in being poorly managed. Salaried workers too are not immune to pay inflation and lost productivity. Knowledge workers are more likely to work remotely and without direct supervision or ways to measure the output of their work. The irony is that timekeeping and scheduling may be efficient and “accurate,” but ultimately wrong for the organization.

The great virtue of labor-cost optimization analytics is that it uses the employer’s own data to reveal where the waste, overspend, and lost productivity are; how much it is costing; and how it can be fixed. Harvesting the data can help employers and workers alike realize ways they can operate more effectively. As such, the new labor-cost optimization model is not only a way to minimize costs, but also a gauge of labor effectiveness, helping to make the business more competitive and an employer of choice for attracting and retaining workers.
Balancing work and life

Recently, the problem of scheduling practices has come under considerable scrutiny, particularly for workers in the retail, hospitality, and financial services industries. In an effort to match the demand for labor over the course of the workday, workers are typically expected to come in at odd hours that can vary day to day and week to week, with little or no control over how much they work. The sheer unpredictability of these schedules often means workers cannot maintain a proper work-life balance, making it difficult for them to plan for critical issues, such as child care, education, and adequate time off and rest.

One of the biggest obstacles to returning schedules to equilibrium is that many employers are not measuring the impact of such schedules on productivity, absenteeism, and turnover—all important, if indirect, measures of work-life balance. The new analytics can take four scheduling measures into account: predictability, stability, adequacy, and workability of hours.

Given these four values—and assuming that no employer or employee actually wants a schedule that is lacking in these virtues—employers can use scheduling data to determine how painful the schedules are to workers and how to balance the demand for labor with employees’ willingness to work any given schedule. A more balanced, analytics-driven approach to scheduling can serve as a check on purely automated scheduling and bring back some humanity to the process, while driving good business outcomes too.

The gig economy

The notion of a perfectly stable, long-term, full-time workforce is a thing of the past. Now, employees come in various modes—full-time, part-time, contingent, freelance, and contract. Some may show up for just a day or two on an as-needed basis, while others may be team members for long periods. Some may be highly skilled, others virtually unskilled. Already, more than one in three workers in the United States are freelancers and that number is expected to grow to 40% by 2020, according to a recent report from the Freelancers Union.

Sourcing, managing, paying, and scheduling this highly varied workforce has become increasingly more difficult. What pay and scheduling policies are workers subject to? What contributes to their total hours each week? How productive are they? Who are the lowest-cost workers? Tough questions all—especially when many companies do not know precisely how many people they employ. One large telecommunication company, for instance, counts anywhere between 18,000 and 57,000 workers, depending on how the workforce is measured.

An analytical approach to managing such a workforce and optimizing the mix of full-time, part-time, contingent, and contract workers can help transform them into productive, properly compensated, satisfied workers, whose efforts can positively affect productivity, customer satisfaction—and ultimately the bottom line.

By viewing the entire workforce through a holistic repository of workforce management insight, through which workers of all types and tenures—their skills, talents, pay rates, schedules, and ambitions—appear in context, can they be managed effectively and in real time. That is the only way to determine whether you have the right mix of workers, how productive they are, and how much they cost.
Rules and regulations
For a variety of reasons, governments have been pushing regulations governing how workers are classified and scheduled, and the kinds of benefits they receive. A progression of rules that dictate benefits based on hours worked, such as the Affordable Care Act, scheduling laws, and the Fair Labor Standards Act, continue to set new standards for classifying, paying, and scheduling hourly workers and the benefits they receive.

These new regulations are having a considerable impact on labor costs and scheduling practices—and making it that much more critical for companies to view workforce management in a more strategic light. The ability to manage the workforce properly is now an issue that ramifies all the way from the storefront to the boardroom.

"The ability to manage the workforce properly is now an issue that ramifies all the way from the storefront to the boardroom."
Laborwise / A powerful lens for unlocking hidden sources of labor overspend
Analyzing the future

Taken together, strategically managing today’s workforce is no easy task.

But companies are now able to view and influence their workforce activities through a much wider and more detailed lens, thanks to the new analytical tools that let them manage their workforces within the context of their entire business. It starts with the realization that the nature of labor is being transformed, and that today’s workforce can be simultaneously engaged and accountable for the outcomes of their work.

Many companies maintain that the way forward is macro data: broad benchmarks about what is happening within their organization or in their industries as a whole. The truth is that the most useful insights cannot be found in the big numbers, but rather in the small ones. The future lies in being able to look at what is happening inside your company compared with what should happen. That is where people are working and being influenced by their pay rates, schedules, and everything else that determines how—and how happily—they work. That is the level of detail analytics should be showing you—at the front lines, as though you were standing right there next to them.

"The future lies in being able to look at what is happening inside your company compared with what should happen."
Case in point

Managers at a large health care company had asked for additional funds, midway through the budget year, to pay for nursing staff being on-call. The traditional procedure each year included assessing overall finances, spend year-to-date, and simply increasing the budget for on-call pay every year. It turned out, however, that the compensation director faced with this budget increase request could approach this problem differently. The question was not necessarily just whether more money was needed, but rather how the available nursing resources throughout the company could be used more efficiently eliminating the need for more on-call funds. The company’s analytical tool showed that too many nurses were being assigned to be paid on-call, while at the same time nursing resources were available in other departments that could cover the demand. No amount of digging into historical pay data would have provided that insight. The director needed to understand the business context and consider what else could be done.

About LaborWise™

LaborWise is a workforce-focused analytics solution that identifies, quantifies, and unlocks hidden sources of labor overspend, empowering organizations to optimize their workforce, drive sustainable savings, and improve productivity. LaborWise helps executives look at their data in new ways that can lead to real insights, enabled by deep business analytics capabilities and data visualization techniques. As a result, they are able to analyze their labor landscape where it matters most—labor spending, resource utilization, and missed revenue opportunities—to uncover the root causes of some of their most stubborn labor challenges.
Practice makes perfect

Implementing the analytics engine that can provide this degree of strategic insight is only half the effort. The underlying data also has to be crafted to inform the analytics engine, yet few organizations have designed their timekeeping, scheduling, and HR and payroll systems with advanced analytics in mind. To that end, workforce management professionals should redesign their systems to produce the necessary data. The further challenges are operational and organizational and fall into three areas:

1. **Identify and measure the effect of workforce management on the organization**
   - Who are the players involved and how do they use systems and processes to generate scenarios benefitting employees, customers, and the business itself? If you believe that eliminating time card gaming will help reduce cost and improve employee morale, for instance, then you need to ensure that your analytics system can provide insights not just into how much gaming is taking place, but also how system and process changes can change this behavior and produce the desired result.

2. **Centralize workforce management responsibility**
   - At most companies, the responsibility for managing the many aspects of the labor force is distributed across HR, payroll, information technology, operations, and finance, but this structure only reinforces the focus on transactions and not on outcomes. Instead, companies should set up a workforce management center of expertise to oversee the effort and use analytics to provide a complete view of problems, solutions, and desired business outcomes and then measure and monitor the results. However, it will not be able to do its job, unless it reports to the highest levels of the company and has the authority to make changes and direct efforts and investments where needed throughout the organization.

3. **Design with intent**
   - Workforce managers should think like engineers, designing their “product”—the overall workforce plan—to prioritize the desired outcomes, and only then working out the processes that will achieve those outcomes. If cost reduction is paramount, systems and processes must be designed to contain time inflation. If managing staffing levels is the goal, “designers” can use analytics to define and manage actual demand. Advanced data analysis offers techniques, such as scenario modeling to work backward from those desired outcomes—whether worker engagement, profitability, or something else—to build the processes and systems that will get them there.
Looking forward

Restructuring how you handle workforce management is not a question of if, but rather of when. Some companies are already painfully aware of their outdated operating model and lack of insight into their workforces. Others are just beginning to realize how much overspending and scheduling problems they have. Their workforce managers may never become real business partners, until they gain that important analytical lens into their total workforce.

The good news is that the data is there—accessible and rich with intelligence about how their businesses operate. That does not mean these companies will not have to go through a significant transformation before they can reap the benefits of optimal workforce management. But it does mean that they already have many of the processes, systems, and data to begin the effort. Now they need to leverage their data to expose what is actually happening, keep the business benefits in mind, create urgency, and be willing to change.

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Meet the team

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Endnotes

1. Bureau of Labor Statistics, Department of Labor April 2015 Characteristics of Minimum Wage Workers report, based on 2014 data for 2015 reporting, “In 2014, 77.2 million workers age 16 and older in the United States were paid at hourly rates, representing 58.7 percent of all wage and salary workers (Quote from page 1, statistical table supporting data on page 4).”

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