

"Ask Steve" - Labor Cost

A recent email asked "Steve" about maintaining an appropriate Labor Cost percentage. This particular store owner was hovering around the 50% mark for her labor costs which is very high. A realistic labor cost percentage to your gross takings should be about 30% however most stores can average 17% to 25%.

It doesn't take much to fine tune and educate your staff so they are also helping you maintain the correct percentage. Staff members should be trained not to sign in or sign out any earlier or later than 10 to 15 minutes from the start or end of their shift. If a staff member wants to show up at 9.30am for a 10am shift that's fine, however she should only sign in at 9.55am. Sometimes these early entries are an oversight, but in other cases staff members have been know to "milk" the roster for more hours.

Store owners who have a POS system that their staff sign directly into, have a great tool to manage their labor costs. Not only does it make the employee more accountable for their hours, these systems can give you a "real time" labor cost at any given time of the day. Most of these systems require a PIN or similar number to register the oncoming crew member. Some of these systems are open to abuse, with tardy employees calling through to the store and asking their friends to sign them in with their number. If your system has the ability to use swipe cards, have the shift manager hold those cards so when the employees arrive they must obtain their swipe card from the manager before logging in for the day.

Recommended reading for this subject is

Controlling Restaurant & Food Service Labor Costs by Sharon L. Fullen

If I can help with any of your day to day store issues, please feel free to email me at info@frozendessertinstitute.com