

How to Effectively Manage Labour Costs in a Gymnastics Club

This guide outlines how gymnastics clubs can best manage labour costs to ensure the club is able to achieve maximum benefit from labour expenditure.

Why should Clubs be concerned about labour costs?

Labour costs often represent the largest ongoing financial outlay for many gymnastics clubs. Therefore, it is important to understand how labour can be most effectively managed to minimise unnecessary expenditure.

There are 5 key steps clubs can take to ensure the effective management of labour costs.

Step 1: Develop a business labour strategy

Step 2: Develop a good working understanding of minimum legislated labour costs

Step 3: Understand hidden labour costs

Step 4: Collect useful data to support decisions

Step 5: Take action to keep a lid on labour costs

Step 1: Develop a business labour strategy

1. Understand the club's financial objectives

The cost of providing labour is directly related to an organisation's strategic business objectives.

An important component of the strategic planning process involves consideration of financial objectives and positioning of the club. For example, a club's financial objective could be

- To cover expenses and break even each year; or
- To achieve \$X in annual profit/savings (e.g. to fund a future major club project, expansion, equipment or other objective); or
- To achieve a percentage target return on investment (ROI).

Financial objectives will differ between clubs and may also change over time.

2. Understand the local labour market

A club's approach to determining labour costs will also be influenced by characteristics of the local labour market.

For some clubs, labour may be readily available, whilst for others, labour may be difficult to find. The availability of labour may also vary depending on the role in question, club location and/or the standards of labour expected.

In other circumstances, there may be a history and expectation of volunteer labour to run or supplement a club's anticipated labour force (e.g. coaches, administrators, committee).

Club location and structure, management preferences and the financial capacity and labour ideology of a club's management will also affect the cost of labour.

3. Understand your club's approach to remuneration planning

Factors such as those indicated above may influence and shape how staff are remunerated, thus establishing remuneration practices and 'culture' unique to each club.

Examples of differing club remuneration practices include...

"We seek to meet a community need and therefore have chosen to keep member fees as low as possible. Labour is readily available so we aim to keep labour costs to a minimum, hence plan to engage our staff at minimum award rates of pay"

"It is difficult to attract and retain staff so we need to pay rates that are competitive in the marketplace.. We pay rates of pay at or above the award as needed to attract and retain staff"

"We have ambitious plans to grow our club and/or achieve best practice and/or high performance outcomes. Therefore, we need to pay in the top industry/market percentile to attract high quality staff in key positions who can help us achieve our targets"

Again, remuneration practices will differ between clubs and may also change in response to changes to market forces, community needs, club leadership, financial health and club strategy.

It is important that staff understand their club's business objectives and remuneration practices so that a united and consistent approach can be taken to decision making on remuneration and benefits practices.

Step 2: Develop a good working understanding of minimum legislated labour costs

Minimum wage payments to staff are determined by Federal and State employment legislation.

Many gymnastics clubs are regulated by the Fitness Industry Award (FIA) which stipulates that staff must be paid the following entitlements.

- Minimum hourly pay rates that increase with age, skills and qualifications
- Additional payments for employees who

- Work casually
- Work outside legislated ordinary hours
- Work on weekend days or public holidays
- Work overtime
- Work shifts with penalty payments attached (e.g. broken shifts, long daily shifts)
- Don't take required meal or shift breaks
- Don't meet minimum daily hours
- Have additional responsibilities such as
 - First aid duties
 - Supervisory duties
 - Higher duties (when covering absence)
 - Using their own private vehicle to undertake work duties
- Special payments such as annual leave loading, meal allowance

Other legislated labour costs may include compulsory superannuation payments and long service leave as well as payments that apply when staff are terminated by the employer.

It is essential that these 'non-negotiable' employee entitlements are clearly understood so that they can be considered when labour costs are calculated for club and program budgets, as well as when staff are sub-contracted (e.g. for private lessons or secondment to external organisations).

Step 3: Understand hidden labour costs

In addition to legislated labour costs, it is important to consider other factors that affect labour costs. For example:

- Efficiency in rostering practices
- Staff efficiency, productivity and effectiveness when performing their roles
- Breadth of staff skills (e.g. to undertake additional roles/tasks if required)
- Staff absence
- Staff availability to work flexible or additional hours
- Cost of staff benefits (e.g. uniforms, training, perks)

Club philosophy and culture around the provision of services can also significantly affect organisational labour costs, for example:

- Class ratio's (no. gymnasts per coach)
- Preference for junior/trainee (cheaper) or senior staff (more expensive)
- Club structure & reporting levels (cost of managing club)
- Level and extent of administration support offered (cost of club administration and support services)
- Extent of volunteer labour used

Step 4: Collect useful data to support decisions

Decisions regarding the provision and cost of labour are always easier to make when supported by data rather than relying on personal, subjective opinions.

The kind of data that can be useful includes:

- Club budgets (to understand and predict labour costs)
- Program budgets (to isolate the labour costs per program)
- Event budgets (to understand the labour costs per event)
- Coaching vs support staff ratio's (to understand the cost of labour needed to support coaching programs)
- Member attrition rates (to predict when labour needs to be scaled up and down)
- Staff turnover (turnover can be costly through loss of productivity and additional recruitment resources needed)
- Cost of recruitment and replacement of labour
- Wage rostering analysis (to understand the labour cost of current & potential rostering practices)

Step 5: Take action to keep a lid on labour costs

This section outlines actions clubs can undertake to reduce unnecessary labour expenditure.

1. Implement efficient rostering practices

Labour costs can be reduced by eliminating expensive rostering practices. For example, clubs should consider:

- Constantly monitoring class ratios. Restructure classes with small numbers and use casuals for shifts where flexible hours are needed.
- Using casuals to cover

- Unanticipated and/or additional duty e.g. covers, competitions
 - Weekends and public holiday shifts
- Minimising overtime duty (for permanent staff members in particular) by
 - Using time-in-lieu of overtime where possible.
 - Reducing or eliminating shifts that trigger overtime payments e.g. rosters that require an employee to work
 - More than 38 hours per week averaged over a 4-week period
 - More than 5 days per week
 - More than daily contracted ordinary hours (i.e. permanent part-time employees)
 - More than 10 ordinary hours per day
 - Between 11pm and 5am, Monday to Friday
 - Between 9pm and 6am, Saturday to Sunday
 - Without taking a meal break after 5 continuous hours of work
 - Without taking a 10 minute paid tea break between meal times (permanent employees)
 - Without taking a 10 hour overnight break between shifts
 - Longer than 12 hours between the start and end of a broken shift
 - Ensuring all overtime is approved in writing prior to being worked and signed off at the end of the shift
- Avoiding the minimum 3 hour penalty restriction that applies to permanent part-time employees (and casuals at Levels 1, 6 & 7)
- Reducing the number of staff working broken shifts and limiting broken shifts to 2 blocks only per day
- Rationalising payment of first aid and higher duties allowances
- Evaluating eligibility for supervisors allowance

2. Maximise productivity

Labour costs can also be reduced by improving staff productivity. For example, consider

- Benchmarking and monitoring club administration and support spend (per member/coaching hour)
- Appointing staff with the best skills for the job (who have prior working history performing similar roles well)
- Using induction training, skills training, mentoring and coaching to improve employee effectiveness
- Clarifying roles through written documentation (i.e. position descriptions)
- Documenting routine club procedures
- Encouraging and rewarding high performance
- Effectively managing and/or replacing underperformers
- Reducing overstaffing in quiet times (e.g. holiday periods)
- Using volunteers to undertake specific roles

3. Review and rebalance wages

Over time, it is common for pay rates to fall out of balance with rates paid to other staff members. To minimise this, it is recommended that clubs review all staff pay rates annually to rebalance anomalies.

Steps that can be taken to review and rebalance include:

- Benchmarking roles/salaries by comparing with similar clubs/organisations
- Reviewing market rates and building market rate margins into the pay structure (if relevant)
- Checking whether staff are paid similarly for similar roles (and whether males and females are paid equally for equivalent roles)
- Increasing ordinary rates for underpaid staff
- 'Freezing' wages for staff who are overpaid
- Considering implementing annualised salaries for permanent staff to average working hours over several months
- Paying over-award payments for permanent staff (documented in an employment agreement) that may provide an opportunity to offset overtime, penalty and allowance payments. (This can work if the over award payment meets the 'BOOT

Better Off Overall Test' e.g. the rate paid equals or exceeds what the employee would have earned under the Award).

- Determining if, and how, high performing staff could be rewarded through means other than money (if desired)
- Building salary differentials between levels of responsibility
- Rewarding high performance through bonus or incentive payments rather than through increases in ordinary pay which are difficult to reverse if high performance does not continue
- Implementing transparent remuneration practice that ties remuneration into club budgeting processes and provides for the consideration of annual wage reviews
- Determining whether you should develop your own internal club classification structure

4. The role of employment contracts

Written employment contracts are very important in that they confirm the intentions of both parties when it comes to employment practices, including remuneration. This protects both parties from the potential for misunderstandings.

Employment contracts also provide the vehicle that allows the parties to put in place annualised salaries, particularly if the salary absorbs or varies certain allowable FIA terms.

Finally, employment contracts provide a window to club culture, values, expectations, level of competence and professionalism.

Tools & resources

- Fitness Industry Award and the Fitness Industry Award Pay Guide-
<https://www.fairwork.gov.au/employment-conditions/awards/awards-summary/ma000094-summary>
- Explanation of classification levels under the Fitness Industry Award (HRplus document)
- Explanation of the 3-hour min provision under the Fitness Industry Award (HRplus document)
- Employment agreement templates – permanent & casual (Gym On Line Member Club Portal)

- Annualised Salary Calculation Templates ([HRplus](#) document)
- Gymnastics Club Wages Survey Dec2016 ([HRplus](#) document)

For further information please contact Linda Norman at **HRplus** on linda@hrplus.com.au or 0412 602 713.