



Fact sheet – Benchmarking labour application in plant

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AMPC commissioned a study designed to provide a benchmark of labour inputs in the red meat processing industry against key processing tasks.

Project scope and methodology

The key objectives of the project were to provide a benchmark of labour inputs in the red meat processing industry against key processing tasks to support plant level investment decision making, and enable an assessment of the true cost benefit for optimising the trade-off between fixed capital and the flexibility of labour. This will assist in determining priority areas for technology development that will better utilise existing labour, improve WHS outcomes, enhance yield benefits and generate overall processing efficiency.

The methodology adopted to achieve these objectives involved:

- A literature review encompassing available reports and statistics pertaining to labour costs in the red meat processing sector;
- Development of a template, in conjunction with industry representatives, to gather benchmarking data. Initially undertaken as a pilot survey, the template was further refined to reflect inputs from the industry and the survey broadened;
- Analysis of the benchmarking data by key functional areas to determine their contribution to overall labour costs; and
- Development of a decision making tool and associated instructions for completion, designed to enable individual plants to assess investment in a technology versus the true costs of labour. This also permits plants to assess how their costs compare with plants of similar size and structure across the industry.

Key drivers of labour costs in the red meat processing sector

There is a range of factors which influence labour costs in the red meat processing industry including:

- Wage rates – minimum wage rates by skill or occupation classification are defined under the Meat Industry Award (2010) or the relevant plant specific Enterprise Agreement. Loadings above the ordinary time rate of 10% for daily hire employees and 25% for casual workers also impact on other labour-related costs for the business including compulsory superannuation, payroll tax and workers' compensation premiums.
- Additional payments or allowances including shift allowances; cold temperature allowances; attendance allowances; location allowances; overtime rates; leave loadings and compulsory superannuation payments.
- Tally system – the tally system is still prevalent in many red meat processing facilities whereby any production above a pre-determined level results in additional payment to the employee.
- Type of processing – in beef processing, those facilities primarily processing larger grain-fed cattle might be expected to have lower labour costs per head as a result of the relatively uniform size of cattle. Similarly, amongst sheep meat processors, variations can be expected between those only processing lambs and those processing both sheep and lambs.



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For both species, the proportion of the final product destined for the export market impacts on labour costs as a result of a reduced variety of cuts being supplied.

- Payroll tax and Workers Compensation premiums – the costs associated with these mandatory payments vary between States.

Benchmarking labour costs and productivity

The data collated to benchmark labour costs only included costs associated with fixed and variable labour on the plant floor and did not include administrative and managerial staff. Costs associated with superannuation payments, leave loadings, payroll tax and workers' compensation premiums were also excluded.

Cattle processing

The weighted average distribution of costs indicates that labour costs associated with the boning room are the most significant, accounting for in excess of 40 per cent of all variable labour costs in beef processing plants. Labour costs associated with the boning room were 90 per cent higher than the next key category, the slaughter floor.

Overall, the weighted average labour cost per head of throughput was \$122.64. Variations in labour costs overall differed by approximately 14 per cent between highest and lowest. However, when measured by functional area, variances were more pronounced. Only in the boning room were costs found to exhibit little variation.

When measured in terms of man hours, the weighted average per head of throughput was 4.8 man hours. There was little variation in the overall man hours per head of cattle processed, with a total variance from the weighted average of just under 2 per cent.

Lamb and sheep processing

The weighted average distribution of costs indicates that labour costs associated with the boning room (including packing) are the most significant, accounting for almost 52 per cent of all variable labour costs in beef processing plants.

Overall, the weighted average labour cost per head of throughput was \$14.18. Variations in labour costs overall differed by approximately 7 per cent between highest and lowest. However, when measured by functional area, variances were more pronounced. Only on the slaughter floor were costs found to exhibit little variation.

When measured in terms of man hours, the weighted average per head of throughput was 0.62 man hours. There was however significant variation in the overall man hours per head of lamb / sheep processed, with a total variance from the weighted average of almost 13 per cent.

Decision making tool

The outputs from the industry survey were used to develop a decision making tool for the industry using a series of inter-linked spreadsheets. After entering their own data, the model provides:

- A comparison with the previously calculated benchmark data measured in both costs and man hours per head of throughput and kg HSCW.
- An assessment of the various measures of return on investment derived from the introduction of a particular technology, measured against savings in labour costs.

Recommendations

A series of recommendations were provided regarding practical use of the project by the industry including wider benchmarking in Australia, input into prioritising investment in research and development and international benchmarking.