

# Labor Costs

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## Meal Equivalents

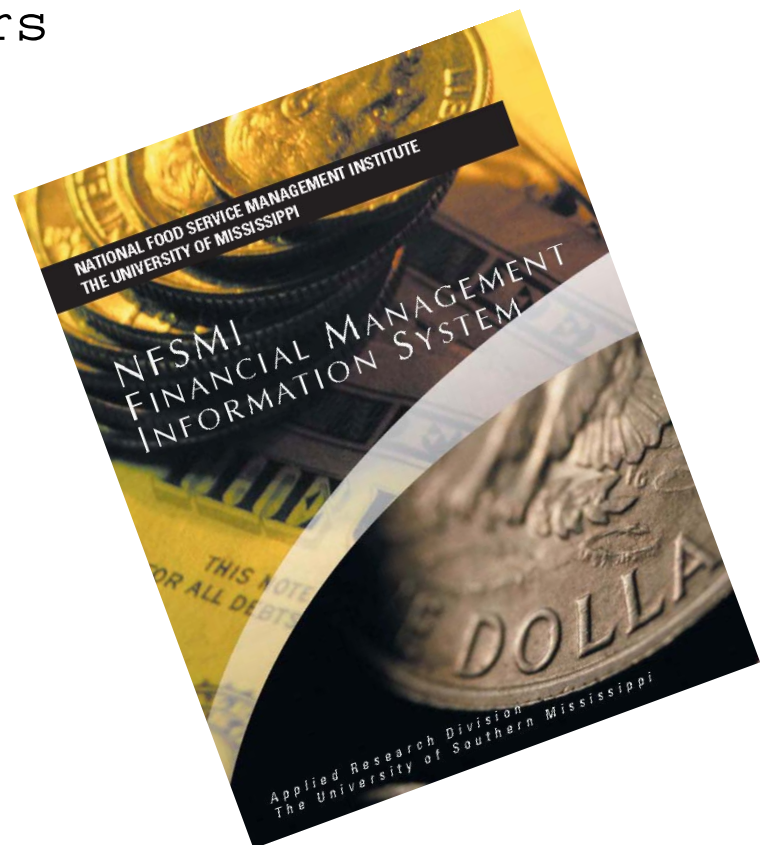
Meals per Labor Hour

MPLH

*Average Daily Participation (ADP)*

Labor Hours

*Staffing Needs*



<http://www.nfsmi.org/ResourceOverview.aspx?ID=63> - Financial Management: A Course for School Nutrition Directors  
<http://www.nfsmi.org/documentlibraryfiles/PDF/20080225031916.pdf> - NFSMI Financial Management Information Systems

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National Food Service Management Institute. (2010). *Financial management : A course for school nutrition directors*. University, MS: Author. The photographs and images in this document may be owned by third parties and used by The University of Mississippi under a licensing agreement. The University cannot, therefore, grant permission to use these images. For more information, please contact [nfsmi@olemiss.edu](mailto:nfsmi@olemiss.edu).

## Controlling Food and Labor Costs :

Important factors that guide us in developing strategies to control food and labor costs in school nutrition programs are

**FACTOR #1** While there are no research-based industry standards, generally accepted guidelines suggest that no more than 80-85 percent of the school nutrition program revenue should be spent on labor and food. This may vary from district to district. Remember these guidelines may change based on the USDA School Lunch and Breakfast Costs Study-II.

**FACTOR #2** The school nutrition program director should work together with upper administration and school site managers to set goals for food and labor costs as part of the budget planning process.

**FACTOR #3** The school district's success in keeping labor and food costs within the established guidelines depends on the financial management skills of the entire school nutrition program department, including the school nutrition program director, the site level managers, and the kitchen staff.

(NFSMI: Financial Management: A Course for School Nutrition Directors, p. 60)

## Average Daily Participation

School foodservice administrators must have accurate information about the average number of students who will participate in the school lunch and breakfast program on a daily basis. The average daily participation is used to determine staffing needs, purchase food and supplies, and schedule food production. Knowing the average participation over a period of time can assist school foodservice administrators in making better financial management decisions that strengthen their programs' resources.

The average daily participation can be used as a forecasting tool to:

- prevent waste in excess labor hours and overproduction of food, and
- reduce customer dissatisfaction because of inadequate staff and too little food prepared for the number served

Student participation in the school meals program may vary depending on variables such as:

- percent of paid, free, and reduced price meals served
- age or grade level of participants
- weather conditions
- competition from other foodservices (i.e., fast food restaurants)
- rural or urban location
- closed or open campus
- school or district regulations

Such differences must be taken into account when comparing participation rates between schools/districts in order to obtain an accurate picture. Average meal participation per day can be calculated by dividing the number of meals served during the month by the operating days in the month. Typically, participation is determined separately for breakfast and for lunch.

The formulas for calculating the average daily participation for lunch and breakfast are as follows:

$$\text{Average Lunch Participation per Day} = \frac{\text{Number of Lunches Served in a Month}}{\text{Number of Operating Days in Month}}$$

(NFSMI: Financial Management Information System, p. 76-78)

## Meals per Paid Labor Hour

The productivity index of meals per labor hour (MPLH) is used by many school foodservice administrators to monitor the efficiency of their operation and to determine appropriate staffing. This important information indicates to administrators whether they are making good use of their resources. This measure can help in determining how many employees are needed in a single production unit or throughout the district. The MPLH index is most effectively used to compare labor utilization within a system because labor is so dependent on the type of operation used in food production.

For example, factors that may affect MPLH as a productivity measure are:

- size of operation
- type service provided
- production system
- skill level of employees
- number of serving lines
- scheduling of lunch periods
- amount of convenience foods used
- complexity of the menu, etc.

The MPLH index is calculated on the actual productive labor hours assigned to a school-level foodservice program. The number of paid labor hours includes labor charged to and paid for by the school foodservice operation for managers, kitchen staff, cashiers, and custodial services used for cleaning in the dining area. Paid hours for substitutes are included, but not paid hours for sick, personal, or holiday leave.

MPLH can be determined for a school site by dividing the total meal equivalents for a given time period by the total number of productive paid labor hours for the same time period. The following scenario provides an example of how to evaluate the MPLH at a school site.

See page 4 for a worksheet exercise on MPLH

After an evaluation of the productivity level is completed, the school foodservice administrator can make a decision regarding staffing. If the evaluation indicates an overload and increasing participation is not an alternative, cuts in labor hours may be necessary. The following method can be used to determine the number of labor hours needed for the desired productivity level.

1. Decide the desired number of MPLH for the school site.
2. Divide the total meal equivalents by the desired number of MPLH to determine the total labor hours needed per day.
3. Determine the number of excess labor hours daily that will need to be eliminated.

The school foodservice administrator can make a decision to reduce the hours of employees or eliminate positions to increase MPLH.

## D. Analyzing Productivity Using Meals per Labor Hour

### Handout #12 Worksheet on Meals Per Labor Hour

Maple School District has determined that an elementary school in the district needs to improve productivity. The school nutrition director and school manager performed the following steps to analyze the existing productivity index. Follow the steps and make the necessary calculations to complete the worksheet.

**Step # 1: Calculate the current total hours of labor paid daily in the school nutrition program.**

Employee hours paid daily including manager		
Number of employees	Number hours worked daily	Total number of hours
1	7	7
3	6	18
3	5	15
3	3	9
<b>Total Paid Labor Hours Assigned Daily</b>		<b>=</b>

**Step # 2: Calculate the average number of meal equivalents served daily.**

Meal Categories	Meal Equivalents
Lunch (student and adults)	440
Breakfast (182 x .67)	122
Snacks (75 x .33)	25
Non reimbursable Sales \$200 ÷ (\$2.57 + 0.2075)*	72
<b>Total Meal Equivalents</b>	<b>=</b>

**Step # 3: Using the information, calculate the meals per labor hour.**

$$\text{Meals per Labor Hour} = \frac{\text{Number of Meal Equivalents}}{\text{Number of Paid Productive Labor Hours}}$$

\*Based on 2008-2009 reimbursement rates

Answers: 49 Labor Hours; 659 Meal Equivalents

$$659/49 = 13.45 \text{ MPLH}$$