

## Why Our Workweek and Pay Cycle?

Some time ago I was asked about our club's work week that went from Friday to Thursday and why we paid every two weeks instead of semi-monthly or monthly as some clubs do. There are several important reasons for this that every manager should know, as they relate to the needs of employees and the efficiency of the operation.

1. With the bi-weekly pay period every employee can look forward to a paycheck every two weeks on Fridays. Most, if not all, employees live paycheck to paycheck and a more frequent schedule of paychecks makes it easier for them to budget and allocate their income to cover ongoing expenses.
2. Given the overtime pay requirements of the Fair Labor Standards Act where non-exempt employees are paid time and one half for all hours worked over 40 in a week, we start our work weeks on Friday to have our historically busiest days of the week (Friday, Saturday, and Sunday) early in the period.

This way, if we incur employee shifts of greater than 8 hours on those days due to high business levels, we have the opportunity to adjust schedules or send employees home early on our traditionally slower days (Monday through Thursday), thereby avoiding overtime costs. Over the life of an operation, this could potentially save hundreds of thousands of dollars in overtime pay.

3. As we have often said, payroll costs are the single largest expense in hospitality operations and require the greatest vigilance to control. One of the best tools managers can use to understand and control those costs is to benchmark payroll hours and costs on a pay period basis.

With semi-monthly or monthly pay periods, a manager cannot compare like to like – a primary caveat of benchmarking. With a semi-monthly pay period the number of days in a pay period can vary from 14 to 16 depending upon month and leap years. Also, since pay periods can start and end on any day of the week depending upon the calendar (instead of the constant and comparable Friday through Thursdays in bi-weekly pay periods), there may be some pay periods with anywhere from 4 to 6 weekend or busy days. This makes it impossible to compare pay periods on a like to like basis, thereby diminishing the value of benchmarking. The same applies to monthly pay periods.

4. While reading the book *Nudge, Improving Decisions About Health, Wealth, and Happiness*, I came across this interesting statement:

“It is true, of course, that some nudges are unintentional; employers may decide (say) whether to pay employees monthly or biweekly without intending to create any kind of a nudge, but they might be surprised to discover that people save more if they get paid biweekly because twice a year they get three pay checks in one month.”

What a pleasant surprise to find that our club, though unintentionally as it may have been, had created a “nudge” to help its employees save more for their futures!

*Ed Rehkopf, Club Resources International*