



How to calculate labour efficiency

Labour efficiency is a measure of the efficiency with which labour resources are employed within a farm business. Labour efficiency is assessed as a ratio of productive livestock or crop units per full time equivalent (FTE) labour unit (LU). A full time equivalent labour unit is 240 days per year. This assumes that 5 of the 7 days per week are work days and that 20 work days per year are taken for annual leave. It is not uncommon for farm labour to work more than the allotted full time equivalent 240 days per year. Labour efficiency calculations account for this by dividing total labour days worked by the full time equivalent number of days worked.

For example, if a farm employee works 300 days per year, for the purposes of calculating their labour efficiency, they equate to 1.25 labour units per year. This is calculated by dividing 300 days worked by 240 days allocated to a full time equivalent labour unit.

Labour and labour related expenses are the single biggest expense in a broadacre farm business accounting for between 25 and 40 percent of total farm costs. Because labour is such a significant cost it is important to use labour as efficiently as possible. Assessing labour efficiency targets, or key performance indicators, annually is a great way of understanding how your business is performing in this key area of productivity.

What you will need to use this tool.

1. An estimate of the total number of days worked by each labour unit on farm
2. A record of the area of land allocated by crop
3. A record of the number of DSE managed by livestock enterprise
4. The ability to categorise labour by employee, contractor or owner labour

What are the outputs of the tool?

1. Labour efficiency by enterprise
2. Labour efficiency by type of labour
3. A whole farm stocking rate graph