Aggregate planning

[Business](#)

Hiring and layoff of employees: the use of this variable differs a great deal between companies and industries. Some companies will do almost anything before reducing the size of the workforce through layoffs. Other companies routinely increase and decrease their workforce as demand changes. These practices affect not only costs but also labour relations, productivity, and worker morale. As a result, company hiring and layoff practices may be restricted by union contracts or company policies.

Using overtime and under time: overtime is sometimes used for short- or medium-range labour adjustments in lieu of hiring and layoffs, especially if change in demand is considered temporary. Overtime labour usually costs 150% of regular time, with double time on weekends or Sundays. Because of its high costs, managers are sometimes reluctant to use overtime. Furthermore, workers are reluctant to work more than 20% weekly overtime for duration of several weeks. " Under time" refers to planned underutilization of workforce rather than layoffs or perhaps a shortened workweek.

Under time can be thought of as the opposite of overtime. Another term for under time is " idle time. " Using part-time or temporary labour: in some cases, it is possible to hire part time or temporary employees to meet peak or seasonal demand. This option may be particularly attractive because part-time employees are often paid significantly less in wages and benefits. Unions, of course, frown on the use of part-time employees because the latter often does not pay union dues and may weaken union influence.

Carrying inventory: in manufacturing companies, inventory can be used as a buffer between supply and demand. Inventories for later use can be built up during periods of slack demand. Inventory thus uncouples supply from demand in manufacturing operations, thereby allowing for smoother operations. Inventory can be used as a way to store labour for future consumption. Subcontracting: This option, which involves the use of other firms, is sometimes an effective to increase or decrease supply. The subcontractor may supply the entire product or only some of the components.

The manufacturer may furnish the moulds and specify the materials and methods to be used. Making co-operative arrangements: these arrangements are very similar to subcontracting in that other sources of supply are used. Basic Strategies: Level strategy: with this strategy the rate of regular-time output will be constant. Any variations in demand must then be absorbed by using inventories, overtime, temporary workers, subcontracting, co-operative arrangements, or any of the demand influencing options.

Chase strategy: with this strategy the workforce level is changed to meet, or chase, demand. In this case, it is not necessary to carry inventory or to use any of the other variables available for aggregate planning; the workforce absorbs all the changes in demand. Basic Strategy for Greastex Line: The company may consider the chase demand strategy to meet the demand for Geastex line, wherein they will have to use the workforce to absorb all the changes in the demand; until the demand of the product stabilizes.

But in the long run the company should definitely consider implementing the level strategy although the level of skill and training required will be high and the company might have to make training a prerequisite to start work and will have to improve staff training and development terms; the regular output of the company will be stable and constant and all the changes in the demand will be absorbed by using any of the demand influencing options motioned above.

Inventory Planning & Control The key issue in the case of Hank Kolb is that the demand for Greastex has increased thus the company can take the following steps to protect against uncertainties to cover the changes in demand: The company needs to synchronise better with their suppliers to enhance the quality of the raw materials used in production of the can as well as to support the speed, dependability and flexibility objectives of the dependant demand inventory.

* The company also needs to maintain a certain amount of finished stock i. e. buffer or safety inventory to compensate for any unexpected fluctuations in supply and demand as well as to slow or speed the production rate according to the demand.