

Trouble With The Hired Help

Six Trends Intensify Staffing Challenges

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When asked about their private staffs, wealth owners typically from then list the nearly universal complaints of perpetual turnover, demands for higher compensation and the lack of qualified candidates.

Not all families face these problems, of course. Some have found a better way, transforming their private staffs into a powerful asset, removing stress and facilitating productive use of the family's time. Those families, though, have had to find solutions to the challenges arising from at least five factors that are reshaping the staffing industry.

More and Larger Homes

Like a home of 4,000 square feet, a home of 20,000 square feet requires maintenance. The difference, however, is not only size but also complexity and sophistication of the home's furnishings, security and audio-visual systems, lighting, heating and cooling. To that, add the outdoor areas and the grounds from trees to lawns, snow removal and gardening. Staff members require significant training to manage and maintain all of this appropriately. Now, multiply this by three, four, five or whatever the total number of residences owned by a family.

Most families simply do not provide the supervision required to have an efficient, highly functioning staff. This can have appalling consequences, ranging from safety issues if water, air and stove hood filters are not cleaned or changed to irreparable

damage to custom flooring or antique furnishings if the wrong cleaning products are used. Most disturbing are the potential for theft and security breaches that could result in serious harm to family members.

Household Manager Use

Many families, and family offices, recognize the need for better supervision and greater expertise in managing a private staff. These families hire household managers to oversee single residences and estate managers to oversee multiple homes and their grounds. These staffs are expensive, but if they are well trained with strong management skills, they are worth the money and can solve many of the problems that come with ownership of more and larger homes.



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However, there is a shortage of these skilled managers, and the negative consequences of a poorly trained, inexperienced or dishonest manager are severe. An individual who is not well versed in the complex

systems of large modern homes or in the appropriate way to train and oversee a staff will not be able to manage or gain the cooperation of the staff members who report to him or her. A household manager with poor people skills can destroy a positive work environment in a very short time, leading to departures of treasured, loyal staff members. Other managers become a friend to the staff and are unable to provide effective supervision or to issue reprimands when required.

Going By the Book

In times past, when small staffs were informally managed, some families chose to pay their staffs "off the books," either completely or partially. Families sometimes did this because the staff members were not legal workers or because it was just perceived to be simpler.

Today, family offices increasingly provide the payroll infrastructure for a private staff and attempt to protect the family from liability arising from informal employment practices. This often results in consistent and improved benefits to staffs, based on the knowledge that health and other benefits improve retention in ways that endless escalation of compensation may not.

Multiple Entities for Staff

Family offices and accounting firms increasingly provide guidance to families on the "entity question." They specify from which "bucket" various staff members should be paid: the family directly, the family office, a family business or other holding. The answer can have significant tax implications and needs to be compliant with laws and employment regulations.

Aston Pearl has worked with families that use as many as five different entities. It can be difficult to track totals across all entities, and this practice can result in inconsistencies and greater out-of-pocket expenses for the family.

Another common negative consequence of multiple entities is the lost opportunity for

economies of scale, in the form of purchase discounts that could come from viewing the family's staff and residences (and their collective benefits and supplies) as a single operation.

Escalating Costs

Families often ask why their staff costs have doubled or even tripled in the past several years. The answer is that rising costs are inevitable, given the increase in families with multiple large residences, the need for higher-level managers, the desire for "on the books" staff and the neglect of compensation oversight. Quite simply, the number of trained staff members has not increased sufficiently to meet demand, resulting in higher prices.

Private staff may strike some individuals as a trivial subject, not worthy of a serious strategic discussion. However, none of the great wealth creators and philanthropists would have had the mindshare to devote to their work if it weren't for terrific private staffs behind the scenes.

With a well managed staff, families can focus on what is most important to them. Stress is reduced; parents and grandparents can spend more quality time with children; and leisure time is made more enjoyable.

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Best Practices in Household Staff Management

Families can improve the efficiency and cost-effectiveness of their household staffs by managing private staffs more like a business.

This means:

Implementing and observing formal human resources policies

- Vacation, sick and personal days are consistently accounted for; standard forms are used for time off requests.
- Expense forms are filed; petty cash usage is always documented.
- Regular staff meetings are held, with an opportunity for staff and supervisors to discuss issues and concerns.
- A designated "head of HR" exists and is the "go-to" person for the staff and the family.
- An HR manual, covering topics from time off to uniforms, is provided to all staff members.

Documenting all functions and work activities

- Identify all critical functions and the activities required to complete them.
- Create procedures manuals, along with daily, weekly and monthly checklists, so staff members can be confident they are performing the tasks desired by the family and so supervision and oversight is simplified.
- Keep all maintenance information (instruction manuals, troubleshooting, warranties, who to call when something breaks) up to date and accessible.

Developing accurate position descriptions

- Place the activities identified above under the appropriate job titles then describe the skills and experience needed to execute.
- Do not revise the description to reflect the staff's current capabilities; carefully appraise whether existing staff can perform these required activities.

Ensuring appropriate span of control and organizational structure

- Adequate supervision of staff is essential to achieve results and avoid serious negative consequences; do not overload supervisors with too many staff.

Conducting exit interviews and turnover analysis

- Find out why staff members leave and address the root causes; measure turnover and strive for improvement.

Conducting annual credit and criminal checks and in-person security interviews

- Annual checks are necessary to identify potential problems. But these are not sufficient; annual in-person interviews with trained security professionals are essential.