

5 Point Strategy to Reduce your Labor Costs

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Controlling the continuing rising costs of your labor force is critical in business. As a business you continually try to increase revenue, but this must be done with a balance in terms of labor costs.

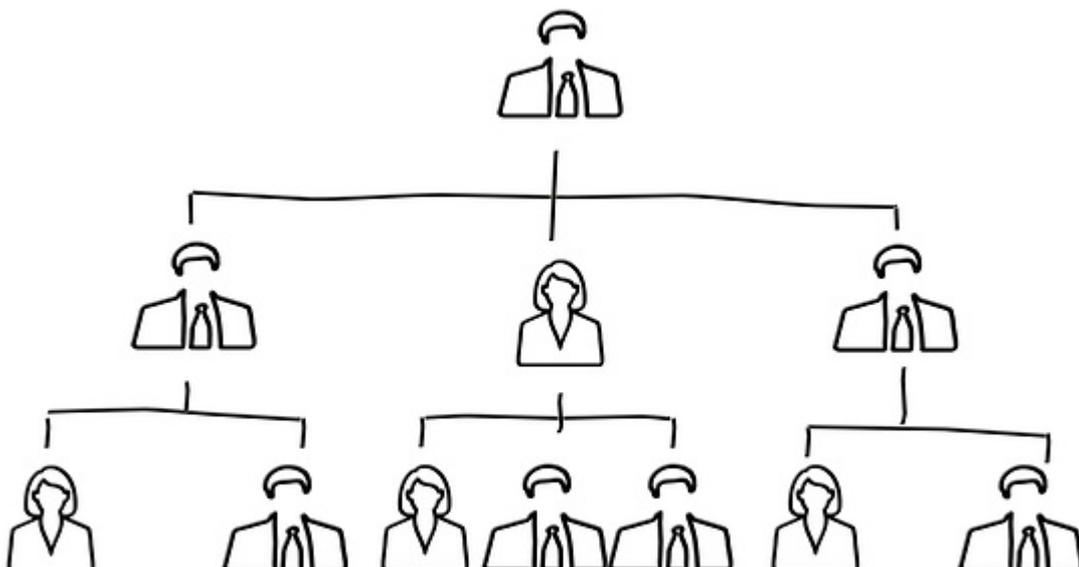
Collectively a well-established labor strategy needs to be in place, unfortunately most strategies only appear effective in the short-term and fail within the long-term strategy. Remember a reduction in labor costs isn't just about reducing headcount.

If you want a more effective and well-thought-out approach, please continue reading & take action.

Organizational Review

The first thing you need to do is determine what labor resources you need to fulfill short-term & long-term goals. If you don't have an organizational chart in electronic form, make one. This doesn't have to be complicated, you can use MS Word or an online service such as <https://www.organimi.com/>.

Once you have a visual representation of your organization or business, you can begin mapping to the functional areas of your business. This is critical so later in this strategy you can use analytics to evaluate the productivity of your labor costs.



Functional Details

The next point of this strategy is to define your Functions & Responsibilities. What needs to be done is begin by creating a collective list of all functions areas of your business. It's advisable for this to be done in a group meeting with the business leaders. If managers independently create their department specific lists, then key inter-department functions are bound to be missed.

Below is a spreadsheet you can use as a starting point for this group data capturing exercise.

Function Definitions

This needs to be a living document, meaning as your business grows & changes this document needs to adapt. In addition to defining your optimal labor costs this document can also identify your critical processes in your disaster recovery process.

Automation

Several years ago, most business owners were debating if it's worth the time and investment to automate processes. Today, it's obvious and cost effective to automate business processes for growth.

At this point you have your Organizational Chart & Functional Areas defined. You can now start evaluating which processes can be automated to off-set some internal labor costs, where applicable.

Remember labor costs are more than just the hourly or salary rate, you need to factor in fringes, etc.

By executing an automation strategy, you're able to:

- Reduce labor hours and achieve a higher level of production
- Reduce errors by removing the human interaction in the data entry workflows & processes
- Implement consistent workflows & processes where you can manage the exceptions
- Increase the quality of work by having your team members review & analyze, rather than perform data entry

Employee Engagement

Everywhere you turn we're seeing the trending "Employee Engagement" term being thrown around. The fact is we've known for a long time an engaged employee is a productive employee. Employee Engagement isn't just a symptom of great organizations, Employee Engagement can create great organizations.

- Employee Engagement is the strength of the connection between employees and the workplace. When a healthy connection is achieved you increase the chances to see a reduction in safety costs.
- Engaged employees have lower absenteeism resulting in higher productivity and reduced cost for the organization.
- Engaged employees also increase your retention. This has a direct reduction in your recruiting, advertising, and training costs.

So how do you achieve employee engagement?

Use the right employee engagement survey: When surveying your teams make sure the survey is structured in a way so the responses are actionable. If there isn't any action based on the survey you are going to move farther from employee engagement.

Top down engagement: A culture of employee engagement needs to be a top down model. One of the best ways to embrace this culture is to make sure employees are shown they are your greatest asset. Make "well-being" your top core value.

Employee development: The more an employee sees you are investing in their future the higher level of engagement you will achieve.

Think Outside the Box

Sometimes it takes some innovative thinking to create strategies around labor costs. Again, it's not about simple reducing headcount. A real strategy needs to be implemented to meet short & long term goals.

Here are a couple ideas you can consider.

Consider implementing more telecommuting opportunities. This might not have a direct impact to labor costs, but it can have a positive impact to indirect labor costs. Such as reduced equipment, office space, and supplies. This strategy can also have a positive impact on employee retention.

Consider utilizing virtual assistants for tasks, such as data entry and record keeping. There are many services offering virtual assistants, although not all are created equally.

Depending on your business type perhaps you can use some innovative scheduling. Instead of a 5×8 work week, perhaps 4×10 could work and increase engagement and retention. If you really want to push the boundaries, maybe you move to productivity-based model. You forget about the hours and purely measure employees based on results.

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Conclusion

There's certainly a strategy but not a magic formula when looking at optimal labor costs. Steps will vary based on industry and business type.

If you have any questions or concerns, please contact us.

THANK YOU

feel free to get in touch with us for any
feedback or questions

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