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Growers Talk Business

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The Mission to Reduce Labor Costs

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Labor is a familiar topic for growers, especially as, in most cases, it's the single largest percentage expense line on their P&L. Let's face it—hourly rates only go up. Add losses in productivity and it can seem out of control.

As business owners, we must consider the financial implications that translate into business viability. The reality is that the cost of living continues to rise, our employees need more to live and as employers we must find the solution through either cost reduction or raising prices.

For this discussion, let's focus on reducing labor costs via three ways: Opportunity, Optimization and Measuring.

Opportunity

Start by walking business units at your company and think as you walk: "Is there a better way?" Look for wasteful tasks, motions, pace and excess movements. I believe as owners/managers we must challenge the normal way or what we've always done, trusting a more effective or efficient way is possible. Look specifically at things that clearly have large labor requirements, but don't overlook the out-of-mind areas, such as a one- or two-person task that could be a time/cost sink.

Another way of looking for opportunity is looking for ineffective activities that can come from employees looking for things or excess time required going to get something. Review the process of tasks you're studying: Does the layout support optimization? Does it lack flow? Consider rehandling—is there wasted time finding items to do the task? Do the tasks at hand have proper preparation to support an effective lean process?

Spend time with your team identifying the low-hanging fruit, looking for maximum yield/minimum effort items first. Don't be afraid to ask: Why do we do it that way?

Optimization

This is where it gets fun by engineering the plan to optimize. As business owners, we often think in terms of automation as a solution; however, many experience hard lessons where automation has in fact added cost with little benefit or they see the automation pushed aside. Let's consider two options:

■ **Automation:** You may find a simple solution of adding conveyor belts to set pace and reduce handling. It's important to cost the in/out movement of belts and the length of time you'll use it in the bay. Complex automation such as ISO sticking machines will reduce labor, particularly when big batches of the same item are processed.

Automation of any task requires well-trained teams to maximize the equipment—even simple belts can be turned slower and become even more costly.

■ **Process:** Improvement is the lowest-cost way to reduce labor. You can optimize processes by reducing wasted movements, using both hands and reducing source supply distance. Consider anything that allows for down time, a wasted motion or doing nothing as waste. Think: Is any movement or task adding value to the end product?

Measuring or analyzing

Our mission was to reduce labor, and to verify it requires measuring and analyzing to see if we've met our objectives with tools and data.

■ **Tools may include low-cost tracking software, line counters or performance monitors:** We've found performance monitors linked to production tasks and line counters can enhance performance, visually creating a performance game. You could do the same by tracking productivity and sharing production scores in your lunchroom. Don't forget that placing the right tool in the right location drives productivity and worker comfort.

■ **Data:** Tracking your performance data is foundational when creating the metrics (KPIs) for the task. It's become the basis for production planning and target setting, which affects your labor budget and outcome. A failure to measure is a failure to understand one's business and how you might improve.

All businesses of any size are challenged to contain labor costs. I suggest the "KISS" approach (Keep It Simple Stupid) to avoid overthinking and coming up with complex solutions. Begin with the least amount of effort with maximum return and you'll be surprised how quickly you might save 5% of your labor bill. **GT**

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