Easing the Load of Labor Management

If you're interested in maximizing your labor budget while also becoming a more efficient operation, it's time to take a closer look at some tools designed for labor management.

One of the biggest costs in your DC is labor. Salaries, benefits and the many other costs associated with employees all add up to a hefty, but obviously necessary price tag. For that reason, it's a good idea to consider ways to stretch your labor expenses as far as possible while also looking for ways to keep those costs to a minimum.

One of the best ways to accomplish that is through a labor management solution. If you have a robust WMS in place, it's likely that you already have a tool specifically for that task. But each vendor's labor management capability is different, ranging from basic labor management tools up to very robust systems.

If you want to take your labor management a step further, you can also look for dedicated labor productivity systems. These systems involve industrial engineered labor systems and drill down to the smallest detail of labor management. Currently, not all WMS vendors offer this bolt-on option, but such systems can often be integrated with existing WMS packages.

The system that's right for you depends on the emphasis you place on the management of your labor dollars. In general, however, investing in a standalone, dedicated labor productivity system will pay off primarily for companies with large DC staffs. "The implementation of labor productivity systems is rather complicated," says Marc Wulfraat, managing partner at KOM International, Inc., Montreal, Quebec, Canada. "With a higher price tag, this is software that is usually reserved for companies managing at least 300 to 600 people."

If labor management is a high priority to your company, however, a thorough investigation of the various WMS vendors can help you determine which labor reporting system is right for your needs without breaking the bank.

Level 1: Labor Reporting Systems

According to Bill Reilly, director of logistics consulting at WMS provider Provia, based in Grand Rapids, Mich., the demand for labor reporting systems is growing. "I'd say that probably 20 percent to 25 percent of our clients place a high priority on it today," he says. "It's a big deal to many companies, especially those that have had trouble with labor management and productivity in the past."

Most warehouses are looking for WMS packages that include labor reporting systems, which provide an "after the fact" analysis approach to the task. "These systems allow you to check and monitor your employees," says Wulfraat. "You input the task, the quantity and other factors into a database and then use the information to analyze productivity by worker, zone, or any other way you'd like."

For mid-size companies, Wulfraat says such systems are indispensable. "It helps tremendously to be able to know how much labor is required for various tasks," he says.

For instance, says Wulfraat, labor reporting systems can help a company plan for peak seasons by analyzing labor requirements on more average days. The software gives you the information to understand those typical labor requirements so that you have a starting point for adding more during busy periods. Or, should sales grow, you have baseline information from which to gauge how much staff to add in order to handle the extra volume.

Another bonus to labor reporting systems is that they spell out the differences in each job so you can understand why one employee might not seem as productive as another. For instance, the product picked by worker A might be heavier or require a value-added service, making worker A slower than worker B, who is dedicated to picking a straightforward, lightweight item. The software allows users to drill down to aisle-specific detail, giving an understanding to why certain workers might perform more slowly than others.

Reilly says that most systems today offer clients the opportunity to analyze transactions based on historical data. "With this information, you can update your standards and easily maintain them as factors change," he says.

Essentially, he says, labor reporting systems provide two major benefits:

- They allow you to define the work load, mapping it out by each area of the warehouse.
- They provide task management, giving each operator a prioritized work plan.

The latter can be carried out on an ongoing basis. "For instance," says Reilly, "if you set a plan and then see that you need more workers in a different area, you can balance your workforce. This can be carried out on the fly, which is key if you're working on a hot order that must get out the door."

Another area where labor reporting systems can come in handy is with budgeting and forecasting. "You can see what you need to ship and then call in the right amount of temps for any given day," says Reilly. "You can also use the information from the system to plan for your labor budget." Later on, you can produce reports to compare your actual with your planned needs and expenditures.

While labor reporting systems don't really work well as a basis for setting incentives for employees, they can provide a bit of peer pressure that results in improved productivity. "If you post results for the day, workers can see how productive or unproductive they've been," says Reilly. "You'd be surprised at how workers will pick up the pace after seeing those results."

Reilly says the next level of labor reporting systems will include putting them to use as optimization engines. "You'll be able to take the system in real time and optimize labor and space utilization," he says. "You'll be able to focus on exceptions and tweak your employees to make the most out of your operations."

Level 2: Engineered Labor Standards

For larger DCs that want to truly maximize their labor expenditures, the next step beyond the typical WMS labor reporting system is a stand-alone labor productivity system that works from engineered labor standards.

Susan Rider, senior vice president of sales for WMS provider RedPrairie, says that this is where you'll get your highest rate of return. "If you really want to increase your productivity, you want to look deeper than the typical labor reporting system found in a WMS," she says. "If you use these tools effectively, you can expect up to a 30 percent increase in productivity."

What the industrial engineered labor standards provide is a system that can predict how long each task in the warehouse will take to complete. For instance, says Wulfraat, such a system will determine how long it takes to pick, pack and finish an order and then deliver it to the dock for shipping. "In order to get to this level of detail, you need to develop coordinates for every spot in the DC," he explains. "You need the length, width and height of the location from the dock. Then you map the location to a grid and the system will predict how long the task will take."

Generally, such complex analysis requires the help of an engineer, something that some of the vendors of labor productivity systems provide. Still other packages provide best of breed standards from which end users can work.

Rider says that once the standards have been established, it's a good idea to begin tying them into an incentive program. "With a tight economy, everyone is looking for payback," she says. "These systems can provide that. If you tie these standards into an incentive program, you'll get a productivity boost-people tend to go the route of where they're compensated."

Wulfraat agrees. "As you measure and predict standards, people will usually work harder and faster to keep up," he says. "I've even seen large grocery retailers with big union presence put incentive programs in place and successfully use these systems."

Maximizing the Benefit

Whatever type of labor management tool fits your operations, having one in place and fully utilizing it will help you make the most of your labor pool. "As long as you use your labor tool, you'll get better results," says Wulfraat. "Unfortunately, only about half of the DCs out there are using it constructively. Companies are missing out if they don't make use of its features," he says.

Reilly agrees, pointing out that labor management can be one of the simpler areas to make significant productivity improvements. "This is an easy way to optimize your DC," he says. "When you take all the facts into account, then you have a better equation to work with it, leading to higher productivity. These tools to do that."

Clearly, labor management tools deserve a second look, whether as stand-alone tools or as part of a WMS package. Wulfraat certainly sees that as the case: "I guarantee there are thousands of DCs out there that can benefit from these tools."