



5 ways procurement
teams can make
labor cost savings.

introduction.

Making cost savings is a common priority for procurement teams, particularly in the manufacturing industry, where achieving maximum financial efficiency and managing outgoings is one of the biggest challenges facing businesses.

If HR and workforce spend is one of your key focuses at the moment, it's important to take a broad view and consider a range of ways to reduce costs. This should include examining the financial impact of trends in your existing workforce - such as rates of absenteeism and staff turnover - and other costs that are often overshadowed by more immediate labor expenses like pay and benefits.

In this short guide, we look at five areas where procurement leaders can make cost savings and highlight some specific solutions that can unlock valuable benefits for your business.



1. lower staff turnover and absenteeism.

If you're preoccupied with immediate labor costs like paying to advertise roles and bring in new workers, you might overlook the financial repercussions of what's happening in your existing workforce. People leaving or taking a lot of time off is a good example.

Businesses rely on having the right human resources available at the right time to maintain productivity and deliver the outcomes clients are looking for. Consequently, high rates of staff turnover and absenteeism can cause significant problems for firms in this industry.

The most obvious cost implication of people leaving or being absent is having to pay for additional staff to fill workforce gaps. But there are also indirect costs that aren't as simple to track in your budget, such as the productivity losses that occur when an experienced employee departs or has to take time off.

These consequences can be felt across various areas of the company, as people from different departments have to be redeployed to keep the core business running.

solutions:

- Keep turnover down with a dedicated employee retention plan, potentially focusing on concepts like your employer brand, staff development opportunities and how you can promote a good work/life balance.
- Create attendance policies that state exactly what you expect of your employees. Enforce them consistently across the entire workforce.
- Keep track of absenteeism rates. Reward those with good attendance records and engage with those who are frequently absent to discover the root cause and look for a solution.
- Improve your recruitment and selection processes to ensure you're hiring the right people and minimizing staff churn. An HR services expert can help you do this.



2. reduce time and money spent on flexible staff.

A common cost challenge for companies is having to hire flexible staff to increase production capacity at times of peak demand, or when the workforce is temporarily depleted because of people being absent or on leave.

Aside from direct costs like advertising available roles and paying for contingent workers, procurement managers need to consider the time and productivity implications of bringing new people onboard. If other staff have to take time out to help induct temps, for example, their own output could suffer as a result.

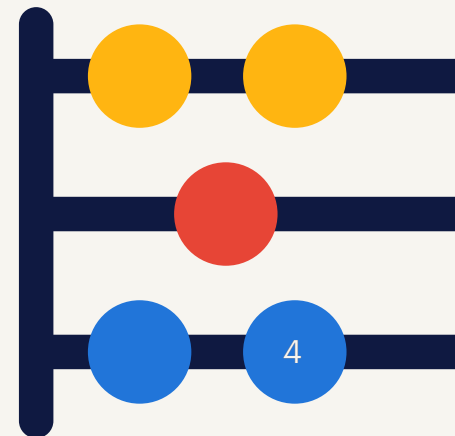
Furthermore, the HR department has to consider the costs involved in regular recruitment and candidate selection, which affects the time you're able to spend on improving your existing workforce.

The procurement team, meanwhile, has to account for the cost of training materials and other assets required to ensure new hires are prepared to do the job well.

If you frequently rely on temporary staff to fill workforce gaps or temporarily increase capacity when production picks up, you could benefit greatly from working with an HR partner that specializes in [flexible staffing](#).

solutions:

- an HR services firm can take on the administrative burden of recruiting flexible staff, looking after key tasks like onboarding, shift planning and supplying clothing
- a dedicated partner can also act as your 'front office' for any temp-related issues or questions that arise on-site
- electronic time-sheeting and invoicing can make these core processes more reliable and efficient
- combat productivity losses with initiatives like proactive skills management, which could come in the form of a training program combined with effective workforce planning



3. optimize wages and benefits.

It goes without saying that pay and benefits make up a substantial proportion of the costs manufacturing companies need to consider when ensuring they have sufficient workforce capacity to maintain production.

Given the size of the financial commitment involved, particularly for larger organizations, it's certainly worth thinking about your pay points and whether they're set at the optimum level.

If wages are set too high, you could find that the amount you're spending on labor is simply unsustainable, but if they're too low, you might struggle to attract and retain high-quality candidates.

solutions:

- Ensure you're setting salaries at the right level for particular posts by conducting a thorough job analysis and evaluating the skills and experience required to carry out the role properly.
- Reduce travel expenses by working with an HR services partner to improve your talent pool structure and prioritize local recruitment.
- Study laws and regulations in the territories where you operate. In the EU, for example, rules are likely to be stricter than other regions, and labor agreements often include elements like salary scales.



A man wearing a white face mask and grey overalls is operating a forklift in a warehouse. The background shows high industrial shelving units filled with boxes. The scene is lit with a warm, orange glow on the left and a cooler blue light on the right.

4. reduce over-planning.

Over-planning - where you pay for more capacity than you need and end up with workers who aren't required - is a common source of inefficiency in the manufacturing sector. This often occurs during points of low demand in the production cycle, which could be caused by seasonal trends or broader economic factors.

Keeping over-planning to a minimum helps you to manage costs by only paying for the labor you need, which can be particularly important where contingent hiring is concerned. It also supports productivity by ensuring that the resources you do have are being used as efficiently as possible.

solutions:

- analyze your workforce capacity utilization to better understand how efficiently your resources are being deployed, how often over-planning occurs and why
- look at options for redeployment: can employees be productive in other ways at times when they're not required to support production?
- work with an HR services firm to study trends in the sector and make informed predictions about fluctuations in activity and demand.

5. limit new hiring.

Recruiting new staff is often essential. If you're going through a period of rapid growth or entering a new market, for example, you're likely to need more manpower and specialist skills to support your expansion.

But it's also important to consider the cost and hard work involved in bringing in new personnel, from hiring and onboarding to training and on-the-job coaching. If you can take steps that allow you to avoid making new hires, the benefits can be significant.

solutions:

- Consider how redeployment or upskilling of current staff could provide the talent you need without having to hire.
- Engage with your most valuable existing workers to ensure they're happy and committed to the company. Offering a pay rise or enhanced benefits to retain high-level talent - as long as this is an option under labor agreements - could prove more financially viable and better for the business than hiring someone new.
- Establish a pool of proven, vetted workers who can come in and function at a high level at times of peak demand. This means that, when you do need to hire staff, you can target people who won't require a lot of support and training.



Randstad Inhouse Services specializes in working side-by-side with clients to analyze their HR processes and identify opportunities for cost savings.

[Contact us](#) to start a conversation.