How One Business Cut Labor Costs by 12% Without Laying Off Employees

Better scheduling, cross-training and overtime approvals reduced costs while improving coverage and morale.

12%
lower total labor cost

6 months
to see the full result

0 layoffs
headcount stayed the same

Workforce Planning | Labor Cost Management | Productivity | Operational Efficiency

The situation

A growing distribution company with 22 employees spent about $1.1 million a year on labor. Schedules were built by hand each week with no forecast of order volume, and a few experienced employees were the only ones who could run key tasks.

What was going wrong

Leaders thought they needed more people. A review of six months of time and order data told a different story:

- **Overtime** — about $96,000 a year, mostly in the same three roles on predictable peak days.
- **Temporary staff** — about $48,000 a year in agency fees to cover gaps that cross-trained staff could fill.
- **Turnover** — burnout in the overloaded roles led to resignations and new-hire training costs.
- **Unclear roles** — duplicate work happened because no one owned certain tasks.

Where the savings came from

Change	Approximate annual savings
Overtime cut by two-thirds through demand-based scheduling	$64,000
Agency temps replaced by cross-trained staff	$48,000
Lower turnover and fewer replacement hires	$20,000
Total (about 12% of $1.1 million)	$132,000

What they did

- Built schedules from an order-volume forecast instead of last week's schedule.
- Cross-trained at least two people for every critical task.
- Required supervisor approval before overtime, with a weekly overtime report.
- Wrote clear role descriptions to end duplicate work.
- Reviewed a simple weekly dashboard of hours, overtime and orders per labor hour.

The outcome

Within six months, total labor cost fell about 12% with no layoffs. Coverage improved on peak days, overtime became the exception instead of the plan, and employees in the busiest roles reported less burnout.

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Self-check: could this happen to you?

- ☐ Do you know your labor cost as a percentage of revenue?
- ☐ Is overtime approved in advance or discovered on payday?
- ☐ Are schedules based on expected demand or on habit?
- ☐ Could someone cover each critical task tomorrow?
- ☐ Do you review hours and overtime every week?

Want to talk through what this means for you?

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