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Five Proven Strategies for Improving Labour Productivity in Your Trade Business

Do you want to figure out why your business isn't generating as much of a profit as it should be? It might be a matter of taking a closer look at your employee labour productivity.

You see, improving labour productivity is one of the simplest and most effective strategies to increase the gross profit (and bottom line) of your business. I did say simple! Yet, it will take some effort to implement these ideas, should you really choose to improve your business. The bonus is, that once these ideas are implemented, your gross profit will consistently be higher than before.

Before we start...Take Ownership

Don't blame your team. While it is tempting to blame poor productivity on lazy employees, late starts and excessive breaks, the fact is that most trade/construction workers strive to be productive. More often than not, poor productivity is the result of waste and inefficiencies that are within the business owner's control.

Here are five proven ways to improve labour productivity in your trade/construction business.

1. Measure what Matters

You cannot improve any aspects of your business, unless you start measuring it. Once you have a baseline to start from, you then have clarity on whether the improvements are working. The following are key areas to measure:

- Labour Productivity: Hours billed to a job/customer vs hours paid for
- Gross Profit per Project/van
- Target labour for a project vs. Actual labour used

2. Conduct a Productivity Analysis

Engage your team to assist you to look at ways to become more productive. Spend time out on the road with your team or on a job site to observe the 'gaps' in productivity. You may discover that your team are waiting around for the equipment to start up, materials to arrive, for their work area to be prepared, for instructions from the foreman, or for other trades to finish. These all add up. Other excess down time could be time walking backwards and forwards from their vehicle or unnecessary trips to a local supplier. None of these are any of your team's fault yet working together to be able to get jobs completed more efficiently will benefit everyone.

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3. Set Realistic Goals and Objectives

If your pricing is effective, then the labour allocation for a particular job should not put pressure on the team from the start. Communicate the labour component allocated to a project prior to it starting and have someone be responsible and accountable to checking in on whether the project is on or off track regularly. This could be daily, but minimum weekly, even on projects that are taking 6 months or longer.

4. Create Daily and Weekly Meeting Rhythms

This might feel that you are trying to micromanage but actually that's not the purpose of these meetings. You cannot expect a team to play a game without a quick check-in with the coach or captain before play, then again at halftime, and then a review at the end of the day. These daily or weekly check-ins help identify what was accomplished previously; is the business or team or the project on track to achieve set goals/targets; what obstacles are currently in the way; and what the team may need support with. By showing your support, this is also a great way to increase the morale of your team.

5. Take advantage of technology.

Web-based project management applications, scheduling software, and other technological innovations can boost productivity by speeding up communications, providing your team with the latest project information in real time and making the workflow process more efficient. Just a caveat on this point. Software will only assist a business that is already reasonably organised with procedures in place. It is not the magic pill!

One last thought...Manage Overtime.

Excessive overtime can result in fatigue, higher accident rates, absenteeism and worker turnover, all of which can hurt productivity. Proper planning, scheduling and supervision can help keep overtime to a minimum.

Working on the above requires a plan and persistence, yet the rewards will be significant. An improvement between 3% to 5% in gross profit through improved productivity is quite common. For a million-dollar business, this equates to \$50,000 in pure profit which will be much harder to create than cutting overheads alone.

For assistance in getting your labour productivity on track call the team at PROTRADE United.

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