

Navigating the New Normal

Finding the right workforce management strategies for today's complex labor challenges



[Defining] the New Normal

Normal Conforming to a type, standard, or regular pattern

New normal In the new economy with its tight labor market, companies that want to attract and retain top talent may need to consider sustainability, including environmental, social, and governance initiatives, when determining their growth plans.¹

The logistics industry is in a constant state of flux due to labor shortages and talent-retainment issues. Capacity continues to be strained, new regulatory challenges have been introduced, and costs are on a constant incline amid economic uncertainty. But the rate of change has been accelerating over the past few years — and **at the center of this storm is your labor.**

Labor is an organization's largest controllable expense. As such, it's also your most valuable resource.

Having visibility into this critical asset will help you operate more efficiently, be more responsive and adaptable to the challenges you face, and profitably meet service-level goals at a time when customer demands have never been higher. Of course, this is no small task. **But these labor challenges are the “new normal.”** And the sooner your organization develops new strategies to address these challenges, the more quickly you can gain a competitive advantage.

In this eBook, discover proven strategies to navigate your way through the new normal.



The transportation and warehousing sector expects growth of about 326,000 jobs between 2019-2029.²

Key Issues and Challenges

In the following sections, we'll tackle today's most pressing issues and challenges across the current logistics and supply chain landscape. Each section will outline the specific labor aspect of these challenges and offer the workforce management strategies that will help you maintain quality service and drive profitable revenue — and avoid any roadblocks the new normal may put in your way.

The Supply Chain of Challenges

- **Managing capacity constraints**
- **Balancing escalating costs**
- **Delivering perfect orders**



Challenge 1: Managing Capacity Constraints

The pain point

The logistics industry is no stranger to capacity constraints: The trucking industry has forecasted and dealt with driver shortages and turnover during the past three decades. Turnover rates in warehousing and distribution remain sizeable, and at the end of 2018 there were roughly 60,000 unfilled truck driver positions within the U.S., according to the American Transportation Research Institute (ATRI).³ The pandemic has further exacerbated this issue. This shortage of drivers is due to a multitude of reasons, including demographics like an aging and nondiverse workforce, regulatory constraints, and compensation. Intensifying these issues, drivers may work no more than 60 on-duty hours over seven consecutive days. In essence, capacity is tight and the root cause is completely out of your control. **However, there are two controllable factors squeezing your capacity that you can manage and may not even be aware of: employee absenteeism and idle time.**

The people factor

Some degree of employee absenteeism and idle time is inevitable in your operations. But if these occurrences go unmanaged or uncontrolled, they can have a serious impact on your service levels and profit margins.

Absenteeism:

Whether it's an empty driver seat or an open spot in your picking operations, absences directly impact quality of service and only add to your expenses. Incidental or unplanned absences create costs due to paid time off (labor expense that adds no direct value), replacement staffing needs (via contract workers), or unplanned overtime.

Idle time:

There's a sizable percentage of nonproductive time in a logistics environment that needs to be proactively monitored. While some idle time is inevitable, "lost" time — time that isn't accounted for — is detrimental to both your service levels and bottom line. Organizations may resort to overstaffing and overtime when they have labor that isn't being fully utilized, thus adding unnecessary labor expense without addressing the core problem.



8.7%
of all payroll costs
are tied to absenteeism⁴



The workforce management solution

By addressing both employee absenteeism and idle time, there emerges a significant opportunity to uncover hidden labor capacity and additional profitability throughout your organization.

Can you identify and respond to employee absences quickly enough in order to not impact service levels? Can you help ensure the replacements you choose are really best cost and best fit?

A workforce management solution can help manage the cost and productivity impacts of employee absences with the ability to:

-  **Track and monitor attendance trends** — Understand where absences are occurring/trending and take action to minimize occurrences and ensure compliance management
-  **Establish policies and consistently enforce them** — Track and manage absences fairly across all employees, managers, and locations
-  **Effectively find replacements** — Identify the most qualified, best-cost replacements for absences to minimize service impacts and help ensure replacements are eligible/certified to fill the position
-  **Control the costs of absences** — Reallocate available labor to understaffed areas to minimize the reliance on unplanned overtime



The American Transportation Research Institute's Top Industry Issues report ranked the driver shortage as the number one issue.⁵

Do you have the visibility to capture lost time in your operations resulting from extended breaks or lunches, idle time, late clock-ins, or "buddy punching"?

A workforce management solution can help capture lost time by providing:

-  **Accurate and reliable data** — Eliminate buddy punching and set consistent standards for time capture
-  **Visibility into all employee time** — Track time by activity, line, and location to understand exactly where your labor dollars are going
-  **Real-time visibility into labor utilization** — Reassign workers "on the fly" to turn idle or underutilized time into productive time

Gaining better insight into where absenteeism and lost time are occurring — and then taking corrective action — can help your organization uncover hidden labor capacity and control costs. By simply improving utilization of your existing resources and achieving comparable output with lower labor cost, you can achieve immediate results. And avoid looking for costly outside talent that might not even be available.

Challenge 2: Balancing Escalating Costs and Economic Uncertainty

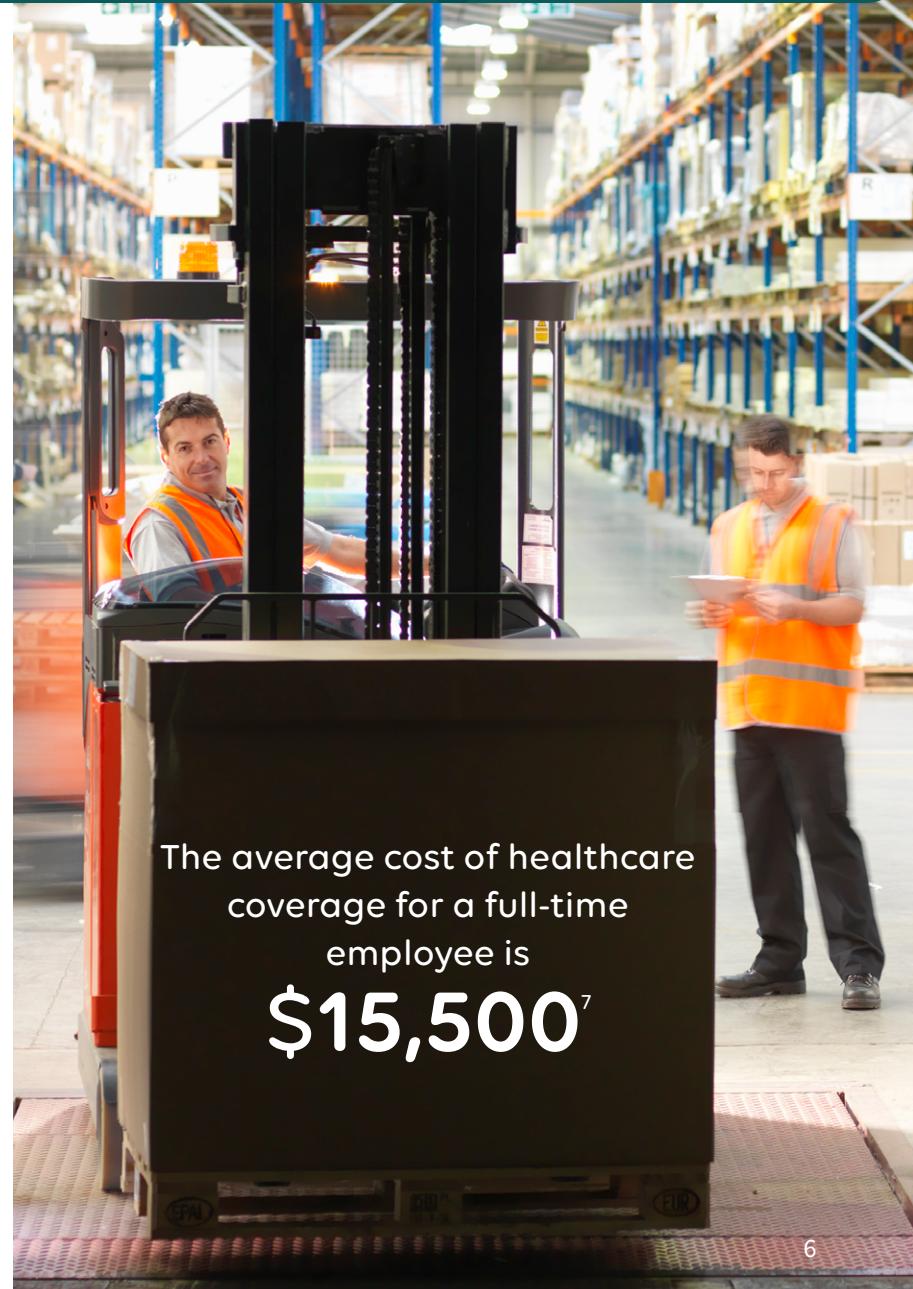
The pain point

Economic uncertainty has impacted global markets and continues to fuel demand volatility. Yet in the new normal, operating costs are rising more quickly than ever. And labor is the largest component of that. **Healthcare legislation (i.e., the Affordable Care Act), higher minimum wage rates, and competition for the best talent all are driving up labor costs.** At the same time, your nonlabor expenses (fuel, maintenance, equipment, and other things you cannot control) are also rising. So how do you protect your margins while ensuring your operations have enough capacity to meet current and future demand?

The people factor

Many organizations ramped up Lean initiatives during the economic downturn in an effort to cut costs. But with the continuing surge of demand, they're finding they may need additional resources to meet increasing demand. But adding additional workers is expensive, especially when you consider the average cost of healthcare coverage for a full-time employee. So finding new ways to manage your largest controllable expense — your labor — and get the most out of existing resources is the key to balancing escalating labor costs in a volatile market.

Employee engagement is a major concern, as 68% of HR personnel agree that it's more important than ever to build a human capital management (HCM) resource ecosystem that meets employees on their terms.⁶



The average cost of healthcare coverage for a full-time employee is
\$15,500⁷



The workforce management solution

As labor costs continue to rise, gaining insight into the source of expenses will be more critical than ever. What follows is the best course of action to not only help you control healthcare costs but also show you how the strategic use of overtime can oftentimes be your most effective tool in managing the costs associated with healthcare reform.

Do you have the right tools and strategies in place to manage the costs and compliance impacts of the Affordable Care Act?

Under the Affordable Care Act, you may have workers who were previously part time but are now reclassified as full time. This could have a serious impact on your bottom line, so you need the ability to track hours for compliance, control the additional costs you're incurring, and ensure service levels can be met with the staffing decisions you make. Workforce management can help you manage in the moment to control costs and improve compliance. How?

-  **Gain corporatewide visibility** into employee status, benefits eligibility, average hours worked, overtime, labor costs, and additional workforce data
-  **Establish thresholds** for 30 hours worked and set automatic alerts to assist managers in proactively monitoring and managing employee time
-  **Increase visibility** into scheduling and timekeeping data so supervisors can monitor hours and keep track of compliance, while ensuring staffing levels meet demand
-  **Leverage overtime** in nonunion environments by scheduling your most productive employees to work overtime and utilizing the existing full-time resources you already have

For a unique perspective on the strategic use of overtime, read [The Truth About Overtime in Distribution — How to use overtime to benefit employees, customers, and the bottom line](#).

How can you leverage overtime more effectively to combat today's healthcare challenges?

Traditionally, overtime has been viewed as the culprit for budget overages and unnecessary expenses. But as healthcare costs grow and the shape of your full-time and part-time workforce changes, overtime should be considered a strategic tool for meeting demand while balancing escalating labor costs. The first step to controlling overtime — and using it strategically — is gaining visibility into where and how these hours are used. With increased visibility, you gain:

-  **Real-time alerts on employee hours** to know when an employee is approaching overtime so you can make informed and cost-effective decisions about their schedule
-  **Insight into over- or understaffing** so managers can reallocate available labor to demand before overtime comes into play
-  **Understanding the actual cost of overtime** by employee, manager, and department, so you can monitor trends, control costs, and make better operational decisions about how and where overtime is allocated



Customer Story

A major food manufacturing and distribution company wanted to expand its business beyond 10 states but recognized that continued use of its on-premise workforce management solution and manual processes — and using the status quo to comply with labor regulations and tax-withholding requirements — would make expansion difficult. The company chose a UKG® human capital management cloud solution to better control labor costs, improve productivity, and mitigate compliance risk across all of its locations.

Solution

With its new cloud solution, the company was able to expand into 20 states and double its workforce to 1,800 over a short period. Managers have real-time visibility into employee time and labor analytics reporting to better manage labor and its costs — and manager time spent tracking and approving time off was reduced by 75%. Time spent processing payroll was cut by 95%, and accurate payroll information helps the company remain in compliance with the laws of each state in which it does business. With plans to continue expanding into new locations, the company has the technology it needs to accomplish this.

[Learn more in this customer story](#)



Expanded into 20 States
and Doubled Workforce

Challenge 3: Delivering Perfect Orders in an On-Demand World

The pain point

With consumer buying habits driving an increasingly on-demand marketplace, due in large part to ever-increasing e-commerce sales, logistics providers have had to adjust their operations just to keep up. Online purchasing increased by 14.2% in 2018 to reach 9.9% of all retail sales,⁸ in 2019 it accounted for 10.7% of retail sales, and in the second quarter of 2020 as COVID-19 spread across the country, it reached a quarterly high of 15.7%.⁹

Warehouse operations are evolving to accommodate shorter lead times and more value-added services. Distribution networks are shifting to reflect near-shoring trends and demands for next-day and same-day deliveries. Routes are changing to meet delivery deadlines, while complying with stricter hours-of-service regulations. And while these changes are necessary for delivering perfect orders in today's marketplace, they're also generating new costs and operational challenges for the logistics providers who must manage them.

The people factor

Labor is a critical component of an organization's ability to deliver perfect orders in this on-demand world. Doing so profitably requires organizations to properly align labor with the speed, quality, and cost expectations of the new normal. But without workforce visibility, organizations may not know where they have an opportunity to improve labor utilization, performance, and costs. The key is gaining that visibility and starting with what's "right." That means having the right people, in the right place, at the right time, and at the right cost.





The workforce management solution

Workforce management provides visibility into labor costs and performance so that managers can proactively increase productivity to drive throughput and control costs to protect margins.

Can you make cost-effective staffing adjustments in real time?

Gain Visibility: Know in an instant who's working and who isn't, where you have additional labor capacity, and where resources are strained. Then properly align staffing levels to demand.

An electronics components distributor that boasts a 99.9% same-day ship rate turned to UKG for better labor visibility.

The UKG solution has allowed them to keep up with growing demand without building new facilities or dramatically expanding the workforce. How? By giving them the tools to manage their D.C.-like air traffic control — redistributing workers on-the-fly from overstaffed orders to understaffed orders and minimizing idle time in the process. The result? Realizing the capacity of 50 additional employees and ongoing cost savings.

Can you maximize individual and team performance in terms of both quality and throughput?

Increase Productivity: Real-time productivity and cost data allows you to get more out of your existing resources while managing costs.

A regional wholesale distributor improved productivity equal to 8-10% of payroll by developing a program that incented employees on both quality and throughput.

Cases per man hour more than doubled in some areas of their operations, while unnecessary overtime plummeted along with costs. The company was able to improve the quality of orders and shipments while doing more with fewer resources.

Are you able to accurately account for all labor costs and use that data to drive more profitable bids and contracts?

Drive Profitability: Accurate accounting of all labor costs (direct and indirect time) helps you to understand the complete costs of tasks, orders, value-added services, and customers. This also gives you insight into how it is affecting your business.

A leading 3PL was able to save \$200,000 at one site alone using activity-level labor data from UKG to reduce costs and drive productivity.

The company was able to replace its manual system of capturing labor activity and cost data, and leverage an automated solution to know the true costs of performing activities, tasks, and subtasks. With granular labor cost and productivity data, the company understood the true costs of customers, orders, and services and was able to proactively control costs, increase productivity, and structure more profitable contracts.



Uncover insights into your organization's performance against business goals with real-time KPIs.

The 'Best-of-Breed' Workforce Management Advantage

So why a workforce management solution? And why now? The new normal is a time of rapid change. And forward-thinking logistics organizations are looking for ways to adapt and change right with it. Investments in technology and processes that directly impact your warehouse operations or supply chain optimization are now more critical than ever before. And with the important role labor plays in your daily operations, a best-of-breed workforce management solution gives you the opportunity for short-term ROI — and a long-term, strategic advantage.

To recap, the right workforce management strategy can help you:

- **Manage capacity constraints** by getting the most out of your existing resources
- **Balance escalating costs** by gaining increased visibility into, and better control of, your labor spending
- **Deliver perfect orders** by helping ensure you have the right person, in the right place, at the right time, and at the right cost to balance customer expectations with profitability goals

A best-of-breed workforce management solution is critical to navigating the new normal. That's why progressive organizations like yours need to see labor not as an operational commodity but as a strategic advantage over the competition. **A workforce management solution can help you realize that advantage with the tools, visibility, and real-time labor data to optimize capacity, control costs, and deliver perfect orders. No matter what this new normal might throw your way.**



17% of companies are currently using workforce management systems in their warehousing and distribution environments, and 21% are planning to evaluate, purchase, or upgrade these solutions within the next 24 months.¹⁰

At UKG (Ultimate Kronos Group), our purpose is people™. Built from a merger that created one of the largest cloud companies in the world, UKG believes organizations succeed when they focus on their people. As a leading global provider of HCM, payroll, HR service delivery, and workforce management solutions, UKG delivers award-winning Pro, Dimensions, and Ready solutions to help tens of thousands of organizations across geographies and in every industry drive better business outcomes, improve HR effectiveness, streamline the payroll process, and help make work a better, more connected experience for everyone. UKG has more than 13,000 employees around the globe and is known for an inclusive workplace culture. The company has earned numerous awards for culture, products, and services, including consecutive years on Fortune's 100 Best Companies to Work For list. To learn more, visit [ukg.com](https://www.ukg.com).



Our purpose is people

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