

MARKET INSIGHTS

How to Manage Facilities Budgets with Rising Labor Costs



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INTRODUCTION

Labor rates, energy costs, and material costs are all on the rise, leaving Facilities Management leaders questioning how to regain control of their budgets. Companies typically focus on supply chains first, starting with rate negotiations with suppliers, but that's not always fruitful. Evaluating the demand side of costs, which includes leveraging technology, maximizing productivity, rationalizing scope and specifications, is an effective strategy to offset increasingly expensive labor costs.

1

INVEST IN TECHNOLOGY

Technology drives down facilities costs in a myriad of ways. Sensors outside of restrooms, breakrooms, and in conference rooms can track traffic flow and drive janitorial providers to prioritize high-traffic areas and not over-clean spaces. Touchless, sensor-enabled technology can reduce energy consumption through smart lighting and HVAC systems that adjust based on occupancy. Equipment sensors and technology can track equipment performance, provide predictive analytics, and improve equipment efficiency. Centralized Building Automation Systems (BAS) can also support Facilities Managers by collecting real-time data and automatically monitoring key facility functions. Not only that, consider equipping your Facilities Management staff with tablets and smart phones equipped with software that can schedule tasks, monitor resource utilization, and respond to work orders in real time.

2

MAXIMIZE PRODUCTIVITY

Aside from investing in technology, consider managing costs by driving efficiencies and maximizing the time spent on labor.

Create outcome-based standards in high-spend areas to reduce unnecessary services. For example, instead of requiring janitorial providers to clean spaces on a certain frequency, you can opt for outcome-based services, where spaces must maintain clear cleanliness guidelines. This drives providers to prioritize spaces that need to be cleaned and maximize their time.

You can also centralize waste bins to drive productivity in waste pickups. By consolidating waste and recycling bins (as well as compost if the municipality provides those services), cleaners reduce the time spent emptying and re-lining bins. This practice also drives employees to use recycling more frequently, minimizing waste output and associated tonnage costs.

In warehousing or manufacturing environments, automatic scrubbers can clean concrete floors, reducing the need for labor, and allowing that labor to focus on other work. Upfront costs on automated cleaning equipment typically have a short payback period.

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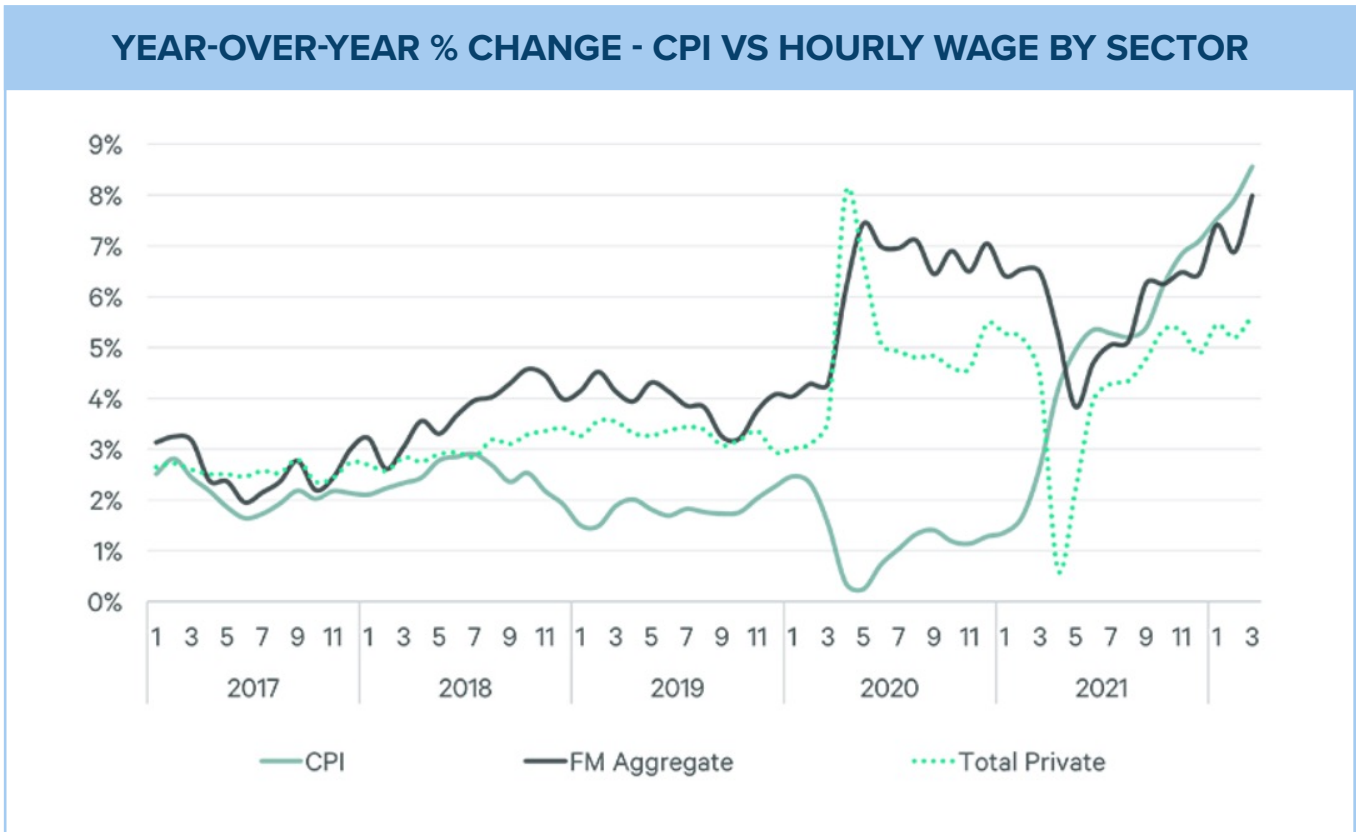
RATIONALIZE SCOPE AND SPECIFICATIONS

Establishing and right-sizing preventative maintenance schedules is a critical step in managing demand. By implementing preventative maintenance programs, you can reduce repair costs by catching problems early before they become even bigger and more expensive to fix.

Consider formalizing specific cleaning, waste, and security standards by facility type, size, and occupancy. Then evaluate and rationalize your standards across the facility footprint using internal and external benchmarks to ensure your company has the right service levels and specifications in place.

Lastly, evening and weekend facilities work comes with premium labor costs. Plan and schedule work to be performed during standard workday hours to reduce unnecessary upcharges in labor.

By implementing these strategies, your company can reduce facilities management costs and improve your bottom line — even in the face of rising labor rates. Through this challenging economy, our clients continue lean on our expertise to both source and negotiate various facilities management services, as well as identify key demand management levers to provide long term, sustainable savings.



Source: Bureau of Labor Statistics, Consumer Price Index, CES, CBRE Strategic Investment Consulting, through March 2022. Note: All measures are seasonally adjusted. FM Aggregate includes the janitorial, landscaping, security, electrical, plumbing & HVAC, and food contractor industries.



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