The costs of both labor and material are increasing rapidly. Yet American productivity continues to decline. The result is a profit squeeze, which very few contractors, large or small, have not felt. Whatever the status in your company, you have recently, or soon will be, encountering the following dictum: *cut costs.*

We often don’t see these hidden cost drains simply because we don’t think of assigning numerical values to the typical workday problems. The misuse of labor has an enormous effect on the cost of running a business. Yet most supervisors think in terms of completed work rather than wise use of workers. For example, sending a highly-skilled secretary on office-boy errands or scheduling extra men “in case” the extra help is needed, is wasting those cost dollars.

Workers who aren’t properly oriented and trained to their jobs often make costly mistakes. Yet how many contractors are loath to spend more money on the training process? A recent survey of construction workers by an eastern university indicated that nearly half had no clear cut awareness of cost and performance standards for their jobs. They didn’t even know the mean amount of work they should be able to perform in order to be cost-effective employees. Wall and ceiling workers are little different in many companies.

**The Contractor’s Constant Task Is: Reduce Costs**

Reducing Costs Isn’t Just the Employee’s Responsibility. The Contractor Must Set the Proper Example, Too, So All Can Pull Together.

Careless Management . . .

Careless management practices cover many hidden cost drains. Stop and analyze your own working day. How many hours are spent planning and organizing your work? Translate those hours into dollar terms. How much does it cost the company for you to get organized each day? The simple elimination of phone calls and cof-
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fee chatter during the day’s initial time block can save money.

Unclear verbal or written instructions almost always lead to mistakes and wasted time. Failure to give specific job orders also leads to costly confusion. A contractor’s inability to cooperate with other contractors on the job can drain the company budget. Any time you duplicate work done by others or let the clock tick away on pointless squabbles, you’re letting money flow down the drain.

Irregular work loads often mean that employees have either nothing to do or too much to do. Consider the use where possible of an emergency help crew rather than keeping a large crew on hand for occasional heavy loads. Or keep an assignment sheet of extra open-ended projects to give workers who’ve finished their regular tasks.

Sending memos full of rhetoric and the vague instruction, “reduce costs,” will have little effect on the problem. And hasty, ill-considered budget slashes made by foremen or superintendents who are up against the wall often create other problems, not the least of which is a climate of fear for employees and management alike. Effective cost reduction requires much more than counting paper clips for a few months, but costs can be reduced. It isn’t an impossible goal. Any contractor can cut the budget with the help of a careful plan.

First, realize that cost consciousness is a continuous process. American business has become like the fashion model who must always stay on a diet. You can no longer afford to binge and correct the damage by starving. We probably won’t see a return to the days of easy flowing money, so careful spending is the new mind-set, not a temporary cure.

Employees must be enlisted in the war against cost drain. To do that, you’ve got to win their active support, not merely their lethargic and sporadic participation. When they appreciate the connection between job benefits, job security, and wasted dollars, they will become more interested in solving those cost problems. The company budget, like the family budget, can only be stretched so far without eliminating some of the necessities. Employees wouldn’t trade heated homes for junk food diets or long distance phone calls to old college chums. They can be educated to make the same kinds of financial choices at work.

One midwestern contractor was able to persuade his employees of the importance of cost-cutting through a creative campaign. First he inaugurated a suggestion box. Suggestions could apply to any department, in office or on-site, but they had to be cost-saving ideas. A bonus, in the form of a percentage of the cost saved was awarded to the employee who suggested an idea which could be implemented.

He kicked off the campaign with “reality memos.” Each day for a week this contractor highlighted a different hidden cost drain, assigned it a numerical value, and translated that value into benefit terms. For example, the error rate on one project for a week equaled two weeks paid vacation for a line worker. “Workers were conditioned to think of waste as only that amount of material lost as scrap in production or the odd supplies stolen by employees. They soon began to see that waste includes line mistakes, over and under scheduling, unclear job orders, and foul-ups on customer orders among other things.”

Both office and sites can benefit from the establishment of work station, where tools and special supplies are kept, close to the workers who use them. A lot of time is lost in borrowing from other departments. And money is often wasted when everyone has a hammer or stapler or roll of tape which might be used once a week.

Develop a supply budget. If one person or crew always exceeds the budget, find out why. Some people discard usable supplies; some carry them home. When workers know they’ll be questioned about excess supply use, they work more carefully.

All employees should be expected to obey the company rules about safety and energy consumption, including you. If you flaunt those rules by setting your office thermostat higher or lower than ordered, you’re setting a bad example. An annual check of the heating and cooling system will eliminate waste through faulty equipment.

Cost-control isn’t simply a management issue. In fact, management can’t do much about the problems without full cooperation from employees, Develop a cost control plan and discuss it with employees. Get their suggestions; and when possible, reward those suggestions that result in significant savings.

The most important point to remember is: cost-control is not an emergency provision. It’s the new way of life. Periodic discussions are necessary to keep these facts in the employee’s mind.

Cost figures are more than accounting numbers. They are the proof of how efficiently and productively your business operates.