

Internal Control Tips

How to Control and Reduce Your Labor Costs

By GSI Internal Audit Department

Keeping labor costs under control is essential for operational success — but cutting hours blindly isn't the answer. Smart staffing decisions help maintain strong service, employee morale, and financial goals. Below are several tips that will guide you on actively managing labor, while maintaining employee productivity and customer satisfaction.

Staff smarter, by matching labor to sales forecasts:

- Take the time to review your staffing needs weekly. Make use of sales reports to schedule based on actual customer traffic rather than making assumptions.
- Remember to maintain flexibility as sales patterns shift throughout the year. Avoid "set it and forget it" scheduling, as they can negatively impact you when mismatched with customer traffic.
- Plan efficiently by identifying when you need the same coverage at all times, or when shifts could benefit from being staggered.
- Always remember that labor isn't just names on a schedule — you're buying productive time. If employees are standing around idly, you're negatively impacting your budget
- Does your scheduled labor line up with your labor budget? If not, take the time to adjust your shifts so that what you've budgeted matches what you're spending.

Lock down time-clock accuracy:

- Remind team members that they must be dressed and ready to work before clocking in.
- Tighten clocking-in/clocking-out to no more than 5 minutes before or after a team member's shift.
- Discourage "buddy punching", where team members clock-in/out for each other.
- Enforce break punches, by reminding team members to clock-out for meal breaks and personal errands (e.g., doctor's visits).
- Remind team members that they shouldn't exceed their scheduled shifts without manager approval.

Manage and minimize your overtime:

- Take time to monitor your overtime every pay period, making sure to set hard-limits unless pre-approved.
- Optimize your workload distribution where possible, to avoid excessive overtime for few team members.

Track Paid Time off (PTO):

- Regularly review PTO balances to make sure no one exceeds their allotted time off.
- Remember that unplanned absences or extended time off can cause indirect labor costs, including extra coverage or overtime.

Cross-train team members for additional flexibility:

- Identify key roles that multiple team members should be trained to cover. Common skills that everyone should know include stocking, cashiering, light cleaning, and basic guest service.
- Use cross-training to build a more resilient team, one that can absorb absences more easily.
- Look for team members eager to grow; they'll adapt more quickly and strengthen team dynamics.
- Train proactively by planning it out, and rotating responsibilities regularly to keep everyone sharp.

Simplify where you can (Menus & Prep):

- If applicable to your operation, streamline your menu to reduce the labor needed for prep, cooking, and cleaning.
- Use off-peak hours for batch prep — early mornings or slow afternoons work best.
- Prep in advance, when possible, but never at the expense of freshness or safety.

Streamline Opening, Midday, and Closing Routines:

- Assign clear roles and use checklists to prevent team members from idling between tasks.
- Reduce team member overlap where possible. If multiple people are standing around waiting for something to do, it contributes to wasted labor hours.
- Make shift transitions smoother by prepping and stocking in advance, when possible.

Plan Staff Meetings During Paid Hours:

- Don't bring people in just for meetings unless absolutely necessary.
- Hold meetings during slower shifts or just before/after scheduled work hours.
- Respect time — be brief, be focused, and be intentional with what you share.

Build up team retention:

- Retention reduces rehiring and retraining costs. Make people want to stay by fostering a positive culture.
- Recognize strong performance regularly, and offer opportunities for development; even if it's just cross-training or taking on small responsibilities.
- Check in with team members often to hear feedback, address concerns, and boost job satisfaction.

Reassess your staffing needs regularly:

- Make it a habit to review labor and payroll reports at the end of each pay cycle.
- Use data to make real-time adjustments rather than end-of-month corrections.
- Watch for creeping costs, like small amounts of overtime or repeated clocking violations, before they add up.

Regularly reassessing your staffing needs can align your workforce with operational requirements, optimize labor costs, and maintain efficiency. Even small changes can significantly impact your budget.