AgiSight

Equipping Distribution Center Operators with Labor Stats to Make Baseball Managers Envious

Imagine the manager of the Atlanta Braves sitting down to create his lineup for a game against the Dodgers, and having no idea which of his players hits better than others. Absurd, right? Baseball managers have access to extensive, advanced statistics that tell them all of this.

It's inconceivable that a baseball manager would have to fly so blind.

Yet there is even more at stake for the people who manage the labor forces in distribution centers, and they often have to fly every bit that blind.

Because distribution center operators know that labor is their biggest cost, they spend exorbitant amounts of time on labor planning. They build standards. They test various elements of the plan. They gather all the data they can and strategize to find the best way to use it in their planning.

Then they apply all the planning to their real-world operations, and inevitably they end up with the same frustration:

There is no precise way to determine if any of their measures are accurate. That's because there is no accepted, industrywide standard that tells them how to do it. Up until now, there has never been a data management platform that could give distribution center operators that intimate look at what's happening on the floor and present the data in an actionable way that empowers good strategic decisions.

But that simply cannot remain the case. The stakes are too high.

In the past several months, 70 percent of the calls Agillitics receives are from customers looking for help regarding labor. It's not hard to understand why. Consider some of the dynamics in the current labor market:

- The U.S. Workforce Participation Rate remains at a historically low 62.5 percent. (By way of comparison, in 1997 it was 68.1 percent.) That means the percentage of people who are even interested in working is extremely limited, forcing distribution centers to engage in constant hiring and recruitment, while having to pay higher wages to workers who may not be skilled, reliable or stable.

- The U.S. unemployment rate is also historically low, meaning that few people who are part of that shrinking workforce are looking for work. The U-3 unemployment rate (the total unemployed as a percentage of the civilian labor force) is a mere 3.6 percent. The U-6 unemployment rate (the total unemployed plus all persons marginally attached to the labor force, plus total employed part-time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force) is 6.9 percent. But remember, almost half of that 6.9 percent consists of people who have little if any interest in becoming employed.

- Wages are skyrocketing. According to the Atlanta Fed, the rolling three-month average wage growth in the U.S. has been above 4 percent for the past two years. Prior to that, it hadn't been above 4 percent a single time since 2008.

- According to the Bureau of Labor Statistics, 4 million people in the United States quit their jobs in May 2023. By comparison, only 1.6 million were fired from their jobs. The turnover rate is very high right now, largely because workers know that if they don't like a job or don't like what they're being paid, they can easily find another employer who will hire them.