

HR SOLUTIONS

How to survive a minimum wage hike

By Alannah Turner and Leah Fochuk

On Oct. 1, 2017, Alberta saw the second of three increases to the minimum wage, bringing it to \$13.60 per hour on the way to \$15. In 2016, the minimum wage increased \$1 to \$12.20 per hour.

At that time, many businesses were predicting significant harm to their ability to stay in business because of the increase in payroll costs. And certainly some small businesses shut down when their profit margin became too small to justify being in business.

Many businesses continue to indicate they are struggling in today's economy and are bracing for the second stage increase toward 2018's \$15-per-hour minimum wage.

Retail and restaurants are the two industries most affected. Both are dealing with the resulting issue of pay compression and the cost of maintaining equitable pay differentials among all employees and their supervisors and managers.

So, how does a small business survive (and maybe even thrive) and continue to employ minimum wage workers, while trying to hold onto a reasonable profit margin? Here are some options:

Downsizing: Some employers have reduced the number of overall staff. Laying off employees is never easy, but it may be a viable option for survival of the business. Employers should assess the total number of

employees and their duties to ensure an efficient level of staffing and the best employees are retained, and their productivity is maximized.

The consequences of this, however, may be that the work becomes more taxing on the remaining staff as businesses try to do more with less. Employers may also have issues resulting from limited or no coverage for sick or injured employees.

All of which may impact customer service, in addition to the health and wellness of employees. It may also require additional hours on the part of business owners to be present at the workplace, which may mean they are spending less time focusing on growing the business.

In some cases, employers are choosing to hire more mature workers looking for minimum wage positions over student applicants. They see older workers as more stable and committed for a longer term, thereby potentially reducing turnover and recruitment costs. But this may force students to hold more student debt or parental debt due to lack of part-time work.

Reduced hours, benefits: Another method is the retention of the same number of workers while reducing the overall working hours to keep the payroll cost about equal to last year's rate. This enables employers to have more resources to cover for sick or absent employees, and doesn't require an increased presence by the owner.

An employer may also adjust the hours the business is open, perhaps focusing on the busiest times of the day or week. Unfortunately, workers will feel the pinch of fewer hours and a corresponding reduction in their earnings because of less work.

Ultimately, this could lead to increased turnover for the business as workers look for more consistent work hours.

Some employers have also had to reduce or eliminate health benefits and other perks provided to employees, such as bonuses or staff appreciation parties.

Increased pricing: Businesses are also passing on the burden of increased payroll to customers by increasing the prices for goods or services. There is, however, a limit to the price a consumer will pay, and businesses risk pricing themselves out of the market.

Many businesses have been forced to find other ways to cut costs in order to maintain profitability — whether it is finding new vendors, asking for price reductions or eliminating less profitable business offerings.

People practices

Many businesses have been implementing a combination of the above changes to help protect their profitability. It's even more important for businesses to consider the effectiveness of people practices by:

- ensuring a focus on hiring and re-

- taining the right employees
- using thorough and structured recruitment practices
- providing appropriate training to ensure employees are effective in their work
- immediately addressing performance issues.

It's also a good idea to shift thoughts around part-time, hourly paid staff from "We will hire as need be and see how they do" to "We will invest some time to ensure that even our part-time people are the best fit for the role and the company," and to recognize the importance of a successful business relative to their input and effort. It takes a team to make a business work, and a focused one to make it truly successful.

Change is hard, and Alberta has really taken a lot of hits with the economy and potential upcoming tax changes to business. But we don't want a living wage at the expense of small business, nor the success of small business owners at the expense of minimum wage workers. We want business to thrive and continue to drive the economy.

If payroll costs are a significant cost for your business, make sure to use strong HR practices to ensure you are spending money wisely.

Alannah Turner and Leah Fochuk are both senior consultants at Salopek & Associates in Calgary. For more information, visit www.salopekconsulting.com.