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Minimum wage is increasing to \$20 per hour.

In effect from 1 April 2021 which represents another 5.8% increase, or a 31.1% increase over the last 5 years. Unfortunately, this is about 3 times the rate of inflation over the same period, and this rate of increase is liable to continue until such time as the Minimum wage and the Living Wage are in alignment. Or, in other words, someone who was on minimum wage in April 2016 of \$15.25, would now be being paid \$16.42 if they had received CPI increases each year.

Whatever your political view-point on this, there are 2 key issues for employers:

1. Affording the increase in pay for those staff who you are paying minimum wage too
2. How to maintain the differential for those people who are already paid above minimum wage, but the differential is being eroded? I.e. a person who was paid \$20 per hour in April 2016 and has had CPI increases each year since then, will currently be on \$21.54. (Ref RBNZ Inflation Calculator)

Who gets paid minimum wage?

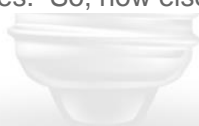
My experience is that most small business owners aim to pay above minimum wage wherever possible. However, for those employee who are unskilled, lack experience, or are poor performers it is tough to justify or afford higher pay. Further, even though the minimum wage has increased, the amount that you can charge clients for services provided has not kept pace with that increase so there is, for many, a limited ability to recoup those increased costs.

Is money a motivator?

No. People don't work harder because they are paid more money, however, lack of money (or perceived lack of money) is very definitely a de-motivator. 5 years ago reaching the heady heights of (e.g.) Team leader on \$20 an hour (or more than 31% over minimum wage) was pretty good. But 5 years later that team leader who has had CPI increases is now being paid \$21.54 or only 7% above minimum wage is most likely feeling somewhat less valued.

How do you keep the value level, even if you can't afford to pay more?

Meeting minimum wage requirements is a legal requirement, you can't avoid that. But, awarding those same levels of percentage increase across the board is out of reach for most businesses. So, how else do you motivate people without it being cost-prohibitive?



Some things to consider are:

1. **Are you robbing from Peter to pay Paul?** I.e. are you failing to manage a poor performer, but obviously still paying their wages, at the expense of giving a deserved increase to a high performer?
2. **And you recognising effort?** A simple “well done” is a hugely motivational tool, but all too often we get caught up in focusing on poor performance and forget to acknowledge our good performers
3. **Job titles are important** – flat organisational structures can be beneficial, however, they also often have the downside that the unofficial “senior” staff are not officially recognised as such
4. **Are you “punishing” good performers by giving them more work?** For example, a good performer may have finished all their work by midday on Friday, so you “punish” them by giving them more work to fill in their time until 5pm.... But alternatively, you could reward them by letting them knock off early
5. **Are you paying for benefits that aren’t valued by the team?** For example, private health insurance is something which some companies provide to all staff, but do all staff even know this is a benefit they have access too? and do they value it?

HR is easy...

You just need the right tools and documentation, [so sign up for HRtoolkit for only \\$349 + GST per annum](#) for all the tools and documentation you need, and access to the expert when you are not sure exactly what to do.

Free Webinar Programme

I will be hosting monthly webinars on a range of topics, and the plan for the next 6 months is:

1. February 25th 10am – Preparing for the minimum wage increase- how to incentivise people when you can't give them all the same amount as minimum wage increase.
2. [March 25th 10am – Managing sick leave – being prepared for the proposed increase in sick leave to 10 days](#)
3. [April 29th 10am – Bonus Schemes – how to ensure they drive the right behaviour](#)
4. [May 27th 10am – Recruitment – how to significantly increase your chances of finding the right person for the job](#)
5. [June 24th 10am – Types of employment engagement – Casuals, Contractors, low-guaranteed hours agreements – what the risks are, and how to ensure you have the right agreement in place](#)
6. [July 29th 10am – Induction – getting the first impression right and ensuring that new employee is up to speed ASAP.](#)

If you would like to know more or require assistance please contact [Lisa Mackay](#)

Resource supplied by The Engine's provider:

HR toolkit

