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## Are you ready for the Wage subsidy to end?

For many business, the Wages subsidy payments have been a godsend, and have kept the business afloat.

However, there are strong hints from the Finance Minister that the “Bottomless Pit of money” is not quite so bottomless. This week He stated that the cost to fund the subsidy during lockdown 1 was approximately \$1Billion per week, as of Monday \$480m had already been claimed, and there is only about \$5billion left in the bucket.

Initially, the subsidy was for businesses with under 20 employees but was then opened up to everyone, with eligibility for the first subsidy being based on a 30% reduction, the subsidy eligibility qualification is now a 40% reduction. So, who knows how the criteria will change in the future to eke out the funds as far as possible, or whether they will simply stop altogether? Whatever eventuates, if your business is going to survive to the other side of this pandemic, you need to be acting to mitigate your risks.

### **Have you mitigated the risk to your business?**

Despite the initial doom and gloom, for most businesses, COVID has not had nearly as bad an impact as initially anticipated, so you would have been forgiven for sitting back on your laurels and thinking it will all be OK. But the sad reality is we are a long way from recovery from this, and yes, things are liable to get worse before they get better. So, if you haven't already started reviewing for the future, you need to start

now, and if you have already started, you need to review if you have done enough.

### **What can I do to mitigate risk?**

1. Review your fixed costs, and be ruthless. I'm pretty good with my money (I am Scottish after all!), but even I was gobsmacked at just how much "unnecessary" expense I could take out of my business by simple things like reviewing phone plans, removing unnecessary Microsoft licences etc
2. Reduce your wages cost. For example, I shall use a company with 10 employees paid an average of \$50k per annum, so an annual wage cost of \$500,000 per annum:
  - a. Reducing everyone's hours from 40 to 35 hours per week equates to a \$62,500 saving per annum
  - b. Review if you actually need all those staff, or do you need to make some redundant to save the many?
  - c. If you run shift patterns with a (for example) 30 minute handover period. If you reduce that handover period to 15 minutes and reduce the hours accordingly that equates to a \$15,625 saving
  - d. Do you need someone manning the reception desk, or could you use a virtual answer service?
  - e. Do you need an in-house bookkeeper, or could you outsource this for less money?
3. Develop "covid resistant" income streams – For my own business, I took the business totally virtual last year, so I no longer offer face to face consultancy. Previously the consultancy equated to approximately 70% of my revenue, so dropping that out was not easy, but focusing on increasing the virtual support options, and reducing my overheads considerably, has meant that, 12 months later, I actually have a more profitable business than before, and lockdown is Business as Usual. And many businesses have been very inventive in how they have achieved this, just some examples are:
  - a. Gym's doing classes on-line
  - b. Cafés and restaurants offering contactless delivery
  - c. Coaches and counsellors delivering on-line

- d. Yes, these things are necessary during lock-down, but what is stopping you from doing these things all the time?

Whatever your business, as the business owner you are responsible for making the hard calls. Making someone redundant is probably one of the worst things you will ever have to do. But if you are making 1 or 2 redundant to save the 8 or nine (staff and their families) then it is easier to sleep at night. Making all 10 redundant, because you have failed to act when you needed to... that is very hard to cope with.

### **We are here to help**

HRtoolkit offers the document library to Do it Yourself ([Visit the Restructuring section for the templates](#)) and offers phone and e-mail support to review documents, speak through options etc. And our [DIY expert package at \\$129 + GST per month](#) gives you unlimited phone and e-mail support.

If you are considering redundancies, we do recommend that you give me a call to talk this over as it is the most litigious part of employment law. I can be contacted on 021 741 544 or 0800 HRTOOLKIT

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