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Business

Xclusive

INSPIRATION *from*
Ita Buttrose

**How to Get
Financially Fit**
with Matt Alderton

and xpert advice from...

Craig Minter, **Kathryn MacMillan**,
and beyondblue GM, Patrice O'Brien



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Employing in a Creative Manner

– Ten tips to reduce employment risk and make more money!

Many businesses operate in highly competitive environments, typified by low barriers to entry, inflationary pressures and sophisticated consumers **Small business is a tough environment!**

Most small businesses fall under the Fair Work Act 2009 (FWA). Last year there were amendments to the act titled '**Protecting Vulnerable Workers Act 2017**'. These amendments saw a number of changes important for Small Business to be aware of. These include massive increases in fines for both corporations and individuals who breach these amendments, as well as increasing the powers of the Fair Work Commission to investigate and collect evidence. Furthermore, if you are **franchisor or holding company**, you need to be specifically aware; because if your franchisees or subsidiaries are not following workplace laws, you could be found liable. The key point, is that if you are found to be in serious breach of the FWA, the **fines are now \$126,000 for individuals and up to \$630,000 for companies**. This is a ten-fold increase and over a half a million in fines for a small business, would wipe out most of us.

I can hear the collective groan ... small business is hard enough, employing people is hard enough, the rates are high, there are penalty rates, allowances, overtime, super, Long Service Leave ... **how can we continue to make a living for ourselves and keep our people in work?**

As a HR strategist, businesses employ me to assist them to define strategies to manage employment costs, increase productivity, engage workers and ensure return on their human capital investment. When faced with rising employment costs and shrinking margins, small business needs to ensure compliance (because who can afford those fines right?) but at the same time, work within the law to devise creative options that can save you money while not increasing your employment risk.

Take for example the Hospitality Industry, penalty rates for weekends, nights and public holiday work, juxtaposed against a society which demands normative availability of food and beverage service 24/7, without additional costs. This sees restaurants and cafes caught in a vice of high employment costs and societal demands. This vice situation, leads to attempts to lower staffing costs to remain viable, with many cutting compliance corners. Secret wage theft is one common cost cutting device, being the highest single expense and cost issue for many cafes. As well as doing the wrong thing by your workers, this practice sees business carrying enormous risks.



Recruitment & HR

The right people
for your business

So what can a small business do?

Here are 10 key points from your very own HR strategist. Of course, I do not know your personal situation, the awards you are covered under or your current pay rates, so this article has been prepared for general circulation, and should not be regarded as business, HR or legal advice. An individual or organisation should, consider the appropriateness of this information and seek professional advice, having regard to their own objectives, situation and needs. Now that's out of the way...

1. Build pipelines of youth workers creating better leverage, imitating the successful fast food model: The fast food industry model, relies on labour cost cutting through employing junior staff, working for a percentage of adult equivalent rates. A research study, with almost half of the participants having commenced as young as fifteen, showed that employers had a possible six years' worth of junior rates. Fuelling phenomenal growth of the Fast Food Industry (Allan, Bamber and Timo 2005), this cost minimisation strategy can, in some aspects, be duplicated in other industries. Build a pipeline of young workers, keen for weekend and other work who benefit from gaining employment experience.
2. Increase Award understanding, using its broad coverage to streamline administration: Focus on the smart use and flexibility of award coverage. If your business only has one award, streamline administration systems to drive efficiencies, due to this single award coverage.
3. Utilise Individual Flexibility Agreements: Flexibility clauses in awards allows an employee and employer to vary certain terms of the award including arrangements for when work is performed; overtime rates; penalty rates; allowances; and leave loading. While the employee must be better off overall, this allows both parties to find mutually agreeable terms; for example, non-monetary benefits may be paid in lieu of monetary entitlements.
4. Utilise annualised salaries and averaging provisions for permanents: Additionally, some awards allow for annualising salaries, over a year, including overtime and penalties. Providing employees are actually covered for all entitled wages, paying the overtime/penalty rates incrementally can assist cash flow. Also look at the averaging provisions in your award to see if any positive benefits can be gained, by utilising these in the structure of your work hours.

5. Use strong contracts, including 'compensation for all legal entitlements' clauses: Contact an employment lawyer or a HR company to utilise legally written contracts of employment. Good contracts would include a 'compensation for all legal entitlements' clause, describing that any above award payments can be offset against other entitlements under the award.
6. Consider regular and systematic casuals becoming permanent: Part-time employees are paid less than casuals, because they accrue entitlements. Paying entitlements may be easier to bear than the casual loading. Permanent part-timers, accrue pro-rata entitlements; less onerous for the business, but may assist cash flow. A cost test scenario for permanent/casual staff may reveal being actually better off with some permanency. Regular and systematic casuals may have cause to be considered permanent, hence, having them as casuals, may not really afford protection from any legal entitlements anyway, however, workers do consider permanency more stable and attractive.
7. Explore options for taking on apprentices and government funding available: Apprentices can be a great way to leverage junior staff. If your industry is listed on the Australian Apprenticeship Centre's occupation list, you can explore the positives of taking on an apprentice. Under some awards, the employer pays for textbooks and courses, however, coupled with legally lower wages, maybe less cost overall. Government assistance may further offset costs.
8. Reduce payroll frequency: Most awards allow a variety of frequencies for payment of wages such as weekly, fortnightly or monthly. Increase weekly to fortnightly payments, reducing administrative costs, or move to monthly if your workforce agrees. Introduce this procedure with innovation, such as at time of pay increases.
9. Utilise close-down periods: Some awards allow for a close-down period and the requirement for all staff to take annual leave. Think smart about your shut down period, such as over Christmas, when a number of public holidays are also present. Use this to your benefit.
10. Reduce overtime hours and penalty payments: Reduce overtime hours through better rostering systems, with stronger understanding of part time and ordinary work hours. Additionally, look to see if your award allows for time off instead of payment for overtime. Look at payment of penalty rates on weekends and public holidays. If income on these days is not in excess of penalties, review the commercial decision to operate.

Finally, find a great HR company, like 923|Recruitment & HR to assist you to become successful and compliant in businesses, understand the complexities of the laws in which you operate and develop clever initiatives that enable you to drive economic outcomes while remaining on the right side of the law!

Reference

Allan, C., Bamber, G., & Timo, N. 2005, 'McJobs, Student Attitudes to Work and Employment Relations in the Fast-Food Industry', *Journal of Hospitality and Tourism Management*, vol. 12, no. 1,

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Kathryn MacMillan is the founder and Managing Director of 923|Recruitment & HR. She is an Accredited Recruitment Professional with the Recruitment Consulting Services Association (MRCSA), a certified professional member of Australian Human Resource Institute (CAHRI), as well as a Registered BAS Service Provider with the Tax Practitioners Board. Completing her Master's degree this year in Human Resource Management & Industrial Relations with Sydney University and maintaining a distinction average, she is a professional speaker on Human Resources, Employment, Managing and Motivating Teams, and Business Strategy. Kathryn is the HR Specialist who works with the BX- Business for Life Program as one of our top Experts in her field.