



# The Human Resources Specialists

**10 February 2009**

**HR KNOWHOW  
WHAT'S NEW**

**Happy New Year – may it be kind to all those running a business in 2009**

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## **Increase to Minimum Wage – 1 April 09**

From 1 April 2009, the adult minimum wage shall increase from \$12.00 to \$12.50 per hour. The training and new entrants' minimum wage will also increase from \$9.60 to \$10.00 per hour. Minister of Labour Kate Wilkinson made an odd comment about the need for fair pay – we assume this was a media stumble. We understand John Key has said that such increase is a reasonable reaction to inflation.

## **Employment Agreements / 90 day clause – in writing**

The trial period for employees in businesses with less than 20 employees takes effect from 1 March 2009.

It is important that employers understand that this will not apply if the condition is not in writing and agreed between the parties.

We foresee employers thinking it is now law therefore it will apply and getting stung by unjustified dismissal claims which, if they haven't complied with the legal requirements, will have "legs".

Employment agreements (contracts) which are in written form are mandatory and have been for all new employees since the Employment Relations Act was passed October 2000. Penalties of \$3000.00 have been levied by the Employment Relations Authority where employers have not had written employment agreements in place.

We have prepared a 90 day clause for inclusion in all written employment agreements.

If you need employment agreements (contracts) or the 90 day clause to include in your current employment agreements we can assist. Call us on 09 377 9891 or email [kh@knowhow.co.nz](mailto:kh@knowhow.co.nz)

## **Restructuring**

At the risk of sounding repetitive, if you are considering restructuring it is essential you get good advice and comply with the procedural requirements.

There are risks attached to restructuring - but it doesn't need to be frightening or stacked against the employer. Restructuring needs to be done in good faith, with sound reasons and within the procedural requirements.

What we are picking up – having managed restructuring for 82 Companies in the past 6 months - is that since September employees have a much greater understanding of the realities of the current economy.

There are still employees and dare I say it, even the odd business owner, who seems to be in denial about what is here and what is coming our way, but the issues of restructuring unsettling staff are less pronounced than 6 – 12 months ago. This would seem to be, in part; a much more constrained job market but also people's understanding that businesses have to be prudent and make some hard calls to remain viable.

If you are considering restructuring we recommend you consider;

- Whether the proposed changes will provide the necessary cost savings, efficiencies for the business for a reasonable period of time or will you need to make further changes within months – there is a danger, because it is a very stressful and demanding time, to make cost reductions at the lesser end of the scale and find the need to make further changes within a short time frame
- Alternatively a phased restructure may work for you – each 3 months, depending on business conditions – this requires very careful management of core and critically important staff as they may be concerned about the viability of the business with frequent phased changes
- Holiday pay liabilities – employees are entitled to their holiday pay immediately upon termination. The notice payment can be paid in the normal pay cycle. However we are seeing holiday pay requirements causing considerable financial pressure on some businesses
- Beware of business advisors with little or no expertise or experience in the area of restructuring who see this as a market opportunity – this is a high risk gambit and no one needs more pressure in these times.
- The demand for Mediations is high – employer's have said to us they believe the Courts will be more lenient because of economic conditions. We don't necessarily agree with this view. While there may be little debate about the reasons / substance for a restructure the procedural requirements are held to be dear by the Courts and the exposure to penalties /cost for employers is real

## **Commentators Expectations re Unemployment**

Unemployment data released in February shows an increase from 4.2% in the September quarter to 4.6% in the December quarter. The projections are around 6.5% by end 2009. This projection is still lower than unemployment during the Asian crisis which reached around 7.3%

The point has been made that the data is weird in that it shows a 0.09% increase in employment in December. This may be older people going back into the workforce because of economic conditions or an increase in part time work. Either way the expectation is a downward adjustment in the March quarter. A third of businesses expect to lay off staff according to the reports in the media and we are consistently busy with restructuring work so this data does seem to belie the reality.

### **Salaries/ remuneration**

The changes in the job market mean costs of salaries for new employees and the extent of salary increases are not subject to upward pressure. This does not address the salary/wages gap with Australia but it does provide some breathing space for business. Employers appear to have considerably more confidence in saying "this is the figure" rather than be open to pressure.

Employers are looking more closely at the fundamentals of remuneration including commission structures and whether they are affordable or stack up in business terms in these times.

We are working with a significant number of Companies to restructure remuneration terms to protect profitability within businesses. Call us on 09 377 9891 if you want more detail on this area.

### **Helen's Promotion**

Many of you will have worked with Helen Ewan who as of 2 February has been promoted to the position of HR Consultancy Manager of KnowHow Limited.

Helen will manage all advisory and support services for our KnowHow package clients. In her new role she will manage our HR staff and contractor support.

Helen's career path with the Company has been a constantly climbing trajectory – she cares passionately about delivering the right advice and service to our clients and she works extremely hard.

I know she will do a fine job in managing the team to continue to provide our very best service to our clients.

My role will continue to be consulting on the complex and larger project work with our clients. We are looking to expand our consultancy services during 2009 and this will be a primary area for me. We will keep you posted on developments in this area

### **Employers who need HR support**

We are very grateful to our clients, colleagues and people we have business alliances with who put us in touch with other employers who need advice or support.

If you know of an employer who needs support in managing restructuring, performance management, personal grievance management or compliance in employment matters please pass on our contact details or let us know and we will contact them to outline what we do.

Please do let us know if there is more we can do to assist you with your HR matters.

**Sylvia Wood**  
**Director**