

Logging Industry Wages Reduction Advice

The current issues facing the logging industry are no secret, and, sadly, it doesn't look like there will be any immediate changes to this.

We all want to do the best by our teams and give them as much income as possible, for as long as possible. However, as business owners we also need to pay our own bills and put food on our own tables. And, the very real risk is that, if we carry more costs than income for too long, then eventually the piggy bank will run dry, and everyone will be out of a job. As such, you can only sustain incurring excess wage costs for so long if you are not getting the income to cover the costs.

Risk of reducing wages paid

However fair you are to your team; the reality is that most employees base their cost of living on what they expect to get as income. If their income reduces then they can very quickly get into financial strife. Added to which, the downturn is affecting the whole industry, so they are unlikely to be able to subsidise their income by getting work elsewhere. As such, even if you follow a 100% correct process, you can't totally remove the risk that someone raises a Personal Grievance against you, and that can be very costly, and time-consuming.

How to minimise the risk of a Personal Grievance

Though you can NEVER 100% remove the risk, you can substantially reduce the risk and/or exposure if you do get a Personal Grievance claim.

1. **Read the employment agreement** – there may be clauses which give you scope to reduce hours of work (read “The devil is in the detail” section at the end). NB if you are relying on such clauses ensure that you follow the processes laid out in your employment agreements as an absolute minimum. Failure to follow the processes you have yourself laid out will automatically mean that you are in the wrong.
2. **Consult with your team members** – if you need to reduce hours/pay your team members will often understand this, so talk to them.
3. **Implement new employment agreements** – if you don't have scope to reduce hours within your current agreements, then you do have an option to consult to change the employment agreements to give you greater flexibility.
4. **Treat everyone equitably as possible** - It is always tempting to use this type of situation to get rid of poor workers, and it is important that you retain as many of your multi skilled hard workers as possible. However, this needs to be done fairly, and legally, so we recommend you seek advice on this to minimise your risk

Consultation process

Even if your employment agreement says you can make the changes you are considering, none of us like being totally out of control of the situation by having a change presented to us as a done deal. So, if you involve people in the decision-making process you considerably reduce the risk of a Grievance. The process for this is:

- a. Tell them what you are **considering** (even if it is permitted by the employment agreement)
- b. Give them a couple of days to think about it and get their heads around it
- c. Listen to their suggestions (NB you would be amazed how often your team members have great cost cutting ideas themselves... many heads are better than one)
- d. Make a decision and implement it
- e. NB, we recommend that this is done in writing so there can be no confusion down the line about what has and has not been said

The devil is in the detail

Some employment agreements may appear to give you scope to reduce hours/pay etc. However, read them very carefully as your interpretation could be open for challenge. For example, if you had a clause that stated "*as a result of the ceasing of production ...the employer shall be entitled to suspend your employment without pay*" it would appear that you can stop paying them. However, if your production is REDUCING, not CEASING, then the use of this clause may be open for challenge, and as such you have a potential exposure. This does not necessarily mean that you don't use this clause, but you do need to be aware of the potentially increased risk and take that into consideration.

NEED HELP NOW

If you need more help on this please contact Lisa Mackay from HRtoolkit on 021 741 544 or e-mail lisa@hrtoolkit.co.nz . Lisa doesn't charge for the 10 minute queries, and often this is all it will take to ensure you avoid the major risks.