

April 2018

Preventing labour code changes from killing your business

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It is clear to business leaders, either motivated by profit or not, that government and its legislation will continue to make it increasingly challenging to run a profitable or financially viable not-for-profit venture. These legislative changes, most recently dealing with taxation and labour, will negatively impact the bottom line.

While it is understandable for business leaders to object to what they consider a direct attack on their financial well-being, their time and energy will be better directed at improving the performance of their people and organizations. The reported reaction of the heirs to the Tim Hortons founders – who reduced hours and benefits of their people to offset an increase in Ontario's minimum wage – clearly backfired on them.

This is not the first time... or the last time

It is not uncommon for generations of business leaders to forget the past and be unaware of history. Those generations of leaders who preceded us have had to deal with unfavourable or restricting legislation for centuries. In fact, they had to survive other phenomena such as globalization, market crashes, industry consolidation and shortages of talent. Through innovation, leadership and entrepreneurship, they have adapted, progressed and continued to be successful. As the famous evolution theoretician Charles Darwin said, "[i]t is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."

Legislation is about the electorate

It is obviously doubtful that every business leader was successful in getting their government of choice elected, at any level. The implementation of the resulting electoral platform and its promises is unlikely to be well received by those who did not vote for the elected government.

In the current electoral landscape, not only are Millennials the largest cohort of voters, but they also have upped their voting game and now show up at the polls in close to the same proportion as their parents and grandparents. What this means is that legislation will likely support their needs and alleviate their concerns. According to a 2016 Deloitte survey, two of the most important elements Millennials consider when choosing a job are work-life balance and flexible work hours. It is not surprising recent legislation increases the number of leave days and imposes disincentives to employers for increasing overtime hours. The infamous 50 per cent overtime premium was, and continues to be, designed to dissuade employers from forcing employees to work excessively long hours – for humanitarian, health, productivity and employment-creation reasons.

Why Millennials value their time outside of work

Those of us who are Baby Boomers may have been a bit too quick to brand Millennials as a homogeneous cohort of workers with stringent demands and needs. Millennials will be the majority of employees in the workplace by 2020. Of course, they grew up with specific influences and may share some characteristics and values, but they are ultimately the Boomers' children. They were not born that way.

What if we consider the average age of this generation is 32 and that the average age of women giving birth is 31; according to StatCan's 2014 data, the percentage of dual-earning families has nearly doubled in the last 40 years to

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reach close to 70 per cent. Of the remaining families, 20 per cent are lone parents. One could conclude Millennial families probably want to go home after work, not because they are Millennials, but because they are having – or planning to have – children with no stay-at-home parent.

Making your people work overtime is bad for business

There are legitimate and compelling reasons why some organizations need their people to work outside of normal work hours: seasonality, deadlines, unforeseen workload, absenteeism, workforce shortage, etc. However, the evidence clearly shows overtime hours are expensive and not productive, induce a higher rate of safety incidents and negatively impact people's work-life balance.

In 1914, Henry Ford was one of the first businesses to not only cut the standard work day to eight hours, but also doubled his worker's pay in the process. This measure resulted in the Ford Motor Company's per-worker productivity increasing significantly and the company's profit margins doubling within two years. Ford wrote, "[i]t is high time to rid ourselves of the notion that leisure for workmen is either lost time or a class privilege."

The combined research on productivity shows the optimal amount of overtime should be about four hours per week, and the maximum total productivity of a person is on average, 48 hours per week, regardless of the amount of overtime worked. This means the cost of these 48 hours – considering an overtime premium of 50 per cent — is equivalent to having paid 52 hours at "straight" time.

Working overtime is not conducive to maintaining a safe work environment either. According to the BMJ, a leading health research

and analytics organization, every additional five hours of work per week over 40 is associated with an average increase of approximately 0.7 injuries per 100 worker-hours. For extended hours, every additional two hours per day over eight is associated with an average increase of approximately 1.2 injuries per 100 worker-hours. Of course, if someone gets injured and is absent, it logically requires co-workers to take on additional tasks and work more overtime, which compounds the problem.

The impact on employee engagement

It is bad enough that working overtime has those negative consequence on people, performance and financials, but it has a direct impact on the level of employee engagement. There is ample research identifying the key drivers of engagement and the impact of engagement on an organization's performance and profitability.

But let's first define what we mean by "emotional engagement." The Conference Board of Canada defines it as: "[a] heightened emotional and intellectual connection that an employee has for his/her job, organization, manager or coworkers that, in turn, influences him/her to apply additional discretionary effort (and innovation) to his/her work."

Most reputable research-based employee engagement models identify the same key drivers of engagement and the workplace practices associated with each of them. Those specific practices which are relevant to the issues of work hours and safety are:

- A healthy balance between work and personal life
- Work arrangements are flexible
- There are enough employees in the work group to get the job done right

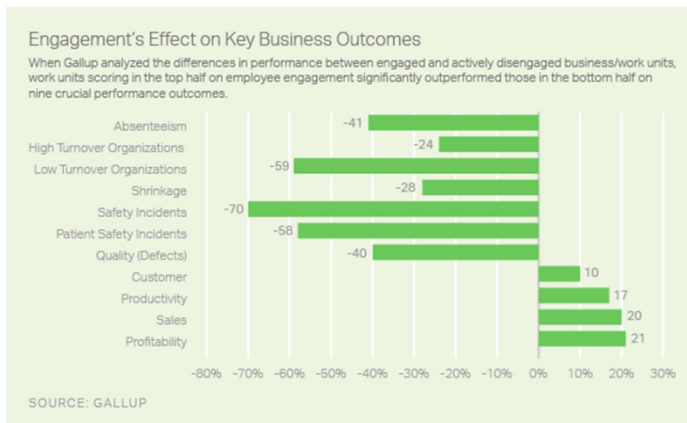
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- The amount of work required is reasonable
- Leadership has a sincere interest in the employees' well-being

When Gallup analyzed the difference in performance between work units who scored in the top and bottom halves of the engagement scale, those in the top half significantly outperformed the others on nine crucial performance outcomes:

3. Invest in innovative technology, automation and hydraulics
4. Reduce absenteeism
5. Reward people for performance output and not presenteeism
6. Implement a high performance and employee engagement model to optimize organizational, team, leaders and team members' performance output (work smarter, not harder and longer)

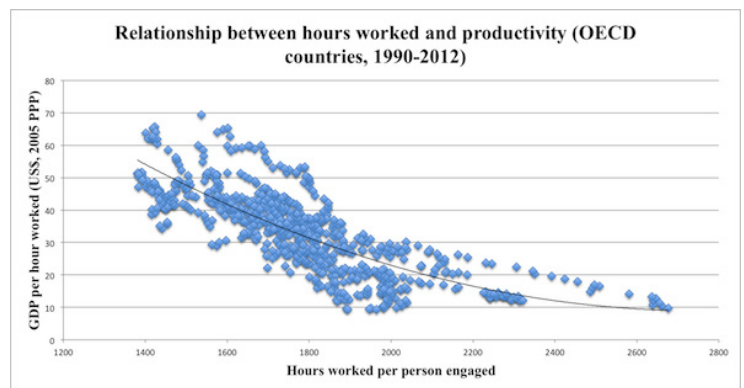


We may all have been somewhat over-conditioned to work harder in order to achieve a better performance, rather than optimize processes, technology and competencies. It is fascinating to observe some of the most mature and advanced countries in the world have actually solved the productivity equation. A report produced by the Organization for Economic Cooperation and Development (OECD) shows eight of the top 15 most productive countries in the world also happen to be among the 10 countries with the shortest work weeks.

The solution

When looking at the typical root causes of organizations requiring people to work outside of normal working hours, only a few potential solutions (other than increasing overtime or reducing it by hiring more people) emerge:

1. Anticipate the level of work needed to service the customer, and schedule to match to supply chain and people capacity in order to minimize "peaks and valleys"
2. Have access to a temporary workforce and sub-contractors



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Conclusion

History clearly shows it is very unlikely future legislative compliance requirements will make it easier for business leaders to manage the performance and profitability of their organization. They do not have the control or political influence to do so. It also shows economies adapt very well and quickly to these changes (such as increases in minimum wage), which are often perceived as very costly.

The only viable response is to use these constraining changes as a spark to ignite more innovation, effectiveness and employee engagement. We encourage leaders to partner with their business HR team or external advisors to launch the right programs and develop a culture of performance and innovation. Their ability to lead and manage future changes will be key to their survival and success. The dinosaurs found this out the hard way.

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