Implementing a Livable Wage in a Competitive Market

BY SARAH DAHL AND LAUREN OLSON

Half of National Co+op Grocers member co-ops surveyed are under pressure to increase staff wages, according to a 2015 report. This pressure is not unique to co-ops. With efforts led by groups such as Fight for 15 and dialogues at local, state, and federal levels about minimum wage, there is a national spotlight on increasing wages. Co-ops that are not currently offering a livable wage and benefits would be well served to be proactive in this area, before the spotlight shines on them.

A new livable wage model

To assist co-ops with determining a livable wage for their market, National Co+op Grocers (NCG) and CDS Consulting Co-op recently partnered to rework the former Co-op Living Wage Model into the NCG-CDS Livable Wage and Benefits Model. There are several livable wage models out there, but we believe this new model is the most comprehensive one available.

Many models use a simple calculation based on the cost of housing alone or leave out other expenses. No other model we could find includes deductions for employer-provided benefits. These benefits are a very real expense to co-ops and a real gain to employees—for the services they receive and because they help reduce employee cost-of-living expenses. The new livable wage and benefits model includes a comprehensive list of cost-of-living expenses for the co-op's market, and it deducts benefits-related expenses that co-ops pay as the second part of the calculation. This inclusive calculation is easy for staff and boards to understand and is easily defensible should the wage pressure increase at the co-op.

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How to afford implementing a livable wage

Co-ops that haven't calculated a livable wage, or at least not in recent history, can be in for sticker shock. Particularly if entry-level wages were set some time ago and haven't been updated regularly, the difference between the livable wage and what the co-op is currently paying can be large. Once you run a mock scenario with your current staffing at the adjusted rates, calculating what kind of sales you would need to cover the implementation—not to mention any planned increases to wages—can be downright daunting.

Ultimately, the ability to afford a livable wage will come down to three factors: increased sales, lower personnel expenses, and increased productivity.

Increase sales

In order to afford a livable wage and benefits package, the co-op likely will need to increase sales. To motivate staff toward this end, the co-op first needs to communicate to staff that in order to attain a livable wage they will need to work together to increase sales. This way, staff members have a personal reason to achieve the sales goal. Much like Open Book Management goals, the key is to help staff understand what kind of sales the store would need to achieve in order to be able to afford the new livable wage, then help them brainstorm ways to meet the sales goal.

Lower personnel expenses

The second factor is lowering other personnel expenses. This could include making tradeoffs in other benefits that impact your personnel line item. For example, if you reduced your 401(k) match, or moved to a higher-deductible health plan, what could that buy in terms of cents per hour for staff? It can help to survey staff to find out which benefits are the most impactful and which may be more easily scaled back or removed altogether.

Although in an ideal world co-ops could continue to offer stellar benefits, it's important to help staff understand the tradeoffs that may need to be made, at least in the short term, in order to achieve other priorities. Being clear that benefits may once again be increased as the budget allows reinforces the idea that benefit changes are not merely an attempt to short-change employees.

Increase productivity

Another way to lower personnel expenses is to gain increased productivity, both from current staff and the potentially high quality of applicants once you are paying a livable wage. If you start paying $15 for a job that you used to pay $8 per hour for, your expectations of how competently that job will get done can and should increase as well.

Tyler Burch is HR director at Central Co-op in Seattle, which increased starting level pay significantly last year. (See separate story.) "We pay the best, so we expect the best," says Burch. This only works if you set clear performance expectations, then follow through with accountability to those expectations. "Managers can't just have more hours any more. It's a learning experience to figure out other ways to solve systems problems and develop people. We had to shift the paradigm to increase skills, knowledge, and abilities instead of increasing labor," Burch said.

Turnover factor

Lastly, review your organizational structure for efficiencies. If you have four people working 30 hours per week and earning full-time benefits, can you transition to three people working 40 hours per week? Are there any partial positions that can be consolidated or tasks that can reasonably be delegated down to a lower pay level? Think critically before automatically posting for vacant positions.

Before you dismiss a livable wage as unaffordable, factor in some increase of productivity from a projected decrease in turnover. If you don't have to hire and train as often because you retain more employees with your great wages, you can save some labor dollars in the process.

Considerations when implementing a livable wage

If all else fails and you still find yourself financially unable to fully adjust pay rates, consider crafting a plan to slowly adjust pay rates over time. Remember, costs of living generally go up over time as well, so you still want to get as close to your target as you can as soon as you can.

If you find yourself within reach of a livable wage, your job is not done. There are a few key things you should consider before making the change to your starting pay.

Be clear in your compensation philosophy how the livable wage fits into your overall business objectives. Is the attainment of a livable wage the top priority before any other compensation goals? Or is it part of a package that you strive to meet while prioritizing other goals like paying a fair rate to all positions compared to the market?

Market forces are particularly important to consider along with the livable wage. For instance, it's possible that your competitors could already be paying more than the livable wage calculation you come up with. Your city may also be issuing guidance about what a livable wage should be. All of these resources and business objectives should be considered in ultimately determining your pay rates.

Avoiding wage compression

Another consideration in implementing a livable wage is the impact on current employees who may be earning more than the livable wage, but not enough more to feel that their longevity at the co-op will be adequately recognized if the pay rate of newer workers suddenly increases and theirs does not. This impact, called "wage compression," can negatively affect employee morale and retention. To avoid this you will need a plan for increasing somewhat the pay of those who currently make the livable wage or slightly above. For example, if starting pay is to be increased by $1 per hour, consider a plan to give those already at the new starting pay an increase of $.50 per hour or some amount based on tenure, such as $.03 per hour for every month worked, up to a cap.

Communication to stakeholders

If there's existing pressure on the co-op to increase wages, it is tempting for the co-op to notify all stakeholders (staff, board, members, community) immediately when implementing a livable wage and benefits. However, the board should be first, followed by the staff. We recommend not doing a press release or communicating to members or the larger community until a few weeks after staff have been educated about the package. This allows staff time to digest the new plan, have their own questions answered, and be prepared to answer questions from the public if needed.

Create a communication plan before implementing the new wage: Who needs to know what, when do they need to know it, and how will they be told?

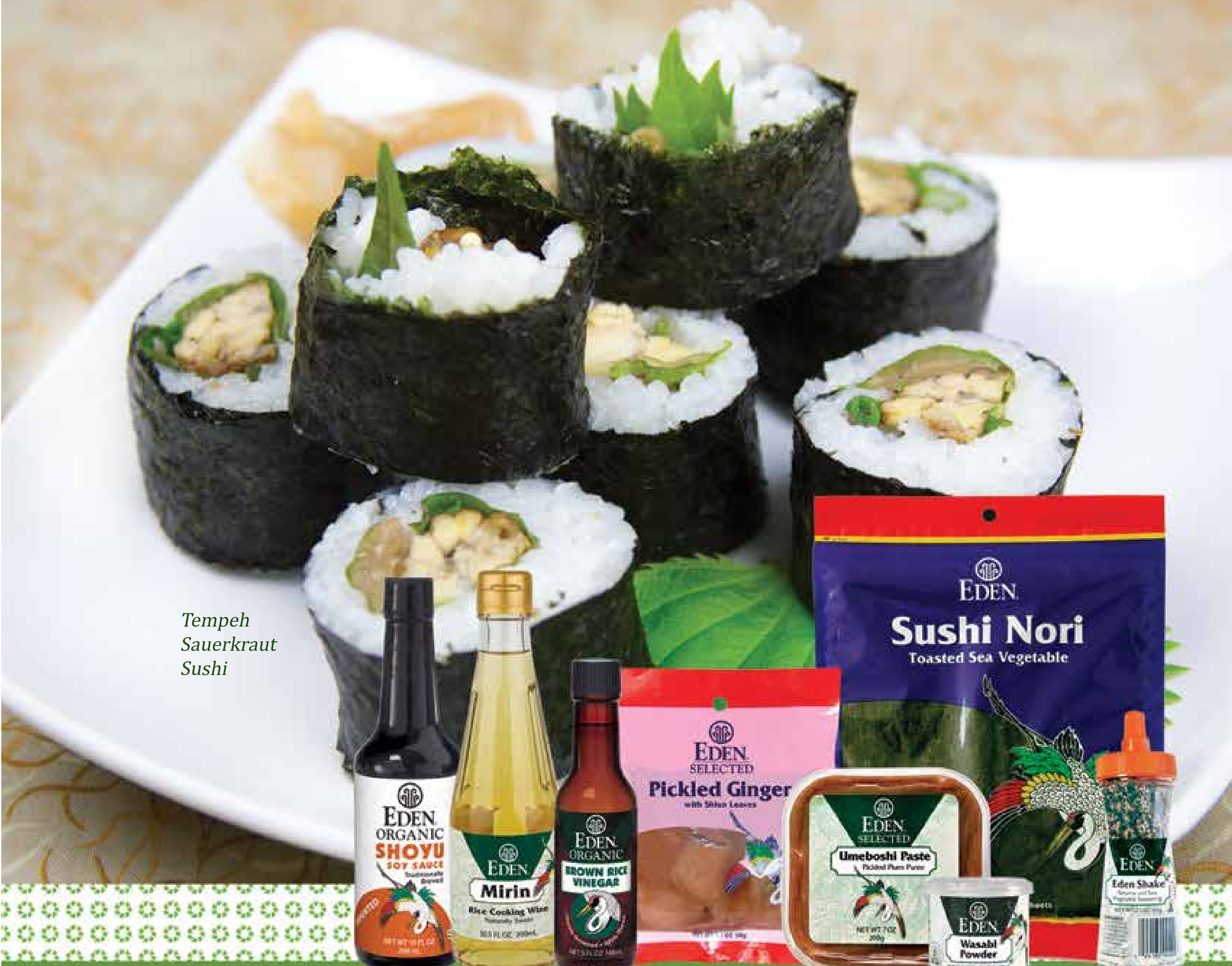
Consider using a rollout team to help communicate the message. Tim Bartlett at Lexington Co-op in Buffalo, N.Y., found this approach extremely helpful with their recent, large increase in their pay scale. "I met with HR and two staff from each department for three weeks prior to the rollout, having them digest the document to be able to follow up and to talk to staff about it."

Communicate to all staff at once: Announcing a livable wage and benefits plan should be done in an all-staff meeting if possible. This helps limit the spread of misinformation and gives you the opportunity to answer staff questions immediately.

Communicate multiple times to each stakeholder group: People will have questions, and they may not think of those questions the first time the new wage and benefit plan is discussed. Only after the new changes have gone into effect, and the staff has had a chance to digest them, is it time to communicate with owners.

The time is now

It is never too soon to start planning for the need to increase wages. "People keep saying it's great we made our changes before we had problems," Bartlett said. "We thought it would take us a month, but we ended up taking 10 months to get to our final plan. My advice to other co-ops is to give yourself enough time to really understand it and take it seriously." To help co-ops begin planning, the NCG-CDS Livable Wage and Benefits Model is available on the CGN website for all co-ops and on ncg.coop for NCG co-ops. ☐



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