



# TALEXIS

## TALENT EXPERTS

WHAT ARE YOU DOING  
TO PREPARE FOR THE  
MINIMUM WAGE INCREASE?



## MINIMUM WAGE INCREASE

The very words conjure images of political debates and seas of protesters. It seems that for every passionate proponent, there's an equally adamant opponent. With the profusion of contradictory information on potential economic effects, it can be hard to tell where your business lies on the spectrum. The increase could equate to a tsunami for some, while others feel only a ripple, so determining how your business must adjust to cope with the new economic environment is key to your company's survival and future success. Asking questions such as: How will this affect current business operations?, Will my current employees be more motivated to stay?, What effects will this increase have on the process of hiring in the future?, will help you prepare and take action to ensure the smoothest transition manageable. By calculating your future costs and knowing how this change will affect your particular business, you can better manage the necessary adjustments required to continue operations in the new economic atmosphere.

## WHAT DOES THIS MEAN FOR MY BUSINESS?

Every business, from the mom and pop shop to the multi-billion-dollar enterprise, will feel the effects of the minimum wage increase. Companies will find it necessary to minimize their front-facing workforce, often running understaffed to be able to compensate for the rising cost of keeping employees on the clock. Employers will require more of the staff they retain, potentially wearing down morale. That then could result in turnover, eventually costing the company more in training and development costs. Lower morale could affect the customer experience, harming

your company's image and preventing the acquisition of new clientele. In addition, the pressure to provide benefits will force many full-time employees into part-time positions, allowing companies to avert the cost of higher payroll taxes and benefit enrollment, but further depleting motivation in those who find themselves working a part-time job that now provides them with little incentive to perform. And with entry-level employees making comparable paychecks to those who have invested much of their time and effort into the company, retaining and motivating high performers will become a challenge.

## WHERE IS MY MONEY GOING NOW?

The cost of bad hires can be a severe detriment to the forward progress of any company, large or small. Mitigating this unnecessary expense can put you in a

position to focus on more prominent issues, eliminating the needless waste of time and resources spent on acquiring, training and developing employment candidates.

### WHERE ARE THE NUMBERS COMING FROM?

The cost of hiring and sustaining an employee for three months can be broken down into two basic groups: compensation and hiring cost.



#### COMPENSATION

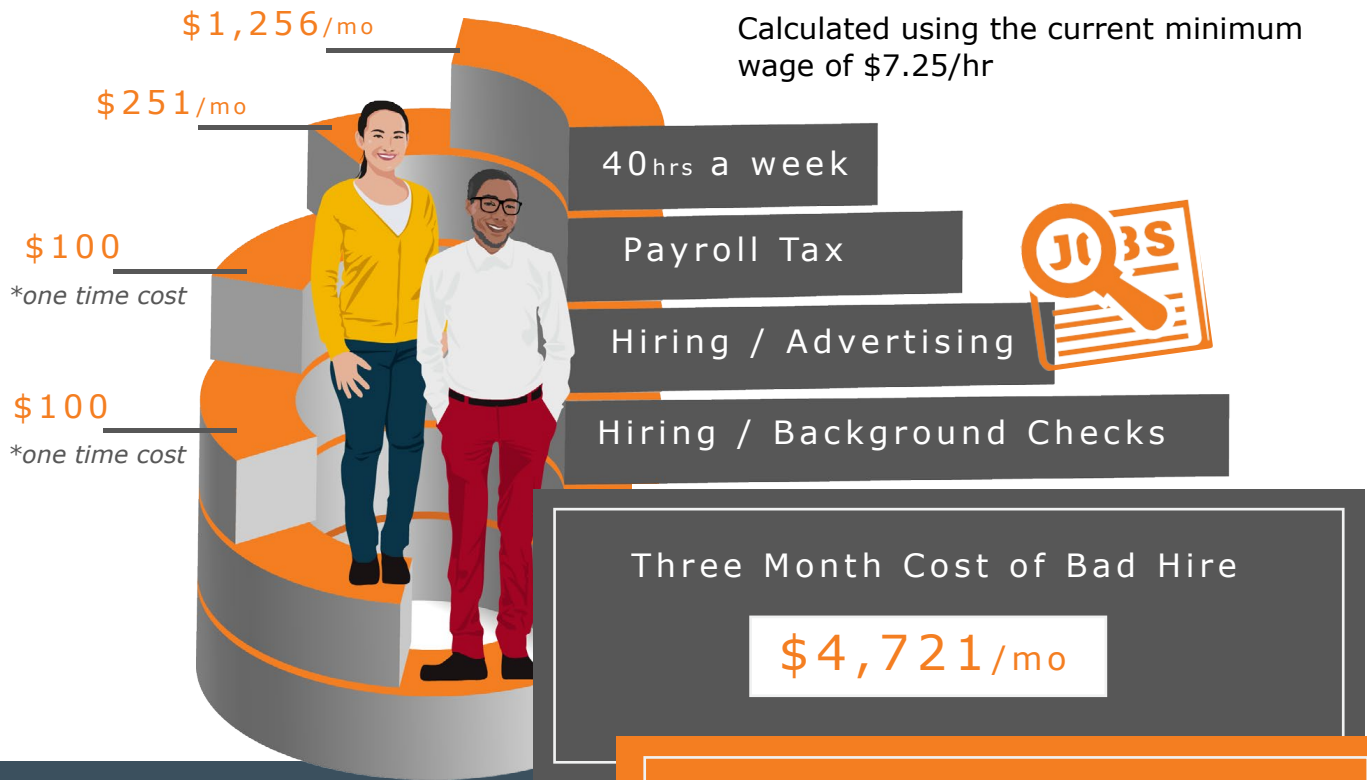
- Hourly Wage
- Benefits



#### HIRING COST

- Attraction
- Background & Credit Check/ Drug Screen

# SO WHAT EXACTLY ARE THESE NUMBERS?



Our wages, when calculated at 40 hours per week, come to \$1,256/mo. Due to the "Under 90 Days" status of our example new hire, healthcare and 401K benefits will not have to be accounted for. However, because of payroll tax, we must calculate for a 20% benefit cost, which comes to \$251/mo. But we must extend our scope further and understand that our hiring cost, consisting of advertising, is \$100, and the initial cost of running background and credit checks as well as performing a drug screening are also \$100.

**Three Month Cost of Bad Hire @ \$12hr**

**\$7,688/mo**

This results in a \$200/mo hiring cost. Taken all together, and multiplied over our example employee's three-month lifespan, the total cost of our bad hire is \$4,721. It must be noted that this does not include any soft costs, such as training, productivity loss, and interviewing time. Using the same calculations, the cost of a bad hire at \$12/hr over the course of three months comes to \$7,688, a stunning \$2,967 (or 63%) increase.

## WHERE DO I GO FROM HERE?

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With the increase in the cost of the workforce, companies will have to be more discerning when hiring new employees, and will have to focus on retaining top performers in lieu of hiring to compensate for poor performance. So then how can we keep the high performers we have whilst ensuring that we hire quality prospects?

### ATTRACTION

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Often overlooked is the importance of attracting the right people to your organization. Make sure to invest in acquisition efforts that are tailored to the needs of your business, and consistently attract qualified, well-matched candidates. Be knowledgeable about the requirements of the position for which you are hiring so that you can target your recruiting methods toward candidates who match those qualifications. But once you have attracted the candidate, how are you to determine whether he or she is a good match for your company? The answer might be simpler than we think.

### INTERVIEWS

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A quality interview can be a pivotal moment in the candidate's future within the company. This is often the first interaction between mid-level management and a prospect, so it is not only important in order to gain a clear understanding of the potential hire, but also to give the candidate realistic, accurate expectations of your business. Many interviews with minimum wage candidates are informal and lack the intensity reserved for more highly paid employees. This is unfortunate, as many minimum wage workers are the first line of contact with customers and mediocre performance on their part reflects poorly on the company. Additionally, with the cost of bad hires rising exponentially after the minimum wage increase, care must be taken to prevent the financial burden of hiring poorly. Conducting mock interviews with another member of management is a good way to test your own interviewing skills and ensure strength and consistency across your management team.



## BACKGROUND/CREDIT CHECKS

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In today's technological era, we are fortunate to have previously unimaginable resources in the palms of our hands. Years ago, background and credit checks were a luxury afforded only to incredibly profitable businesses and large organizations. But with these tools at our current disposal, efforts can be made to prevent a seemingly attractive candidate from concealing information that you may deem important.

## ASSESSMENTS

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Solutions such as pre-employment evaluations can help you hire without the "guess work" of hoping a candidate matches any given position. Employee assessments are intended to garner information both about whether a candidate is capable of the tasks you require, and about whether they have the characteristics that will lead to success in their field. Once you've acquired your candidate, multi-level employee development can help you retain those valuable members of your staff. Coaching can provide you with the ability to cultivate talent within the constructs of your own company, especially when a valuable candidate or member is lacking in only a few vital areas. Assessments are a great way to glean pertinent information about a candidate before and throughout an employee's life cycle.

## BEYOND THE PAYCHECK

With an impending minimum wage increase, companies must make sure to adjust their current practices to reflect the changing needs of their employees and their bottom line. By calculating your turnover risk, predicting potential roadblocks and employing simple, easy to implement changes in your current business plan, you can help to ensure the continuing success of your company and the future productivity of your employees. Given the right tools and information, any business can flourish. By obtaining the knowledge of the economic effects and adopting the best practices to ensure



success in the future, your business can be prepared. And when a business is prepared, a business is free to progress.





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## NEXT STEPS

If your business isn't yet prepared for the minimum wage increase, there is no better time to start than now.

**Talexis can help. Our assessment solutions can improve your entry-level hiring decisions.**

Visit [www.Talexis.com](http://www.Talexis.com) or call **844-TALEXIS (825-3947)** to get started.

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