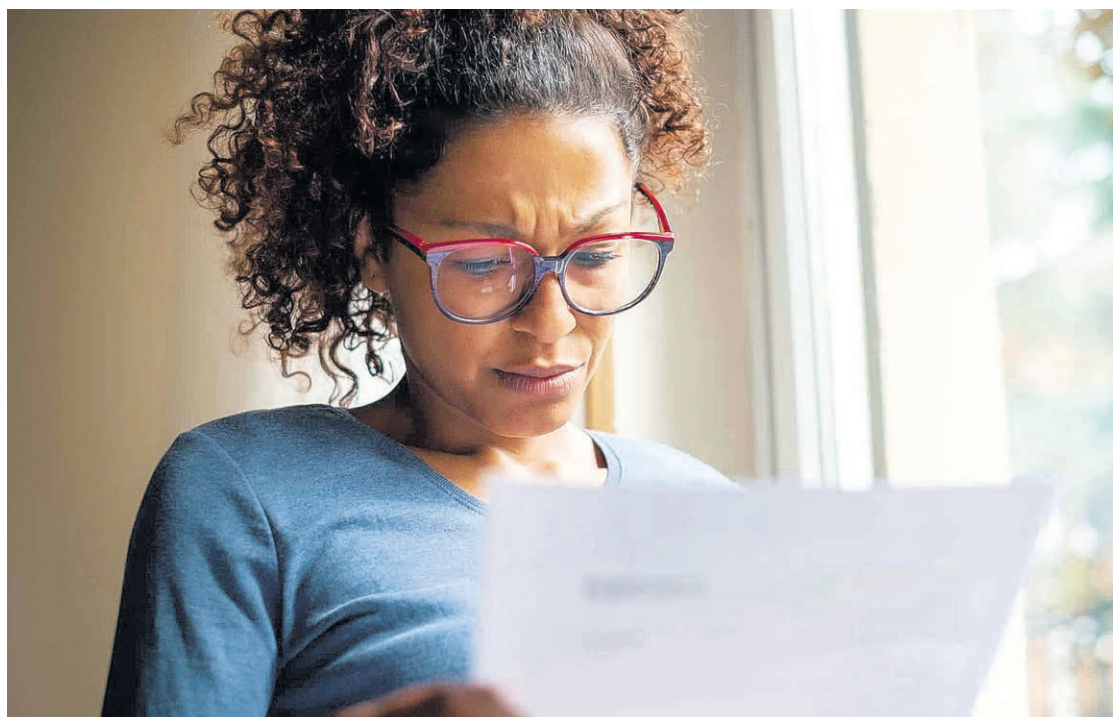


Workplace

Helping workers manage financial stress



Increased inflation means employees are finding it more difficult to meet their financial commitments. (Internet image)

By Katriel Pile and Sheresa Holmes

Several employees have been overwhelmed by the disconnect between inflation and their weekly or monthly income. Many have even called for pay increases or financial assistance as prices are on the rise for food, gas, and other necessities – making it glaringly obvious that these negative economic conditions appear to be having a significant impact on people's ability to meet their financial obligations.

While this does not necessarily mean that wages or salaries are low, what it means is that what was once sustainable, is not anymore. As researchers continue to study the link between financial stress and mental health, more businesses have become acutely aware of the correlation of this reality, to their business outcomes. One such finding is that reduced stress levels can lead to increased productivity, which is mutually beneficial to both the company and the employees. Therefore, employers are encouraged to position themselves to provide relief to employees in various forms, so much as it is reasonably practicable.

How can employers' help employees?

The reality is that employees leave their job primarily for two reasons – inadequate salary and/or benefits, and difficult work environment, which includes people and culture. With the increase in inflation, regardless of salary, most employees are living paycheck to paycheck and for this reason, valuable employees are in search of better job opportunities. This is compounded in instances where employees don't



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feel valued by their organisation or believe that management is disinterested in their plight. Which has resulted in increased turnover rates for several companies.

Recognising that there is no single solution, employers are urged to consider two options to assist employees during these times – raising salaries/wages; and offering better benefits, allowances or incentives. However, these decisions cannot be made blindly and must involve a thorough examination of the business.

Is an increase in salaries/wages the better option?

Barbados' inflation rate currently stands around 11.5 per cent as at July 2022. This is the highest it has been in a decade; also noting that inflation has almost tripled since the year opened (four per cent in January 2022). Comparatively, the International Monetary Fund estimates a world inflation rate of about 8.7 per cent. It is understandable then why the impact of these economic changes to the cost-of-living has been overwhelming for many



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Barbadians.

This question of whether 'an increase in salaries/wages is the better option' is therefore one of a subjective nature and comes down to the size, structure, and overall financial situation of each company. While it may seem like the obvious solution to providing support is to offer employees pay increases in alignment with inflation, for most businesses, this may not be feasible.

As salaries/wages is typically the largest expense for a company, what can be easily done and is not detrimental to one company, may have a different impact on another.

Recall the outcry of businesses, particularly the small, and medium-sized enterprises, when the Government of Barbados increased minimum wage from \$6.25 to \$8.50 in early 2021. That is a \$2.25 increase per hour, per employee and has likely called for additional considerations for increased pay to middle and senior level workers, in order to balance the pay scale.

Even when we consider the additional costs of doing business during the pandemic – sanitiser,

masks, signage, more frequent cleaning, business closures and the impact of physical distancing on sales – to increase the expense of salaries/wages when profitability may be trending downward, may not be feasible. For this reason, it is imperative that employers consider whether the costs of increased salaries/wages can be sustainable in the long-term. They must also weigh the demands of the company, before deciding on an increase of pay.

Having considered all important aspects to each business' unique circumstances, if it is a viable and sustainable option, employers should proceed to increase salaries/wages in whatever method they deem appropriate. Some employers across Barbados have resorted to providing percentage pay increases to counteract the effects of inflation, while others have opted to provide an increase of a set dollar amount to ease employees' burdens. But remember that this then applies to every employee, making the expense proportional to the number of employees within any given organisation.

But what if an increase in pay will result in business closure or job losses in the long-term? This is beneficial to neither to the employee nor company. In other words, what if increasing salaries/wages is therefore not feasible? How do employers find more sustainable means of assisting employees during this time?

Katriel Pile is head of the human resources department, Delivery and Handling Services (Barbados) Ltd, and Sheresa Holmes is training coordinator, Barbados Employers' Confederation. Part two of this article will address the option to offer better benefits, allowances and incentives.