An interview with Niagara's First Certified Living Wage Employer - Pre-Line Processing of Vineland Station

Recently, I had the honour of interviewing Damin Starr, co-owner of Pre-Line Processing, which has the rare distinction of being Niagara's first Certified Living Wage Employer.

To set the stage, please describe your company? Pre-Line is a small custom parts manufacturing firm in Vineland Station, Niagara, with two owners, two full-time employees and a maximum of seven working in the plant at any time.

When did you decide to make the change? We pursued contracts related to municipal infrastructure and oil-sands installations, but after the recession, in 2012, we had time to take a second look at the business and its markets. I will say that Debra and I have six children, and their needs have kept us mindful of our values and the health of the local community.

Why? The original customer base of governments and large public corporations made their suppliers, including Pre-Line, compete for contracts with heavy discounting, a pressure that ended up being passed down to the workers. This meant in practice that margins were lowest when we were busiest, and retention of experienced personnel was an ongoing issue. Following the recession of 2008-09, we took a hard look at the business – and what motivated us to make a change was the fact that there were more sales but not more profit. Furthermore, the employees told us that, despite maximum effort, they expected to be laid off with every downturn. Clearly, they had no vested interest in the general success of the firm.

The bottom line is that when Pre-Line's employees were paid less, we often could not go home at day's end, but had to work 17-hour days. We were always filling in for no-shows; always hiring with a 75% turnover in the workforce annually; and always training (at an estimated ~$8,000/4 weeks per new hire). It's worth noting that training represents a particular risk, both because of the manifest safety requirements of a manufacturing facility, and because of the uncertainty of retention at that stage. So Pre-Line moved to a Living Wage pay structure.

Can you talk about how long it took, and what was involved? The process took two years, and it basically involved taking stock. Talking to our customers, workers, and peers, knowing where we stood, and then making a decision.

First, we got to know our "sweet spot" in managerial-accounting terms. We wanted to know at what price point and quantity it truly makes sense to take a contract, given our capacity, margins, workforce and value propositions. (Many businesses consign accounting to a year-end exercise by a bookkeeper for tax reasons. However, determining this is a fundamental of true business.)

Then we talked to our workers, as described previously. This caused us to make a change in the starting-wage structure over six months from $12-13/hour in 2012 to $14.50, then 50-cent increases semi-annually thereafter until we reached Niagara's Living Wage. This was calculated in 2017 as $17.57, and that is our starting wage. These new costs caused us to be more mindful of the value and expectations that attach to each paid employee position.

Then we looked to our customers. We ended up being more selective among them, focusing on those interested in quality, adaptability, and timely delivery, rather than just the lowest cost parts. These value propositions would compensate employees enough to help retain their experience and judgment.

Why not promote workers later to higher wages, as others do? We quickly found that the promise of future benefits to a new hire has limited value that naturally depends on a pre-existing relationship of trust in the employer. So we went with a decisive increase in the starting wage, taking responsibility for the tone of the employer-employee relationship from the start.

What was the result? Admittedly, this resulted in a smaller total amount of work from more private companies. But we obtained higher margins, higher pay for our workers, and the ability to let employees take charge of matters while allocating our own time more productively and strategically. Now that a sales-at-all-costs strategy has been dispensed with, we also deal better with the unexpected, and display adaptability. In a nutshell, planning our pursuit of high-value work and higher productivity leaves us time to figure out how to handle obligations properly before they land squarely on the employees.

For example, when we outsourced our relationship with employees, say to a temp agency, and the temporary workers' work came back unfit for delivery, we had to step in, and productivity per hour dipped. Worse, the margin ended up with that middleman. In fact, now that we schedule employees directly rather than outsource it (such as major global retailers are known to do) we gain relationships and insight. For instance, we could accommodate commuting issues reasonably and reduce no-shows.

But of course, this is not just about the bottom line. No. Our considered view as the business owners is that the workers should not have financial risks imposed on them, entrepreneurship should be a free choice. Nor should it be our automatic expectation that workers should share our passion for the line of business. Most importantly, workers should not be devalued on that basis or because of their education levels. ***If they were good enough to be hired they are good enough to be respected.*** It is the business operator's crucial role to manage the interface between customers and employees.

This sounds like a viewpoint grounded in values as well as dollars. Yes. At the end of the day, the owners and operators of businesses should see value in people first, not bonuses, land or buildings, outsourcing convenience, and especially the short term. ***None of these things, nor the very economy itself, has meaning without people to assign such things meaning and value.*** These values rebound to an employers' benefit, for we ourselves need not fill every waking hour with work, at diminishing marginal returns in productivity and at the cost of family and community matters. We need not pursue a "macho sales culture" yielding thin margins that actually squander business valuation in the medium term. And we can know our very operation gives value to the community more fundamentally and less marginally than any charitable activity we might later add on.