

ECONOMY

Higher Wages Can Mean Higher Profits, If Staff Have the Right Tools

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Some call it the “Great Resignation”; others the “Big Quit.” Since early 2021, around **33 million** Americans have parted ways with an employer — the highest ‘quits rate’ on record. And the Big Quit won’t be ending any time soon. [Recent job market research](#) suggests a staggering 74% of full time US employees intend to leave their jobs this year in search of new opportunities, more compensation, or better working conditions.

Retail, an industry well accustomed to high turnover, has been [especially hard hit](#) by the Great Resignation. Balancing the stress of serving customers, working extra hours to cover for sick colleagues, and navigating COVID-mandated closures, store associates have had it rough during the pandemic. With more than two million retail workers laid off as the pandemic hit in early 2020, it’s easy to see why [hundreds of thousands](#) are looking for other career paths.

To boost retention and hiring, many retail businesses are offering bonuses or raises to their frontline teams. That can be an effective, short-term strategy — but it also takes a toll on retailers’ bottom lines at a time when they’re already struggling. To stay on track, retailers *also* need to boost productivity, and ensure that better-compensated employees have the tools and know-how necessary to drive value for their brand.

Money talks

Employees are a business’s strongest asset. This is particularly true in the retail space, where frontline staff are more than just shelf-stockers and cashiers: they’re the public face of the brand. It’s with good reason, then, that retailers are scrambling to stem the flow of disgruntled departees.

How best to do this? Offering more money seems a solid approach (perhaps unsurprisingly), both in terms of retaining current personnel, and attracting new talent.

Almost [four-in-five employed job seekers](#) currently believe they can earn a higher salary by switching jobs — and it would appear that they’re right. Staff who moved roles in the last year saw a 12-month average wage gain of 4.3%, [research suggests](#), compared with a 3.2% bump for those who stayed put.

It’s little wonder, then, that over 50% of HR leaders anticipate salary rises of more than 5% this year, with a [third of US companies admitting that pay increase projections](#) made last summer have since been raised. [More than twenty states](#), meanwhile, are planning a minimum wage boost to over \$15 per hour.

Higher pay, more profit

Increased salary outlay is a troubling prospect for cash-strapped retailers looking to rebuild after the pandemic — but it’s not all doom and gloom. Though more money will be leaving company coffers each month, there’s a theory that offering higher wages can actually boost a business’s bottom line.

Known in economics as the “efficiency wage” hypothesis, the principle behind paying employees a little extra is simple: bigger salaries pay for themselves through increased worker motivation, productivity, and retention.

As a concept, it makes a lot of sense, but is there any hard evidence that larger wages equal higher output? [Academics at the University of Pennsylvania](#) would argue there is. In 2006, a team of UPenn researchers studied data from a large retailer that had recently embarked on a policy of higher wages. Remarkably, they found that a \$1 bump in monthly payroll resulted in an uplift in monthly store sales of between \$4 and \$28.

More than money

That’s encouraging reading for any retailer planning a rise in salaries — but more money is, at best, only half the battle. If employers are going to be investing more in salaries, they need to make sure they’re getting the most out of their workers. That means any bump in wages should *also* be accompanied by a renewed focus on workforce training, employee equipment, and staff management to ensure store teams are hitting maximum efficiency and providing the best customer experience.

With [surging consumer prices](#) forcing shoppers to be more selective, it’s of even greater importance that retailers gain a competitive edge by offering superlative service. A big part of this is adopting the right technology: frontline teams equipped with smartphones can quickly check inventory, product details, promotions, and more to ensure they’re giving customers the best possible experience. Managers, too, can keep track of what’s happening in their stores and offer guidance when needed. And perhaps most importantly of all, sales associates can use digital tools to collaborate and share insights and ideas, helping to elevate one another’s performance without disrupting their workflows.

The key here is that retailers can’t simply assume that padding a sales associate’s paycheck will automatically make them a star employee. It’s vital to use those wage increases to reframe the employee’s own sense of the work they do: retail workers need to be given a chance to see themselves as valued and valuable members of a broader team, and also given the tools and resources they need to go the extra mile to drive value for their employers.

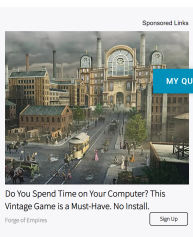
Invest in your team

The Great Resignation poses challenges for retailers, of course. But if brands play their cards right, and invest in their teams, the Big Quit can also be the Big Reset — not just a headache, but an opportunity to drive some long-overdue changes in the retail space.

Foremost amongst those changes should be a commitment to make retail a career choice to be proud of, with real opportunities for creativity, independence, and advancement. Offering a generous salary is, of course, an important step toward that goal. But pay isn’t always the most crucial variable. If a company invests in its employees, and establishes itself as a dynamic, supportive, and fulfilling place to work, word-of-mouth recommendations will go as far, if not further, than high salaries in terms of enticing new, standout members of staff.

In the midst of a Great Resignation, those great members of staff are there to be recruited. Yes, retailers may have to pay a little bit more for them, but with the right employee tools and training, it’s an investment they won’t regret.

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