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The Power of Pay

Hourly Wage Increases Drive Business Results

Our pay study clearly shows hourly wage increases are very likely to significantly reduce turnover, improve attendance, and enhance productivity.

Competitive and Challenging Labor Market Conditions Continue

- Wages for full-time workers in 25th percentile (those making ~$13/hr.) are up 3.1% y/o/y. This is the biggest wage increase since 2009 (U.S. Department of Labor).
- Available workers per job opening is near a 15-year low (Wall Street Journal, August 2016).

Hourly Workers Continue to Report Competitive Pay as Top Priority

Employee Opinion Survey (9,815 hourly workers surveyed):

- For each of the two years survey distributed, pay is ranked as #1 in importance and the #1 reason for leaving a job.
- For eight years in a row, pay is ranked as #1 in employment importance and the #1 reason for leaving a job.

2016 Pay Rate Study

Data collected from 191 companies.

Key Findings

- Overwhelmingly, hourly wage increases are very likely to reduce turnover, improve attendance, and enhance productivity.
- Hourly wage increases in excess of $1.00/hr. have a dramatically more positive impact on turnover, attendance, and productivity than smaller raises.

Turnover

Rate Increase	% Turnover Improvement
$ 2.00 +	25%
$ 1.01 - $ 2.00	21%
$ 0.00 - $ 1.00	8%

Attendance

Rate Increase	% of Companies Reporting Improved Attendance
$ 2.00 +	86%
$ 1.01 - $ 2.00	77%
$ 0.00 - $1.00	29%

Productivity

Rate Increase	% of Companies Reporting Increased Productivity
$ 2.00 +	76%
$ 1.01 - $2.00	80%
$ 0.00 - $1.00	28%

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The Workforce Experts

Increased Pay Correlates to Decrease in Negative Turnover:

- Up 4.5% from Q1 2015 to Q2 2016
- Negative turnover (same period): Down 7%

Independent Studies Affirm Positive Business Results Driven by Higher Pay*:

Workforce analysts, economists, and others have long reported that increases in worker pay can lead to improvements in productivity, savings, and profitability. A summary of studies is listed below:

- Higher wages create conditions for workers to be **more productive**, with "reduced shirking by employees due to a higher cost of job loss." (American Economic Review)
- High-wage firms can sometimes offset more than half of their higher wage costs through **improved productivity and lower hiring and turnover cost.** (National Bureau of Economic Research)
- The greater productivity of one worker often **raises the productivity of co-workers.** (American Economic Review)
- Higher wages are associated with **better health**—less illness and more stamina, which enhance worker productivity. (Peterson Institute for International Economics)
- An increase in the pay of lower-level employees relative to management increased the **quality of production.** (Administrative Science Quarterly)
- Higher wages attract **higher quality, more capable and productive workers.** (The Quarterly Journal of Economics)
- **Decline in worker turnover** yielded savings equal to around one-sixth of the cost incurred. (Institute of Industrial Relations - Berkeley)
- Higher wages **reduce disciplinary problems and absenteeism.** In plants where pay was higher relative to local labor market, nearly half of those employers surveyed reported a decrease in disciplinary issues following wage rise. (International Journal of Manpower)
- Firms with higher wages need to **devote fewer resources to monitoring.** (Centre for Economic Performance, London School of Economics and Political Science)

Conclusion

Our research, along with third party studies that validate these findings, confirms that a significant wage increase (excess of $1.00/hr.) can lead to increased productivity and quality as well as a reduction in workforce turnover. The research also indicates that the cost of raising wages for workers is easily offset by this improved productivity and reduced hiring costs.

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191 Companies Surveyed

10,742 Hourly Employees in Study

15 Independent Studies Cited