

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

ResourceMFG Manufacturing Employee Opinion Survey (4,427 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.

ProLogistix (a sister brand of ResourceMFG) Warehouse Employee Opinion Survey (5,388 hourly workers surveyed):

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

ResourceMFG 2016 Pay Rate Study

Data collected from 191 companies including 95 in the Manufacturing sector and 96 in the Logistics sector.

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%



Increased Pay Correlates to Decrease in Negative Turnover: 2 Examples

ResourceMFG hourly wage trend:

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

ProLogistix hourly wage trend:

- Up 5.3% from Q1 2015 to Q2 2016
- Negative turnover (same period): Down 6%

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 (manufacturing) 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

The research from ResourceMFG and ProLogistix, 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.

Written by Keith Wisner, Vice President, Workforce & Supply Chain Analytics



191 Companies Surveyed



10,742 Hourly Employees in Study



9 Independent Studies Cited

Remedy Intelligent Staffing, one of the leading staffing firms in the country, is part of the Employbridge portfolio of innovative workforce solutions companies, including transportation (ProDrivers), manufacturing (ResourceMFG), logistics (ProLogistix), light industrial (Select Staffing), and specialty (RemX).