

# **RECRUITING THE NEW RETAIL WORKFORCE:**

HIGHER WAGES ARE  
JUST THE BEGINNING

retail  
**TouchPoints®**  
SPECIAL REPORT





## INTRODUCTION

Retailers have long accepted, with a shrug, high employee turnover rates, particularly for entry-level and frontline positions. Filling and refilling these jobs was simply a cost of doing business, albeit a steep one.

But retailers (along with other employers) are finding that they can no longer count on an army of job seekers to choose from. A variety of factors have come together to create a labor shortage that could threaten merchants' ability to hire adequate staff, even as they reopen shuttered stores and ramp up for holiday 2021. Additionally, several industry experts believe this dearth of employees could extend into 2022, forcing retailers to rethink not just recruitment but their entire approach to hiring, training and employee retention.

"There really is a labor shortage, and it's everywhere," said Scott Knaul, EVP for Retail Solutions at **Workforce Insight** in an interview with *Retail TouchPoints*. "Big box, specialty retailers, theme parks and hospitality all are having troubles finding workers. Additionally, with companies like **Target**, **Walmart** and **Meijer** all doing great, they have taken on a lot of people from specialty or non-essential retailers. These big guys are still trying to hire, which means they have to sweeten the pot for the people they already have working."

Indeed, some of the nation's largest retailers have responded to the labor shortage with wage increases, with **Walmart**, **Amazon**, **Costco** and **CVS** raising their minimum wages. **Target** and **Walmart** are getting creative with offers to pay for college tuition and textbooks, while **McDonald's** has thrown in child care.

This *Retail TouchPoints* special report will explore the challenges retailers face in this area as well as potential short- and long-term solutions, including:

- Enhanced onboarding processes, ongoing training and other solutions designed to increase employee engagement, retain current workers and find those associates with the **skills and aptitudes that fit them for a long-term career in retail**;
- **Exploring remote work** to provide associates with greater flexibility and overcome COVID-related health concerns while maintaining productivity and security;
- Using AI-powered workforce management solutions to **better match potential hires to open jobs**; and
- Acknowledging the roles that diversity, equity, inclusion and commitments to sustainability and social progress play in **attracting younger workers**.

## WORKFORCE ISSUES BY THE NUMBERS

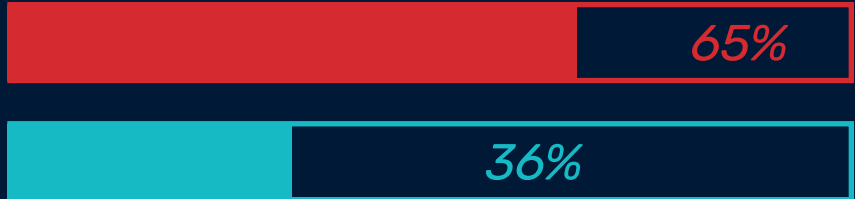
In June 2021, more than **10 million** people were seeking work (preliminary data). This number has been steadily rising from the **7.1 million** people seeking work in January 2021.

Source: U.S. Department of Labor

10 million



Nearly two-thirds (**65%**) of current employees were looking for new jobs in August 2021, up from **36%** in May 2021.



Source: PwC Next in Work Pulse Survey



649,000

April 2021 saw the largest one-month exodus of retail workers since the Labor Department began tracking this statistic more than 20 years ago, with **649,000** handing in their notices.

Source: Washington Post



Employees who say their organization is diverse at senior levels are **2.4X** more likely to feel a strong sense of belonging.



Those who strongly agree that every employee has the same opportunities to succeed and advance are **2.15X** more likely to feel a strong sense of belonging.

Source: Achievers Workforce Institute Survey





## TURNING RETAIL JOBS INTO A CAREER IN RETAIL

As it did with so many things, COVID-19 accelerated long-term trends in retail work. The pandemic-fueled ecommerce boom and the rapid growth of convenience-oriented offerings like BOPIS and curbside pickup have changed job requirements throughout the retail enterprise. In combination with changes in worker attitudes and consumer behavior, these shifts have weakened the industry's long-standing low-wage model.

"For a very long period, the last **20 to 30 years**, real wages in retail were flat," said Dr. Michael Mandel, Chief Economic Strategist at the [Progressive Policy Institute](#) in an interview with *Retail TouchPoints*. "One of the beauties of the big box model was that it enabled retailers to get away with relatively low-priced labor. But whatever kept this multi-decade equilibrium going has shifted, and **that shift shows up in needing a different type of worker**; paying more for this worker; and [employers needing to] figure out what they are going to do with this worker."

Mandel described this previous business model as one where "consumers have to root around in big piles of clothes without a lot of help from sales associates. Retailers were pushing the work onto the consumers, who didn't really have any choice. With this model, you could have clerks who don't know anything because they don't really need to understand the merchandise," said Mandel, adding that employers "could afford to keep them on part-time and have a very high turnover rate because it doesn't matter. **But you can't do that to consumers anymore once they have seen the promised land of ecommerce.**"

With tens of thousands more consumers availing themselves of online shopping, enjoying rapid deliveries and generous return policies, "all of a sudden this business model for brick-and-mortar retailers doesn't work anymore," Mandel added. **A key part of attracting shoppers back into physical stores will be offering them something they can't get online — namely, guidance and useful, relevant answers to their questions delivered in person, in real time.**



“Now you need sales workers who know more about the merchandise,” Mandel noted. “That means you have to **pay them more, give them more hours to work and in general treat them better**. That’s part of what’s behind higher wages, but it also means retailers face more difficulty finding and training people. And if these people don’t exist, retailers have to commit themselves to training them. You could just as easily call what’s happening now a ‘training shortage’ rather than a ‘labor shortage.’”

Some retailers already have implemented training designed to upskill their workers. **Levi’s** used an eight-week “boot camp” to train **43** workers with no previous background in data and technology about AI. The brand also created a class for people with basic or outdated data and analytics skills to update their experience, according to reporting in **VentureBeat**.

According to data from **BDO**, **51%** of retailers are planning to implement training to upskill employees’ technology capabilities, said Natalie Kotlyar, BDO’s National Leader for the Retail and Consumer Products Industry Group in an interview with *Retail TouchPoints*. “Tech training can create a more attractive job for some employees, because it’s a marketable skill,” said Kotlyar.







## JOB TYPES CHANGING AS RETAIL PIVOTS

Greater technical knowledge among employees may move from an attractive benefit to an on-the-job necessity as the nature of retail work continues to shift. “I do think the nature of retail jobs will change, whether it’s [staffing] microfulfillment centers or just ship-from-store and BOPIS,” said David Ritter, Managing Director of the **Alvarez & Marsal** Consumer and Retail Group. Many of these changes are recent: “Ship-from-store wasn’t economically viable [as recently as] two years ago,” said Ritter in an interview with *Retail TouchPoints*.

Retailers have been forced to move quickly. “I have two fashion retailers as clients, and when COVID shutdowns happened, I thought they would have some of the most difficult times,” said Knaul. “But neither company laid off a single employee. They switched tactics to emphasize online showcasing of trends and fashion, and they focused on cross-training people. They found it works really well. Even though their stores are now open and have foot traffic, they are still supporting BOPIS, and a **big box store needs almost 40 people per day just to do BOPIS and curbside pickup.**”

Tech knowledge also will be increasingly essential as retailers learn whether remote solutions deployed during the pandemic might have “legs.” Kotlyar predicted that remote consultations with associates will expand beyond apparel into the electronics and home furnishings verticals. “FaceTime and texting are becoming the way that retail employees will provide customer service to customers,” she noted. “**That will go to the expertise and additional capabilities that these employees will need to have, or learn, and become skilled at.**”

Industry experts recommend that retailers reconsider traditional career paths. “For an entry-level person in the typical store, moving up one or two levels means becoming a floor supervisor, but a lot of people don’t want that,” said the Progressive Policy Institute’s Mandel. Brick-and-mortar retailers will need to get creative, because they “finally have real competition from ecommerce, which will drive up wages by changing the nature of the jobs,” he added.



Retailers themselves can, and should, use the latest solutions to help themselves and their employees. “There’s **AI-powered tech that’s predictive around talent acquisition**, helping identify who are the most successful candidates,” said A&M’s Ritter. “The predictive analytics also can flag which are the ‘high flight risk’ employees, allowing the retailer to get their arms around their issues and make them feel good if they’re looking elsewhere.”

Broader, end-to-end analytics powered by AI “can enable retailers through the full [workforce] spectrum — from talent acquisition, retention/churn prevention and even to compensation, by revealing which types of compensation models are most attractive and likely to increase retention,” Ritter added.



## WORKERS WANT TO WORK FOR FLEXIBLE COMPANIES THAT CARE

Hard benefits like higher wages and signing bonuses are vital for attracting and retaining talent, but retailers also must grapple with societal and attitudinal changes. A growing group of consumers are choosing brands based on factors like their sustainability profiles and how seriously they take diversity, equity and inclusion. The same factors are affecting which companies people work for, and employees hold greater power in this tight labor market.



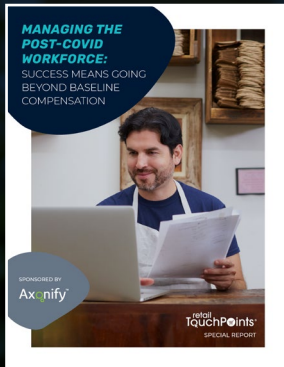
“Wages and benefits are just one lever in the toolkit creating the employee value proposition,” said Ritter. “Increasingly, especially among younger people, **they’re looking for a purpose-driven approach from companies that align with their own values.** They’re making a bigger impact than they might have had years ago, because Gen Z is less about the wage and more about a broader view of the role.”

Flexibility, supported by technology, is another big lure for workers. At a time when **Instacart**, **Shipt** and **Uber** have created the so-called “gig economy,” retailers need to update their scheduling and shift-swapping capabilities. “Retailers can post their open shifts on a variety of apps, which has a far-reaching impact,” said Workforce Insights’ Knaul. “One breakthrough I’m waiting for is to put all the stores in a mall on such an app. Say I’m a stock guy; I could take a stock shift at **Express** in the morning and at **Bath & Body Works** in the afternoon. If you could make that work, that would be huge. You can fast-track it by looking at companies with multiple brands; for example **Williams-Sonoma** owns **Pottery Barn** and **West Elm**, so they can make this work in all three stores. There are lots of fashion companies with multiple brands, so why can’t they make it happen?”

Employees also are looking for a louder voice in how their own work lives progress. “Employees want to be heard, they want a safe environment, they want to be retained and to know that there’s advancement potential,” said Knaul. “Additionally, they’re saying they have ideas on how to fix things, because they see it on the front line. Retailers are putting together focus groups, but I would advise them not to wait on some of these ideas; they should make them happen now.”



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