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Retail's Post-Covid Labour Shortage

Newly reopened businesses are struggling to find enough workers. Raising pay helps, but it's not the only solution.

As the US and other countries open back up, retailers are rushing to staff up stores and fulfillment centres in anticipation of a shopping surge. Getty Images.

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Amy Errett, founder and chief executive of hair colour brand Madison Reed, is seeing a boom in demand from customers hoping to look their best now that they're spending more time outside the house again. Since January, Errett has hired an average of one person a day to staff her headquarters, her 34 "hair colour bars" and a "Color Crew support team" who help guide people through applying hair colour at home.

Business is good enough that she would hire even more colourists if she could. But "it's the most challenging hiring market I've ever seen" and even hiring bonuses, increased pay and kickbacks for employees who refer their friends are all proving to be a tough sell for a hesitant would-be workforce.

Many retailers big and small are grappling with the same problem.

As the US and other countries open back up, retailers are rushing to staff up stores and fulfilment centres in anticipation of a shopping surge spurred by consumers who spent much of the past 18 months stuck at home.

But many companies have discovered that filling those open positions is far from easy. Last month, US employers added 559,000 net jobs, but retailers actually shed 5,800 positions, according to the Bureau of Labor Statistics. While uneven consumer spending is partly responsible, the decline also reflects a large number of unfilled openings. As of April, there were 965,000 job openings in retail, up from the 899,000 unfilled roles logged in the prior month.

Economists cite a variety of reasons for the labour shortage, including a temporary federal subsidy to unemployment benefits, insufficient childcare options, concerns over Covid-19 safety protocols and a pandemic-induced wave of career introspection. Retail jobs, which are often low-wage, have unpredictable hours and few promotion prospects, are a particularly tough sell. (The average salary for a retail sales worker in the US is \$13.13 an hour, or \$27,320 per year, according to BLS.)

If retailers are going to chart the recovery that is necessary to get the industry back on track after a year of losses and lagging business momentum, they will need to improve their wages and benefits and get savvy about creating exciting career advancement opportunities for workers across the organisational ranks.

Loyalty Matters

In April 2020, fashion purveyors — including Neiman Marcus, Nordstrom, The Gap, Guess, Saks Fifth Ave, Michael Kors and Versace — furloughed thousands of workers, in some cases for months. Employees in shuttered stores were often the first to be cut. While some retailers eventually brought those jobs back or assigned sales associates to new tasks, many were permanently laid off.

Companies that kept employees on the payroll as long as possible last year — like Errett who opted against furloughs and retrained her 100 hair colourists to work as virtual consultants for people colouring their own hair — are generally faring better than those that immediately implemented mass layoffs that spring, said Blythe Adamson, an economist and infectious disease expert who has been helping retailers reopen during the pandemic.

“Those businesses really retained the loyalty among their employees, which is a much smaller friction and cost than having to bring people back to work,” she said.

Vashi Dominguez, founder, chairman and chief executive of UK-based jewellery company Vashi, said furloughs were “never an option” last year and that keeping employees engaged and paid was “crucial to maintain morale” and business growth.

The company — known for its made-to-order jewellery pieces that are often created in front of customers in stores — trained its employees to do their jobs online. In-store jewellery consultants held one-on-one virtual consultations with customers who wanted to customise an existing item or design bespoke pieces using a digital publishing programme. Those employees still used the software even after stores reopened.

Employers like Vashi and Errett who offer employees the chance to learn new skills are often solving for two critical business imperatives, employee retention and revenue growth, said Adamson.

“It’s an incredible investment in people and staff to help them gain flexibility in their experience,” she said. “It also adds a lot more resilience to the companies themselves in that it [helps them] to not be as dependent on these in-person, in-store experiences.”

It's a scenario that has so far paid dividends for Vashi, which has hired 125 new staffers since the pandemic started. Just last month, it opened a new store for which it picked up 22 new employees with little issue, said Dominguez.

Pay and Benefits

The most direct way for fashion firms to attract more workers is to offer better pay and benefits. Prior to Covid, larger retailers like Walmart, Amazon and Target had been slowly bumping up their minimum wages, in some cases in response to pressures from labour organisations.

But as the labour shortage intensifies, all three have introduced additional pay hikes and more brands and retailers are warming up to the idea. Just last month, sportswear maker Under Armour said it would hike its minimum wage in the US from \$10 an hour to \$15 in hopes of filling some 3,000 available jobs in its stores and warehouses.

For the most part though, retailers have been slow to raise pay. Wages for retail workers increased 4.4 percent last year, according to the BLS. But from January to now — which Adamson says is the critical time when retailers should have been nailing down their hiring plans in anticipation of mass vaccinations — retail wages stagnated. At the same time, the average number of weekly hours worked by clothing store employees in the US has increased by 1.8 hours from January to April.

Increasing pay requires long-term planning. Once a business makes the move to boost wages, “you can't decrease it later,” Adamson said.

Higher wages alone may not be enough. Last year, as part of legislation to address the economic disruption caused by the pandemic, unemployed Americans became eligible for \$600 a week in federal unemployment benefits on top of state unemployment benefits. That subsidy has expired, but many are still eligible for an additional \$300 per week through September (some states have ended these extra payments early).

Despite offering “competitive” wages, Jessica Richards, founder of Brooklyn-based Shen Beauty, said she's been struggling to staff up her boutique, which she's tricked out with Covid-19 safety protocols, including a hand-washing sink in the middle of the store.

“I think all of it is literally that people have gotten too comfortable, and they don't want to go off that unemployment,” Richards said.

One immediate fix for getting workers in the door is to offer generous sign-on bonuses — “a fixed upfront cost” based on a business's current needs and resources, said Adamson.

Companies like Vashi have also added perks not typical for store-level associates: all its staff are entitled to a pension plan, up to 29 days of annual leave, including their birthday off plus bank holidays, and have access to a “mental health first aider,” said Dominguez. The package of perks also includes free gym membership, access to an online physician and prescription service and life insurance from day one.

The more competitive the labour market gets, the tougher it is becoming for retailers to keep up with the perks required to engage a disinterested workforce. As she continues to open stores to meet demand, Madison Reed's Errett said she has started to have to go beyond sign-on bonuses, wellness benefits and offering “two to three times the hourly wage of [my competitors].”

“What I’m finding now is that if I can hire a good general manager for one of my salons and he or she is engaged in that local community and [has relationships], that gets us ahead of the curve for staffing,” said Errett, noting that she’s also offering kickbacks to employees who refer their friends.

Permanent Changes

Some retailers will struggle to attract talent to store-based roles — such as sales associates and store managers — that have changed during the pandemic. Although “omnichannel” services like curbside pickup and ship-to-store existed before Covid, they have been adopted en masse during the pandemic. Many retail workers whose job used to primarily revolve around serving customers now find themselves packaging online orders as well — without additional pay.

Some of those new tasks, from walking an online order out to a car or showing a shopper an item on an iPad while they peruse a clothing rack “people just aren’t going to be interested in,” said Caroline Pill, a partner at executive recruiting firm Kirk Palmer Associates’ London office.

Former sales associates who spent the pandemic learning new skills “aren’t willing to return to [an industry] where so many of the roles are so labour intensive,” she said.

“It’s no longer as attractive as it used to be 20 or 30 years ago to work in fashion, luxury and retail,” she said. “I think fashion companies need to take a long look at themselves and see who their actual competitors are and it’s not just their industry — they’re competing with the travel industry and data companies like Apple.”

For those workers, “good pay and a good office,” aren’t enough, she said.

“People want to be proud of where they work,” Pill said.