DO PROGRESSIVE PAY PROGRAMS PAY OFF?

People respond well to goals—especially when the journey involves reaching a bunch of small milestones along the way, like finishing a 5k while training for a half marathon or dropping five pounds knowing there are only 10 more to go. Milestones mark progress and keep people committed!

Things are no different in the workplace, and we know many boardroom discussions are centered on the topic of reducing early turnover. So, why is the workplace full of so many programs that don't actually move the dial on retention? We don't get it. But we have one solution, and it's akin to setting small milestones. It's called progressive pay.

PROGRESSIVE PAY IS PRETTY UNCOMMON, BUT IT SHOULDN'T BE

Each year, we survey hundreds of employers across the nation about the wages and benefits they offer to light industrial and administrative workers, and each year we are stunned by how many employers are overlooking the basic—but awesome!—strategy of pay progression.

Across the nation, 88% of our industrial employers offer at least one pay increase in a worker's first year on the job, but nearly 60% of those offer only one increase during the first year. That means some workers don't get a raise at all, and a lot of workers only see one change in their paychecks in an entire year. Of employers who offer raises, slightly more than half give one on the employee's first anniversary, one-third give a raise at the 90-day mark, and only 6% and 12% give a raise after one month or two months, respectively. Here's the problem: Our data show that the average worker quits his or her assignment after seven weeks on the job, and one of the top two reasons is for pay. But, as you can see from the common timing of raises, most employers don't do anything to help combat turnover in the earliest days of an assignment when pay is an important issue. It's counterintuitive!

PAY PROGRESSION AND LENGTH OF ASSIGNMENT ARE LIKE BIRDS OF A FEATHER

Ideas are great, but the proof's in the data. We analyzed voluntary turnover to make sure workers who receive early raises opt to stay on their assignments longer than workers who do not—because, like we said, there are so many programs that don't actually improve retention.

Workers who receive a raise at any point in time before they quit stayed on their assignment an average of 171 days, whereas workers who did not receive a pay increase quit after 48 days. I know what you're thinking: The workers who quit early simply didn't stick around long enough to earn a raise, but the workers who stuck around longer did. That's probably partly true, but workers who received an increase within the first 30 days on a job stayed twice as long as those workers who didn't receive an increase at all (102 days vs. 48 days). Furthermore, each pay increase an associate received was followed by an average of about 90 more days on the assignment, indicating a few increases during the earliest parts of an assignment when turnover is highest may be all it takes to help employees get engaged and reduce the desire to look around.

Figure 1

	AVERAGE LENGTH ON ASSIGNMENT
No increase	48 days
Increase	171 days

Figure 2

WHEN RATE IS INCREASED	AVERAGE DAYS WORKED AFTER INCREASE
1-10 Days	86
11-30 Days	100
31-60 Days	87
61-90 Days	93

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PAY PROGRESSION PUTS MORE MONEY IN EVERYONE'S POCKETS

Too many companies view raises as merit rewards that must be earned over a long period of time, but that's shortsighted. As stated above, aptly timed raises (like in the first couple months of an assignment) are extremely important. Early raises don't just benefit workers; a progressive pay schedule can be financially beneficial to you, too. Just tie it in with your training program.

We rarely recommend a strategy of lowering wages, so consider implementing a progressive pay strategy the next time you increase starting wages. For example: Instead of implementing an immediate increase of $1.00 per hour, keep your starting wage the same, offer a $0.50 per hour increase after two weeks of training, and offer an additional $0.50 per hour increase after another two weeks. You'll save a little money during a period known for high turnover, and you'll give employees a couple meaningful milestones (more money—yay!) to look forward to in the first month or so—a win-win if you ask us.

CONCLUSION

In summary, you should consider implementing progressive pay scales for a few reasons: You'll be among a small group of elite employers who don't make employees wait a year for a bigger paycheck (who wouldn't want a reputation for that?!), you're encouraging retention by offering aptly-timed milestones along the way, and you will save training dollars so any early turnover hurts less financially.