

A workforce disruption

Inside employees' minds
in the retail and
hospitality industry



welcome to brighter



Industry trends

Retail and hospitality employees didn't get to stay home during the pandemic — some were laid off, and the rest went to work, wore masks, installed glass barriers and kept the consumer economy afloat. Then, in late 2021, the industry was hit with supply chain issues and labor shortages, followed by the war in Ukraine and now, inflation.

Retail and hospitality workers are struggling the most out of all employees in the industries studied in *Mercer's Inside Employees' Minds 2022* report. Most retail and hospitality front line employees make \$60,000 or less per year. While all of the above challenges hurt people working in the retail and hospitality industry, inflation has been the single biggest hit. These employees have indicated that the emergency money they had saved is now going into rent, food, and other increased expenses that they didn't budget for.

Three out of five of the top concerns for retail and hospitality employees in 2022 relate to financial security:

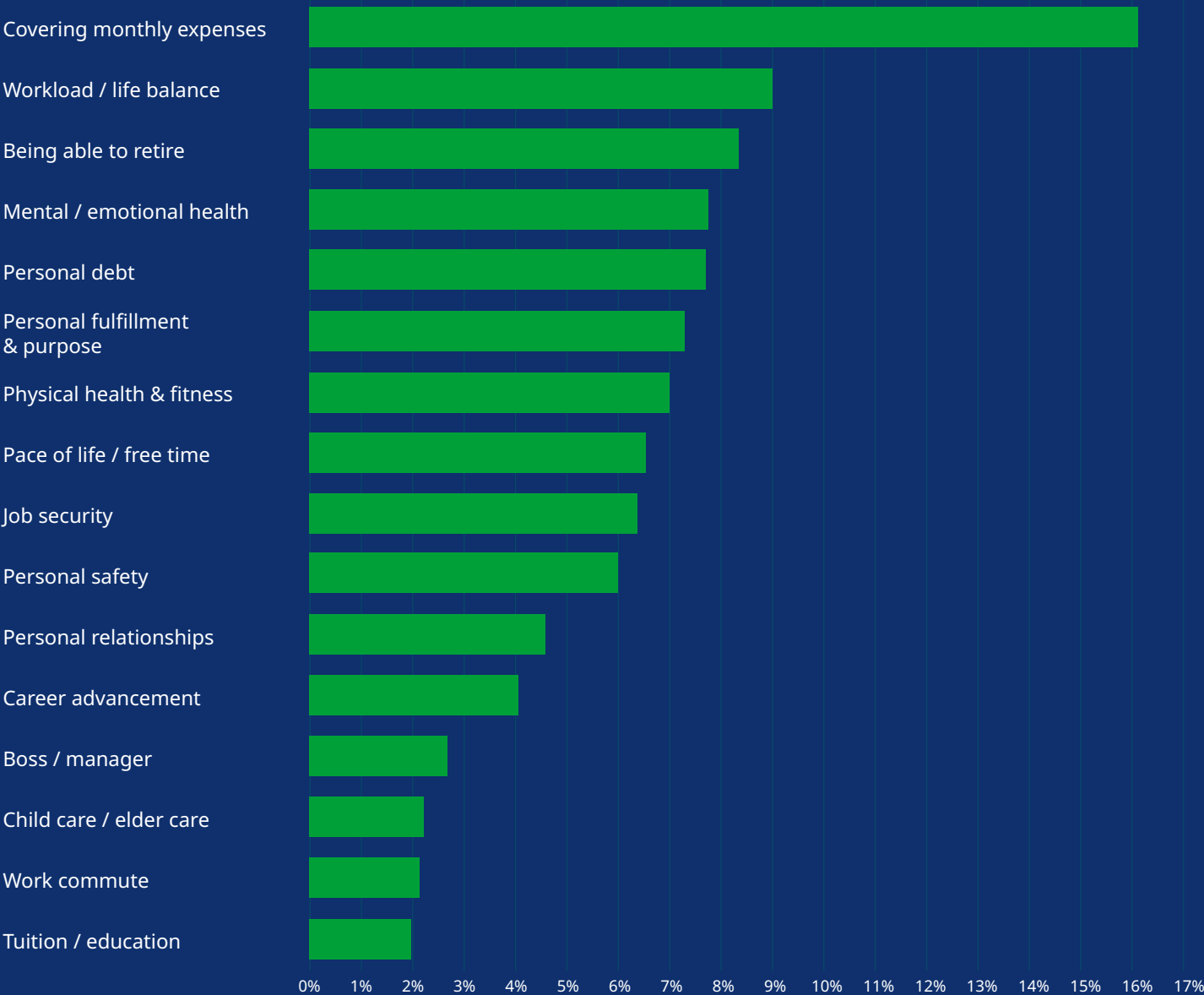
- **Covering monthly expenses remained the top concern since last year, but respondents now indicate that they're nearly twice as concerned about that as any other item**
- **The ability to retire rose to the #3 spot, up from #8 last year**
- **Concerns over personal debt are now in the top five**

Retail and hospitality jobs are typically starting jobs or part-time second jobs, and employees don't typically express a desire to grow a career in this industry. But for the first time, retail employees are raising concerns about their long-term financial wellness and are looking for increased support from their employers. Last year, there was more government support for low-wage employees, between tax benefits and relief checks — but that support has since dried up.

Now, retail and hospitality employees are worried both about covering their expenses today and the inability to build wealth in the future. As a result, many are considering leaving the industry altogether and seeking better opportunities.

What keeps retail and hospitality industry workers up at night?

Financial concerns reign supreme for retail and hospitality employees



Source: Mercer's 2022 Inside Employee's Minds® Study. Results for Food Service, Retail and Hospitality Industry Sector



Workforce trends

Many employees view the retail and hospitality sector as a stepping stone, not as a long-term career. This was the only industry in the study where one of the top three reasons employees would consider leaving is that they are looking for a career change.

Why are retail and hospitality employees considering leaving their jobs?

The value proposition isn't strong enough

My pay is insufficient



I feel burnt out due to a demanding workload



I am looking for a career change



48%

of employees say they are considering leaving their jobs.

56%

of employees making less than \$30,000 per year say they are considering leaving their jobs.

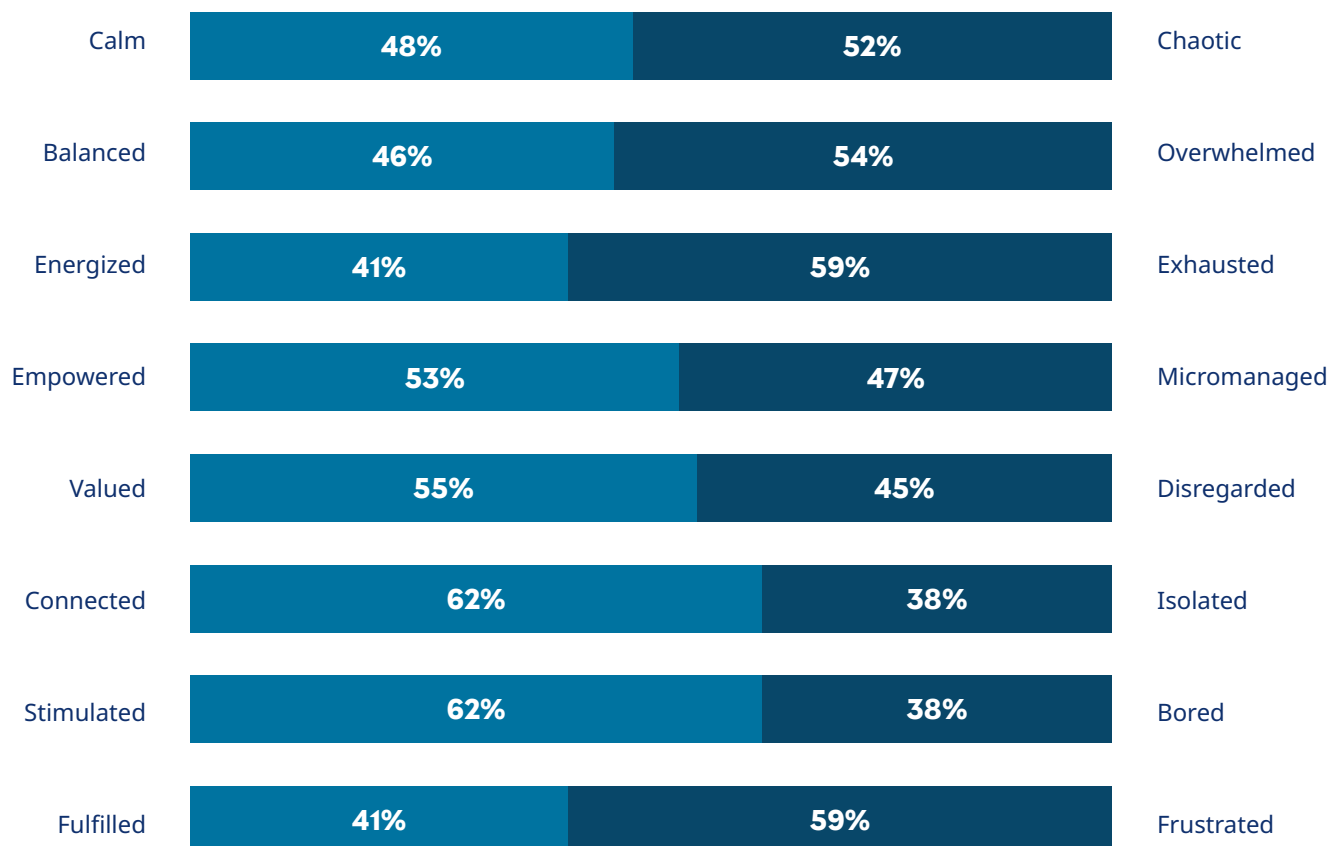
But career changes aren't the only reason people are leaving these industries. While retail employees report that their jobs are socially connected and mentally stimulating, the drawbacks outweigh the benefits for them right now. They find the work chaotic, overwhelming and unfulfilling on a daily basis. They don't feel supported, valued or heard, and they are exhausted by repetitive and physically demanding jobs.

Many retail and hospitality jobs are customer-facing, and employees have to be always 'on' and cheerful, even while customers are increasingly negative and demanding, taking out their frustration over supply shortages, price increases, under-resourcing, and/or dissatisfaction with health and safety policies.

When asked what would best support their mental health and ease burnout, retail and hospitality employees prioritized a reduced workload and flexible work schedule. This is a key area employers need to act on to improve retention — especially because they cannot financially afford a further change in pay..

Retail and hospitality workers are exhausted.

Employees are challenged with a chaotic, overwhelming work environment





Action items

What can employers do to retain people? They must address the [employee value proposition \(EVP\)](#) by thinking of their employees as their customers and reimagining the way work is done. Because every workforce is different, employers must survey employees and ask what's most important to them. Then, design and build rewards programs that meet their needs.

Here are a few industry-wide action items we recommend, based on our research.

1 Help employees make ends meet today

Take action on pay

The retailer must pay a competitive wage. The closer an employer pays to a living wage, the more likely they are to retain staff. As long as employees aren't able to make ends meet, they will continue to pursue opportunities to increase their pay. But employers need to shift from the reactive approach to pay seen in 2022 to more strategic compensation investments in 2023.



In 2022, retail employers budgeted total base salary increases of 3.6%, but actual base pay increases averaged 6.9%.

more than 8 in 10

employees in the retail and hospitality industry, across income levels, say it's important that employers address living wages in addition to competitive compensation.

Provide financial wellness resources

For many employees, an unexpected expense can set them back in their day-to-day financial management — or worse, may cause them to dip into long-term retirement savings or go into credit card debt. Offering access to financial education and an emergency savings vehicle can help employees set aside money for when they need it.

2 Help with future financial wellness

For hourly workers, vesting schedules and eligibility requirements pose barriers to long-term savings, causing employees to either leave money on the table when switching jobs or miss out on earning employer matching contributions altogether. Employers should think through eligibility and match requirements and remove barriers to help incent and facilitate long-term savings.

30%

of retail and hospitality employees feel confident that they can turn their retirement savings into a consistent stream of income to last the rest of their lives.

3 Design the career experience

Employers must story tell the employee experience for all — whether they're in the industry for a short time or want to grow their career there.

For those who want to stay, promote career growth and pay growth transparently, showing the path to growing skills, growing opportunity, and therefore growing pay.

For those who are just passing through, focus on making the work environment engaging, and support their longer-term career ambitions (e.g., with tuition assistance).



4 Support wellness and prevent burnout

Address the work itself

Retail and hospitality jobs tend to be highly repetitive and often not engaging. Employers should deconstruct the job tasks and see where they might be able to automate the repetitive elements. Then, design a more engaging day by mixing up activities so employees have the opportunity to do different things, tailoring tasks to individual interests.

Embrace flexibility

Retail and hospitality employees say that choice is more important than predictability in their schedules. They want work to work for them, with more time-based flexibility to allow them to deal with everyday life events. Employers should embrace this high-value, low-cost solution by implementing more agile scheduling systems, allowing shift-swapping, and considering modified work schedules such as a four-day work week.

What type of flexibility do retail and hospitality employees value most?

Retail workers want more control over their time

Ability to easily take time away from work for “everyday life” events

48%

Ability to flex my hours during the day

38%

Ability to take vacation time at a time I choose

36%

Ability to choose my shifts

35%

Ability to work remotely

34%

Ability to work part-time

11%

Get a fresh perspective

Mercer can help you get to the heart of what's frustrating your employees and design effective rewards programs that address their unmet needs.

Let's get started!