



Cost of living: Supporting your retail workforce as the crisis deepens

After a disruptive two years, the increasing cost of living presents new challenges for retail employers. So what can retail leaders do to support, engage, and ultimately retain their people?

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Report snapshot

Employee sentiment is changing amidst the rising cost of living crisis, our research offers insight into what that means for retailers, the main challenges for retail businesses in 2022, and why technology - especially workforce management technology - is vital in supporting both employers and employees. Here are the key takeaways:

The cost of living crisis impacts

The cost of living crisis is hitting homes across the UK hard, so it's no surprise that after navigating the pandemic, retail workers are feeling the pinch and are looking for ways to better manage their money. Some 62% of retail employees say they would make use of earned wage access (where employees can access wages they've earned ahead of pay day) if it was available to them.



The top three work-related expenses causing employees stress are:



32%

The cost of
their commute



25%

Unreliable shift patterns
creating inconsistent
salaries



24%

Employers communicating
poorly about shift patterns
and holiday allowance



Talent attraction and retention

Retailers are also navigating the cost of living squeeze, caught between rising prices and retaining staff. In fact, 99% of retailers are worried about talent shortages, up from 94% in September 2021.

Retailers are conscious that current payroll methods aren't working effectively, but are taking steps to prioritise their workforce:



44%

Only 44% of retail leaders
say they always pay staff
correctly



77%

77% say they
always pay staff
on time



97%

97% of retail leaders plan to
increase their employees' base
salary in 2022 in line with the
rising cost of living and inflation

Key considerations for retailers in 2022:

1. How can earned wage access solutions provide more financial control and better financial literacy to your workforce?
2. How can we use technology to better improve shift scheduling, communication, and talent attraction and retention?
3. How can we continue to hire and support a diverse workforce, and ensure our workplace technology caters to all ages and demographics?

Introduction

The retail industry has been in a period of instability for over two years, navigating talent shortages as a result of Brexit and the pandemic. While many pandemic-related issues have lessened or subsided, new challenges have emerged, with the war in Ukraine impacting retail supply chains and the rising cost of living creating challenges for consumers and retailers alike.

The British Retail Consortium reported that UK retail sales slowed in March 2022 as rising inflation began to impact consumer spending and led to the sharpest drop in consumer confidence since the 2008 financial crisis¹. Rising fuel and household costs are also impacting how consumers spend their money - spending is up overall but there has been a shift in the items people spend on. This makes it harder for retailers to plan. If they have less overall business and need to pay higher wages, do they increase the price of goods further? Or will that detract from sales and cash flow?

While these are difficult questions to navigate, an ongoing obstacle remains: attracting and retaining the staff that will service operations and customer experience. This is highlighted by the fact that almost all retailers are worried about talent shortages, and this is increasing year-on-year.



¹Retail sales slide as UK consumer confidence sinks to record low

This report also shows financial challenges for both sides. Retail workers are looking for innovative ways to manage their money as the cost of commuting and unreliable shift patterns cause them financial stress. Retail businesses also acknowledge their payroll systems have room for improvement to improve accuracy and on-time payments, but reassuringly they also plan to increase their employees' base salary in 2022 in line with the rising cost of living and inflation.

Aside from money-related challenges, the research also demonstrates a clear need for better use of technology to support employee engagement and wellbeing. There are inconsistencies in how retailers plan, schedule and communicate employees' shifts for instance, with everything from paper rotas, to WhatsApp groups, to HR platforms being used. Alongside this, both retail employees and leaders feel that the most useful aspects of using an HR platform would include tools such as employees being able to flag their availability, and retail leaders particularly would make use of tools to provide better financial literacy, self-service tools for employees to update personal information, and tools that can streamline appraisals, performance management and training.

While there is still a lot that is unpredictable about the year ahead, retailers can make changes now to help resolve some immediate issues and better set themselves up for the long term. In this report, we deep dive into the challenges retail employees are facing in their roles and how they feel these could be improved, emerging trends in the retail workforce, and what all these factors mean for retail leaders.



Methodology

This whitepaper is built on insights from two surveys. One was a survey of 251 HR, digital transformation, IT, finance and operations decision makers at senior manager level or above in retail sector firms of 500-6,000 people, and the other was a survey of 502 retail workers in the UK. The surveys were conducted by Fourth in collaboration with Censuswide in April 2022.



How the cost of living is impacting the retail industry

Understanding employee pressures

The cost of living crisis is impacting all industries across the UK. However, for retail leaders to continue to run a successful business, they have to consider how this crisis impacts their employees - not just their bottom line, and the role that plays in employee engagement and retention. In our 2021 whitepaper², retail leaders expected their top challenges for 2022 to be staying competitive against eCommerce brands (37%), staff shortages - particularly sourcing staff post-Brexit and ensuring staff have the correct visas and work permits (37%) - and Covid concerns, such as keeping the shop floor Covid-safe for both staff and customers (35%).

While these concerns remain valid, the cost of living crisis has evolved them, and talent retention is now even more critical in maintaining business stability, reinforced by April 2022 findings, **99% of retail leaders are worried about talent shortages in their businesses (a rise from 94% in September 2021)**. Retailers depend on their workforce to perform various key operations across different times of the day to ensure they meet the expectations and needs of their customers. Any delays or inefficiencies that disrupt even a single operation can greatly impact volume of sales by delivering a poor shopping experience, creating a risk of spoiled goods, empty shelves, long queues, and more. **In an already tough environment, talent retention is critical, and its essential retailers can balance staffing levels and labour costs against the variability of customer demand.**



of retailer leaders are worried about talent shortages

²Talent, convenience, and technology: The Retailer's guide for 2022

So what are employees' main financial worries? And how can retailers better support and engage their people to retain them?

Our data suggests that retail employees are feeling the pinch of the cost of living, with work-related issues contributing to their financial stress. When it comes to job-related issues that cause them to worry and stress when planning their finances, retail workers cite the following as their top concerns:

Top concerns for employees



32%

The cost of
their commute



25%

Unreliable shift patterns
creating inconsistent
salaries



24%

Employers communicating
poorly about shift patterns
and holiday allowance

Cash flow also appears to be a challenge for retail workers. **The majority (58%) of retail workers say a higher hourly rate or salary is the top factor that would offer enhanced value to their job**, and almost two-thirds (62%) say they would utilise being able to access their wages as they earn them rather than waiting for payday (if this earned wage access functionality was available to them). Notably, one in five (20%) retail workers say they would like more financial literacy guidance before using earned wage access tools. Encouragingly though, 97% of retail leaders say they plan to increase their employees' base salary in 2022 in line with the rising cost of living and inflation.



Payroll isn't perfect among retailers

Compounding employees' concerns, our data also suggests retail leaders haven't perfected their payroll processes. **Worryingly, less than half of retail leaders (44%) say they always pay staff correctly, whilst just 77% say they always pay staff on time, indicating that technology could help streamline employers' payroll process while also benefiting employees' financial wellbeing.** Likewise, only 15% say they offer financial literacy support to employees, and only 11% have a platform set up so employees can see their wages in real-time.

How can retailers ease cost of living pressures?

While retail leaders can't be expected to have a silver bullet to resolve their employees' cost of living-related pressures, it's clear that more can be done to improve payroll processes and scheduling, to help staff feel they're being better supported. Our data shows retail leaders should:

-  Give greater consideration or implementation to earned wage access solutions, which will help empower employees with more control over their money.
-  Consider how they can offer better financial literacy education. This may already be incorporated within the earned wage access solution, but retailers could also consider wider training programs that may benefit staff too.
-  Consider how wider operational issues like shift patterns could be better managed to ease employees' financial planning, and implement tech-based solutions to ease this.



Fourth solution spotlight: Earned Wage Access: How Financial Wellbeing Can Drive Retention

Thanks to our partnership with Wagestream, all our clients can give their staff more control over how they are paid. This impacts how they feel about work - and drives retention.



The Problem: Financial Worry Affects Retention

Nearly half of employees stressed about finances are distracted at work and staff worried about finances are twice as likely to miss work. This affects how they feel about work and when people don't feel good about work, they are more likely to leave.



The Solution: How Does it Work?

In the Fourth Wagestream app, employees can see how much they've earned in a given pay period and can instantly access a percentage of those wages. Employees are empowered to take control of their earnings, with the ability to track their earnings in real-time, choose when and how often they get paid, having instant access to their accumulated pay when they need funds urgently, and having access to practical advice and tips on managing their money with the ability to put money aside into their own private saving pot. All payments are facilitated by Wagestream, with no impact on your payroll process or cash flow. The Fourth Wagestream app also provides a personalised financial education programme for each employee.



The Outcome: Happier Employees, Higher Retention

Providing this type of financial wellbeing benefit improves financial health, which in turn improves engagement, loyalty, and productivity - all of which improve retention.

The wider retail challenges impacting employees in 2022

Beyond salary: what else contributes to financial worry?

While the cost of living will continue to be a challenge across industries, retail leaders can also look more inwardly at other factors that create knock-on impacts to wages, such as shift scheduling, wider workforce management processes, and talent attraction. With a quarter of employees saying inconsistent shift patterns (25%) and poor communication around shift patterns and holidays (24%) contribute to financial stress, retail leaders need to look closely at how they can improve rota-planning, holiday scheduling, and overall communication and management.

When it comes to managing their shifts, 68% of retail employees say they'd benefit from being able to flag availability in advance via a HR/scheduling portal. A further third (34%) also say the ability to see, book and approve holidays through a HR platform would help with people retention. The reality, however, looks different. Currently, **less than half of retail workers (44%) receive their shift rotas via digital and user-friendly routes, such as a HR platform or mobile app**, with those working in groceries (51%), white goods (50%), and sporting goods (50%) being more likely to have this access. A further 18% say their shift rotas are digital but basic - for example a WhatsApp group - which indicates a readiness for more sophisticated tech solutions. The remaining third (31%) of retail workers still receive shift rotas through analogue means, such as paper or whiteboard rotas, with those working in clothing (38%), attractions (38%), and home and garden (35%) retailers most likely to cite this. The findings suggest much room for improvement to empower staff with choice, clarity and simplicity in managing their shifts and understanding, in turn, their salary.



of retail workers receive shift rotas via digital & user-friendly routes



Fourth solution spotlight: My Schedules

Scheduling is integral to the smooth running of any retail business. However, it's often a one-way process rather than a collaborative one. With Fourth's My Schedules app, staff can proactively suggest times they are unavailable, while managers can offer open shifts that employees can volunteer for. With an accurate shape of the day, managers can also offer split shifts to cover busy periods and deploy staff to cover time-sensitive operational tasks (for instance, having staff as cashiers over lunchtime, but then moving them to restocking when things are quieter). This makes it easier to accommodate employees' work / life balance and how they want to structure their day. All of this makes scheduling more collaborative, and opens up two-way communication – avoiding confusion, keeping employees happy and reducing the time it takes for managers to finalise their schedules.



Fourth solution spotlight: Demand Forecasting and Labour Productivity

To open those shifts, retailers need an accurate view of demand needs to ensure the right number of staff available to deliver customers with the level of service they expect, whilst managing the cost of staffing at a time of unpredictable consumer demand. Overstaffing incurs additional costs, while under-staffing impacts the customer experience.

Fourth's advanced forecasting algorithm takes data such as same day last year, historical data, recent trends, weather forecast, and notable public and national events, to create an accurate demand forecast down to 15-minute segments. Managers can then overlay their local knowledge to create a highly accurate shape of the day, showing how many employees are needed at different times – including to complete non-revenue generating activities like accepting deliveries, stock replenishment, merchandising or cleaning. By accurately predicting which staff you need, where and when, you can avoid shifts where the business is understaffed and employees are run ragged. It also means you don't suffer from the opposite problem of idle staff who are either over-attentive or bored. Getting the balance right not only improves both customer service and sales, but also means employees are less likely to have a bad shift, helping build engagement.

With better communication comes better results

While shift planning has room for improvement, it's reassuring that overall 67% of retail employees say that their company's communication with them is effective. However, only **45% of retail employees say that their company uses a HR platform to communicate with them about upcoming shifts, payroll, and company updates. More than a third (37%) rely on written communication, while 34% use verbal communication for this.**

The main issue with these latter means of communication is it leaves retail leaders with little understanding of if and how many employees have taken in the information, creating ambiguity and confusion for staff, and perhaps feeding into the demand of employees seeking tech-based methods to improve workforce management.

Employees are clear on what HR technology tools retail businesses can implement to better retain their people. Employees state the three most useful tools to them would be:

Most useful tools for employees



34%

The ability to see, book, and approve holidays



31%

The ability for employees to flag availability (i.e. the employee is well and can work ahead of their shift)



27%

Access to payslips in a centralised place

While still helpful, they say the ability to roll out training programs and manage employee compliance (15%), the option for employees to update their personal info (14%), and the ability to streamline appraisals and performance management (13%) are least important. Employees like platforms that can give them choice, but this scale of usefulness helps retail leaders to understand which areas of their employee management strategy and resulting technology to prioritise. In addition, employers are better able to report on their teams and their teams' interactions, and with this greater understanding of their workforce they are better able to offer the things their employees need most.



Fourth solution spotlight: Fourth Engage

Fourth Engage is a powerful communications app that makes it much easier to engage with employees. Features include a news feed and a channel for urgent notifications and announcements, so staff can easily stay up to date while the employer can have a view into who has seen what. You can also use the Groups function to communicate with specific groups of people or send direct messages, like with WhatsApp. Employees can even set up their own groups to communicate with colleagues on non-work related subjects too, like team socials. This helps them build stronger relationships, which in turn makes them feel more part of the business.

What's more, Engage is a fully integrated part of Fourth's Workforce Management solution, which means access to the app is automated. Often when companies use a third-party communications tool, the challenge is to get employees to log on in the first place. With Fourth, employees regularly log in with ESS (Employee Self-Service) to get access to payslips, check rota scheduling, swap shifts and more, therefore Engage communications are the first thing an employee will see when they are accessing this essential information. With Fourth Engage, employees have easy access to key documents like company policies or a company handbook. And if an employee leaves the business, their access is revoked so you can be confident that private or sensitive information isn't sent to leavers.

Future proofing a valuable industry

While retaining current employees is integral to retail business success, attracting new staff is a necessary element to ensure balance with the natural churn of the company. That churn rate is something that varies industry-by-industry but for retail this has been particularly difficult to manage throughout the past two years with pressures from not only the pandemic but also Brexit. Likewise, retail employees enter the industry in a number of ways, most commonly transitioning from another profession (24%), as well as other reasons including it being the only job they have skills for (15%), needing a job with flexibility around childcare (14%), or it being their first job at all (12%).

Our data also suggests the demographic of retail workers is changing with the pandemic. **Almost all (99%) retail leaders agree that their business is seeing an increase in older workers returning to retail jobs or starting retail jobs for the first time since the pandemic.**

This creates both benefits and challenges for retailers in their planning. On the one hand, diversity in the workforce is increasingly valued by retail employees who want the opportunity to learn from other generations. **Almost half of retail workers (46%) want to learn new skills from their millennial colleagues (26 to 41-year-olds), with just over four in ten (43%) looking to learn from Generation X (42 to 57-year-olds).** Retail leaders should continue to use tools that can help eradicate biases and maintain their workforce diversity. Fortunately, 62% say they use a HR platform that can search, filter, screen, and manage candidates, all automated, as well as candidate opt-in/out options for D&I and demographic information to support this.

However, alongside this, **retailers also have to digitise and keep their workforce connected and engaged whilst ensuring that those digital avenues are accessible for all ages and demographics irrespective of digital confidence.** Currently, almost half of companies (45%) communicate with their retail workers regarding upcoming shifts, payroll, and company updates via a digital HR platform, and this number will only grow. Over time, intuitive and user-friendly digital experiences that are easily trainable and understandable to every generation will be key to user adoption and creating a workforce that can both rely on and trust technology.



Fourth solution spotlight: Applicant-tracking system (ATS)

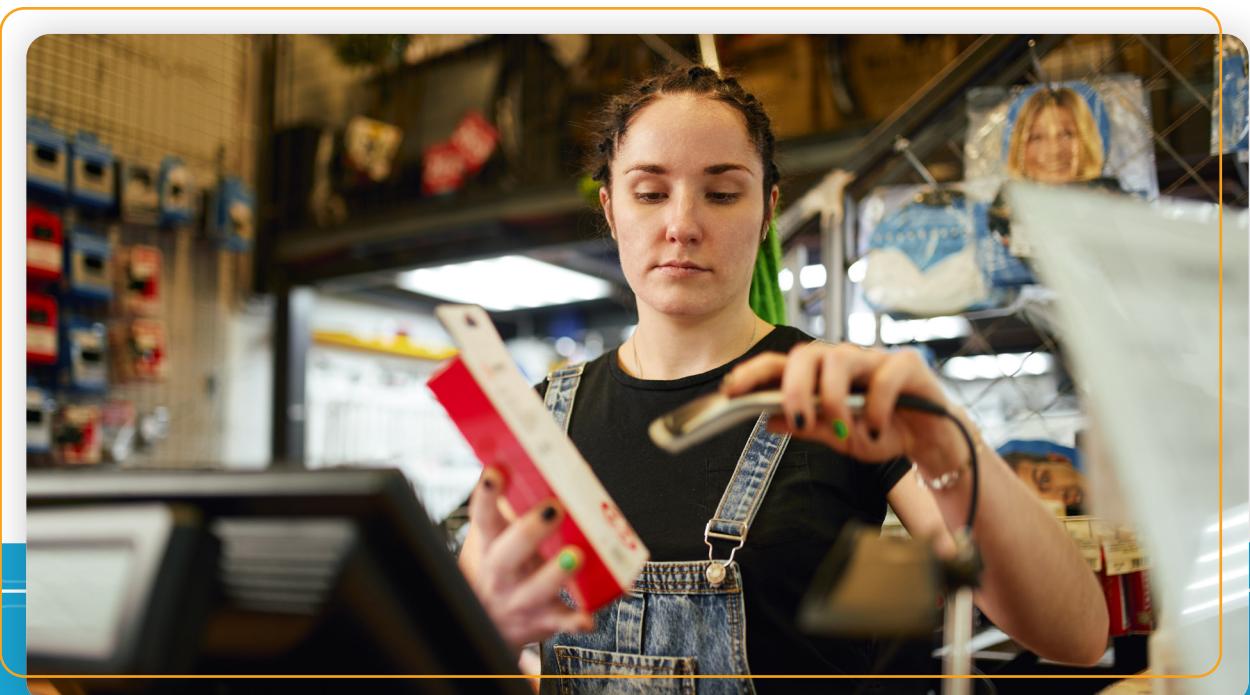
Fourth's applicant-tracking system (ATS) can be a major help to HR teams in finding the most qualified candidates, as it allows them to search, filter, screen, and manage candidates with a single, intuitive dashboard so everyone knows where they are at in the process and what to do next. Applicants are also immersed in your company brand and culture from the moment they apply, with fully branded content and communications, while hiring managers can safely decentralise recruitment with access-driven permissions that give them a 'safety net'. Retailers can quickly show vacancies, streamline the interview process, maintain compliance, and eliminate paper-based processes. Moreover, applicants applying through an ATS become a pool of contacts that internal recruiters can refer back to as new roles come up or other staff leave the business, a key value-add in a high turnover industry and something they wouldn't be able to have via external third party recruiters.

Conclusion

While there is no easy-fix to the challenges the rising cost of living creates, there are clear actions retail leaders can take to better support their employees' financial wellbeing, shift management, and talent attraction and retention.

Employees are looking for ways to manage cost of living pressures, offering more control over when and how wages are earned is one way retail leaders can help. Whilst offering earned wage access solutions may seem like a good first step, employees want more financial literacy to support this, meaning retail leaders have to factor education on this into any such implementation.

Ambiguity around shift patterns and holidays can inadvertently create further financial worries for employees, so finding a solution to manage this for both employee and employer will become a key priority as the cost of living crisis deepens. While this solution will likely be unique to each business, this is where workforce management technology can be utilised to ease employees' financial planning, whilst improving communication between a business and its workforce.



It's important to acknowledge that the retail workforce has shifted in both age and demographic since the pandemic. This has brought a greater opportunity for retailers to continue diverse hiring processes and created more ways for age groups to learn from each other. At the same time though, retail leaders must ensure any tech-based solutions implemented are accessible to all staff, regardless of their digital literacy, otherwise employee retention could be inadvertently impacted.

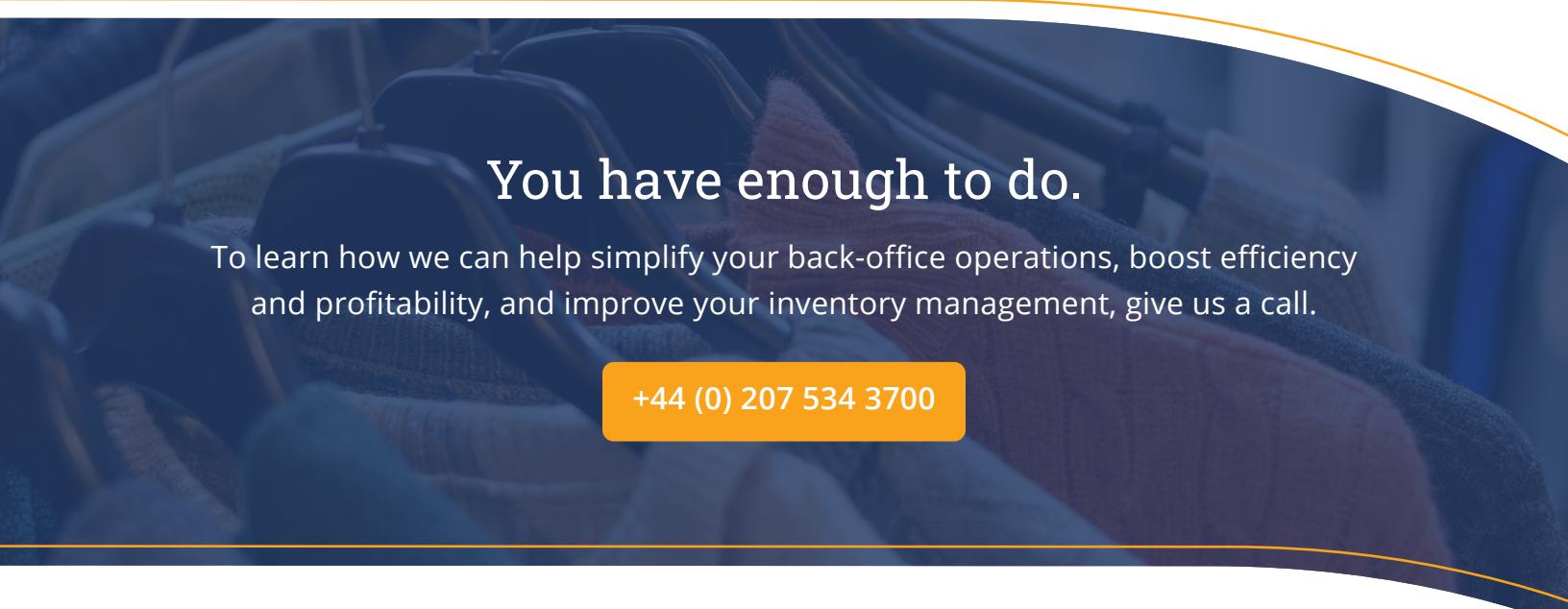
While the highstreet remains very much open, 2022 is proving to be another challenging year for retailers with a focus on both retaining and attracting staff. The cost of living has already begun to impact employees and businesses, so while the solution does not lie within retail alone, finding the right balance between supporting staff and pricing goods will be the key to sustainable success and employee retention.



About Fourth

Fourth is the leading digital workforce management, payroll and HR solution for the global retail, restaurant and hospitality industries. Fourth's various solutions give businesses oversight of how they can control costs, scale profitability, improve employee engagement and maintain compliance through its leading data and analytics suite. It serves more than 7,000 customers across 120,000 sites globally.

Our cloud-based, proprietary technology platform and fully mobile applications power the world's leading brands, including Holland & Barrett, Robert Dyas, Ryman, Boux Avenue, Selfridges, Tesco Family Dining, Gail's Bakery, Corinthia Hotels, The Dorchester, The Ivy, The Ritz, Soho House, Burger King, Pizza Express, The Wentworth Club and Sodexo.



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