

Digging Into Employee Compensation

NRHA Presents Insights From 2017 Report

Employee compensation is a major investment for every retail operation, and the topic is loaded with implications for businesses' profit margins, staff retention and competitiveness in hiring. Independent home improvement retailers are working to balance profitability with offering competitive pay rates and, often, the desire but inability to offer benefits, such as health insurance and salary bonuses.

Knowing how much similar businesses are paying their employees in specific positions and what benefits they provide can help you gauge if you're spending too much or can find new ways to reward outstanding work. The North American Retail Hardware Association (NRHA) conducted research for its *2017 Employee Compensation Report* in an effort to provide that insight.

One challenge independent retailers face widely is the growing cost of payroll, which is the largest operating cost for independent home improvement stores. About 65 percent of the participants in the NRHA study expect their payroll expenses to be higher in 2018 than in 2017. That expectation is in line with a trend of payroll increasing as a percentage of sales within the past few years, even though employee counts

are generally decreasing, according to data retailers report for NRHA's *Cost of Doing Business Study*.

The growing cost of payroll impacts what businesses can afford to pay in benefits, such as 401(k) matches or noncommission bonuses. However, retailers are still finding creative ways to incentivize good work, and you, too, may be able to come up with plans to do the same. For example, some study participants offer bonuses based on average ticket sizes, gross margin increases, cost control and customer counts, rather than individual performance or profits alone.

The following pages detail some of the findings of NRHA's *2017 Employee Compensation Report*, including average pay for specific jobs. The entire study will be presented in full in a report published separately.

The data included in this article are broken out by store type and can be used for general guidance on salaries. Retailers should keep in mind that local market conditions, minimum wage laws and the cost of living vary across the country. Variations over time may reflect market conditions, or could be attributed to the fact that the pool of respondents changes for each compensation study NRHA conducts. ─





Hardware Stores

Compared to payroll numbers from NRHA's 2014 Employee Compensation Report, wages were mostly up for full-time employees in 2017 at hardware stores. Owner and officer pay increased the most, jumping from \$50,000 per year to \$65,230, which could reflect industry growth.

Unlike in 2014, the 2017 compensation study breaks out inside sales positions' pay from outside sales jobs, as well as manager pay from assistant manager wages, so the average salaries for those positions are not comparable from study to study.

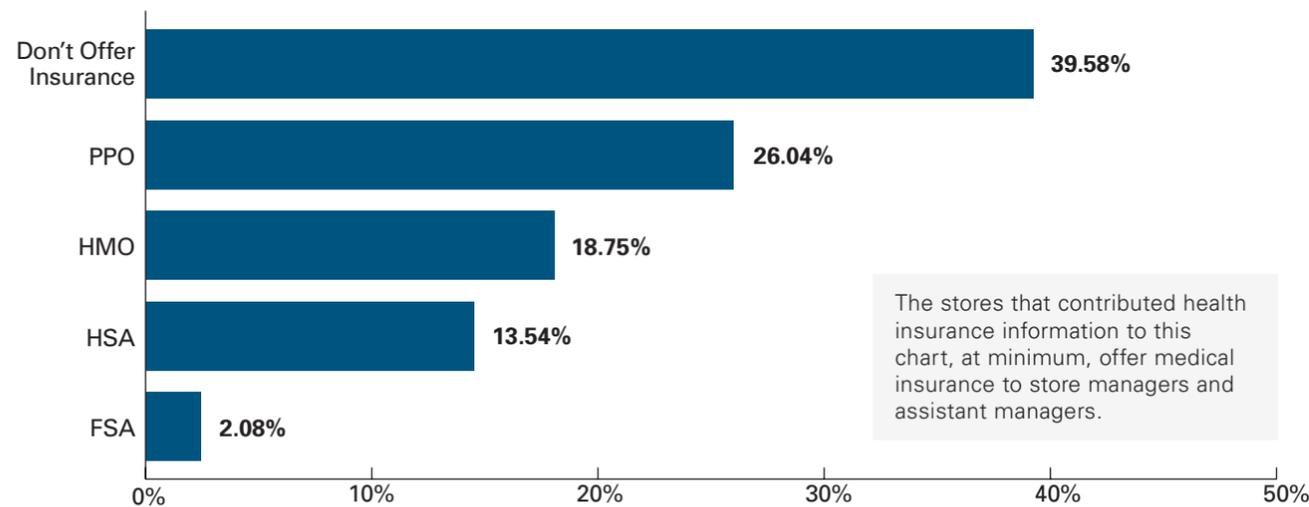
Wages for full-time department managers, cashiers, office personnel, stockers, delivery and receiving positions,

warehouse workers and yard jobs all increased at hardware stores. For example, department manager pay grew from \$12.20 per hour to \$15, and cashier wages increased from \$9.93 to \$11 per hour.

Pay for part-time workers dipped in nearly every position, except for stock, which went from \$7.25 per hour to \$10.24, and office staff, which jumped from \$12.02 per hour to \$15.93.

Notably, the percentage of stores that offer health insurance declined from 2014 to 2017, with nearly 40 percent not offering medical plans of any kind versus 32 percent in the prior study. The stores that offer health insurance pay an average of 34 percent of premiums for full-time workers.

Types of Health Insurance Plans Offered by Hardware Stores



The typical hardware store dedicates **20 training hours** per year to managers and assistant managers and **10 training hours** per year to part-time workers.



A hardware store that offers health insurance, on average, pays **34 percent** of premiums for full-time employees.



The median sales volume for hardware stores is **\$1.7 million**.

Average Number of Employees per Store in Each Position, Average Hours Worked per Week and Wage per Employee

This chart shows the average number of people employed at the various positions in hardware stores responding to the study. The employee counts are listed per store and, in some cases, are fewer than one employee per store due to one employee being used across multiple locations or simple averaging across study participants.

Position	Full-Time Employees			Part-Time Employees		
	# Per Store	Wages	# Hours	# Per Store	Wages	# Hours
Owners/Officers (annual)	1.20	\$64,321	50	0.08	\$39,393	19
Managers (annual)	0.88	\$45,495	45	0.01	\$24,000	20
Assistant Managers (hourly)	0.71	\$16.00	42	0.04	\$13.38	16
Department Managers (hourly)	0.94	\$15.00	40	0.12	\$12.36	18
Salesfloor Personnel (hourly)	3.05	\$12.00	39	2.72	\$10.45	22
Inside Sales (hourly)	0.12	\$16.00	41	0.29	\$14.35	24
Outside Sales (annual)	0.07	\$39,407	40	-	-	-
Office (hourly)	0.50	\$16.00	39	0.27	\$15.93	17
Cashiers (hourly)	0.80	\$11.00	38	1.81	\$10.03	22
Advertising/Marketing (annual)	0.01	\$40,000	40	0.01	\$11.00	20
IT/Computer Specialists (hourly)	0.01	\$21.10	38	0.01	\$13.50	11
Stock (hourly)	0.16	\$10.00	38	0.40	\$10.24	21
Delivery/Receiving (hourly)	0.18	\$14.60	40	0.07	\$10.20	21
Warehouse (hourly)	0.12	\$13.00	40	0.05	\$10.46	25
Lumber Counter (hourly)	0.07	\$11.80	36	0.01	\$17.00	14
Yard (hourly)	0.08	\$10.90	37	0.35	\$10.57	23
Color Consultants (hourly)	0.01	\$14.75	39	-	-	-
Total	8.91			6.24		



Home Centers

Wages for home center employees also increased from the 2014 study to the 2017 edition.

Owner and officer salaries nearly doubled, which likely reflects the large, high-performing operations that participated in this year's research.

Salaries for all full-time home center positions increased. For example, the average wage for a department manager increased from \$16.65 per hour to \$19.39 and, for cashiers, went up from \$9.76 to \$11.89 per hour. Warehouse personnel salaries increased by the second-highest percentage, going from \$8.40 per hour to \$14.86.

The majority of the study participants offer retirement plans to employees, with 36.7 percent providing a 401(k) and 16.8 percent offering SIMPLE (Savings Incentive Match Plans for Employees) IRAs. The most common fringe benefits that home centers offer include employee discounts, retirement plans, noncommission salary bonuses, cellphones and educational reimbursements.

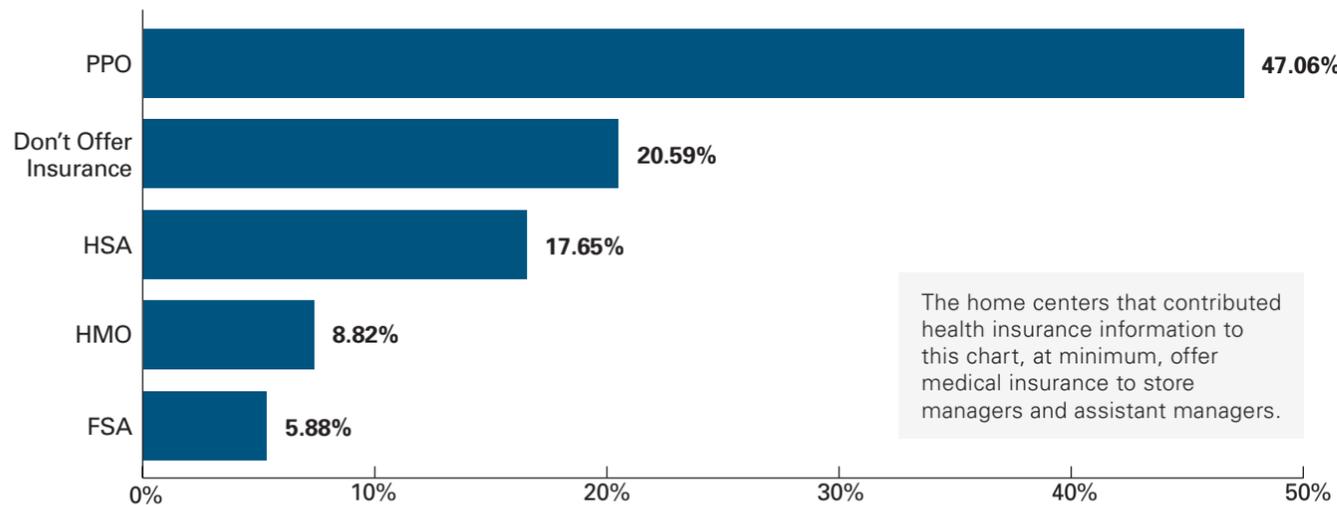
Vacation days are another benefit home centers offer to full-time employees. On average, they provide 12 vacation days per year to managers and assistant managers, about 11 to other full-time workers and six to part-timers.

69 percent of home centers do not offer formal employee training programs.



65 percent of home centers budget 1 percent or less of sales for training.

Types of Health Insurance Plans Offered by Home Centers



Average Number of Employees per Store, Average Hours Worked per Week and Wage per Employee

This chart shows the average number of people employed at the various positions in home centers responding to this study. The employee counts are listed per store and are, in some cases, fewer than one employee per store due to one employee being used across multiple locations or simple averaging across study participants.

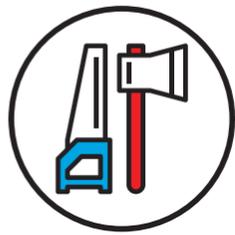
Position	Full-Time Employees			Part-Time Employees		
	# Per Store	Wages	# Hours	# Per Store	Wages	# Hours
Owners/Officers (annual)	0.36	\$103,098	50	-	-	-
Managers (annual)	1.18	\$71,192	47	-	-	-
Assistant Managers (annual)	0.71	\$51,848	45	-	-	-
Department Managers (hourly)	1.74	\$19.39	44	0.18	\$11.70	28
Salesfloor Personnel (hourly)	5.46	\$15.85	44	2.97	\$12.12	24
Inside Sales (hourly)	0.56	\$20.76	44	0.13	\$12.92	25
Outside Sales (annual)	0.46	\$56,240	45	-	-	-
Office (hourly)	1.11	\$18.44	40	0.14	\$12.10	24
Cashiers (hourly)	1.42	\$11.89	40	2.21	\$10.36	20
Stock (hourly)	0.46	\$14.40	44	0.16	\$10.72	21
Delivery/Receiving (hourly)	1.12	\$15.42	45	0.07	\$12.25	26
Warehouse (hourly)	0.88	\$14.86	47	-	-	-
Yard (hourly)	1.52	\$14.74	44	0.96	\$11.06	21
Lumber Counter (hourly)	0.19	\$19.05	40	0.01	\$9.25	28
IT/Computer Specialists (hourly)	0.12	\$31.43	45	-	-	-
Advertising/Marketing (hourly)	0.33	\$26.07	46	0.03	\$10.82	28
Design Center (annual)	0.13	\$44,401	46	-	-	-
Total	17.75			6.86		



Employee turnover during the past 12 months was **13.1 percent** at home centers, on average.

On average, payroll accounts for **20 percent** of sales at home centers.





Lumberyards

Lumberyards composed the smallest segment of the independent home improvement industry represented in the 2017 Employee Compensation Report.

The sample size and the fact that different businesses participate in the research each study offer potential for differences in data from prior reports.

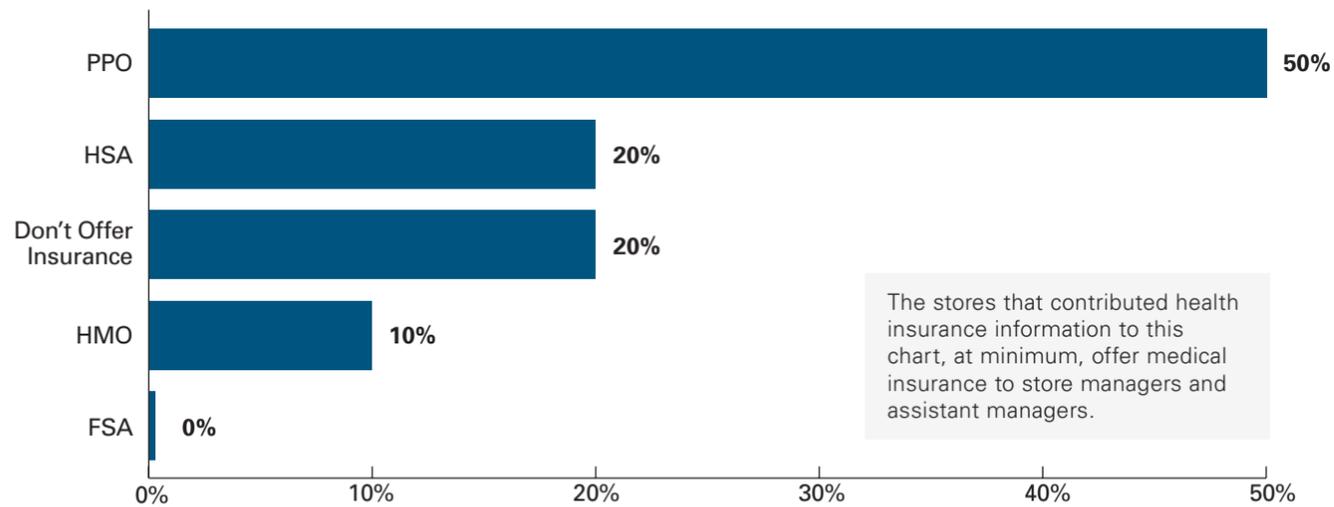
For instance, in NRHA's 2014 Employee Compensation Report, lumberyards on average employed 18 workers per location. The 2017 study shows that, on average, lumberyards employ nearly twice that many people, or 33 per location. In addition, owner and officer salaries increased from \$65,000 per year to \$92,078.

The construction industry has been on an improving trajectory over the past few years, so the study results could reflect that growth.

For the most part, the 2017 research shows that lumberyard employee wages consistently rose in amounts that reflect normal market fluctuations.

The hourly pay rate for full-time yard personnel increased by 55 cents to \$14.77. Department managers got a \$3.47 bump in pay to \$22.46 per hour, and cashiers' wages rose from \$11.50 per hour to \$13.66. The only dip in wages was for warehouse workers, whose average hourly pay decreased from \$19.23 to \$15.19.

Types of Health Insurance Plans Offered by Lumberyards



The typical lumberyard dedicates more than **20 training hours** per year to full-time employees and about **8 training hours** per year for part-time workers.



On average, lumberyards offer about **10 vacation days** to full-time employees, including managers and assistant managers.

The stores that participated in the study **do not offer vacation days** to part-time employees.



Average Number of Employees per Store, Average Hours Worked per Week and Wage per Employee

This chart shows the average number of people employed at the various positions in lumberyards responding to the study. The employee counts are listed per store and are, in some cases, fewer than one employee per store due to one employee being used across multiple locations or simple averaging across study participants.

Position	Full-Time Employees			Part-Time Employees		
	# Per Store	Wages	# Hours	# Per Store	Wages	# Hours
Owners/Officers (annual)	1.09	\$92,078	55	0.22	\$44,900	20
Managers (annual)	1.96	\$65,610	48	-	-	-
Assistant Managers (hourly)	1.22	\$48,957	46	-	-	-
Department Managers (hourly)	2.78	\$51,390	44	-	-	-
Salesfloor Personnel (hourly)	1.26	\$14.62	41	0.13	\$10.00	18
Inside Sales (hourly)	1.48	\$19.97	42	1.13	\$28.50	24
Outside Sales (annual)	0.57	\$83,775	44	-	-	-
Office (hourly)	1.78	\$17.67	40	0.04	\$14.00	20
Cashiers (hourly)	0.70	\$13.66	41	0.65	\$11.27	23
Stock (hourly)	0.39	\$13.16	40	0.35	\$9.63	18.25
Delivery/Receiving (hourly)	4.04	\$17.67	42	-	-	-
Warehouse (hourly)	3.13	\$15.19	40	-	-	-
Yard (hourly)	6.61	\$14.77	39	0.91	\$14.37	27
Lumber Counter (hourly)	1.17	\$18.23	42	0.22	\$16.94	20
IT/Computer Specialists (hourly)	0.22	\$38.12	45	-	-	-
Advertising/Marketing (hourly)	0.22	\$21.44	39	-	-	-
Design Center (hourly)	0.09	\$10.00	40	0.04	\$10.00	10
Design Professionals	0.61	\$24.57	39	-	-	-
Total	29.32			3.69		