

Should Amazon pay people more? What would happen if they immediately increased every worker's salary by twenty percent?

Largely, a salary increment would have a negative-positive effect on the workers' attitude. An increase in pay would be followed by a lower attrition rate. Recently, there has been a spike in Amazon's attrition rate, especially in Amazon Web Services (AWS). According to the *Business Insider*, AWS had a 35 percent turnover of labor in AWS in 2021. Increasing the salary would help retain Amazon's workers and most importantly AWS's engineers who are hard to recruit due to their high demand and inelastic supply. In 2020, the global unemployment rate went up by 6.5 per cent. In such a period of economic distress, the workers are likely to be motivated to hold on to their jobs and the effect of "wage efficiency" is even higher. Research conducted by the *Harvard Business Review* reveals that when a company gives unexpected pay increases, workers often reciprocate by working harder. This indicates that Amazon workers would be more productive on receiving higher salary. An increment in the salaries would attract more potential workers and increase the labour demand. This surge in labour supply would encourage Amazon's workers to work more productively, as their supply would become elastic and vacancies would become easier to fill

Not only does the increase in pay benefit Amazon's workers, but this also has positive implications for the business. A more motivated worker would be more efficient and would produce more goods per unit of time. Indeed, this would result in a decrease in the unit cost of goods and subsequently benefit Amazon with a higher profit. A similar effect was seen in 1914 when Henry Ford raised the salary of his workers from 2.34 dollars a day to 5 dollars. This was followed by a 40-70 per cent rise in productivity and 20 per cent in the annual profit. Amazon could leverage the reserves to either acquire companies or develop new products, services, methods of production or capital equipment. Indeed the quality of the products can be improved if the workforce is productive, however, it can only be improved to a certain degree. In the long run, the production of generic goods can be enhanced by utilizing capital equipment such as machines which are relatively more productive. Buying or technological economies of scale would further help decrease Amazon's total average cost in the long run. Over 84 per cent of the fortune 500s use amazon web services, imagine the revolutionizing

impact this would have on the development of new technology. On the same lines, likely, businesses using amazon's marketplace would also benefit from this recent increase in productivity. This would impact the quality and services of businesses throughout the globe. Orders would be delivered faster, the customer care would be more responsive.

An increase in the salary would have a spillover throughout the economy. Researchers Ellora Derenoncourt, Clemens Noelke, and David Weil used data from job posting sites and current population surveys, and the researchers were able to observe significant changes in entry-level salaries of some company's after Amazon's decision. This would impact the economy in many ways. An increase in entry-level salaries would be followed by an increase in the purchasing power and real income of a large part of the population. Subsequently an increase in real GDP.

However, these pros depend on the premise that the salary increase motivates the workers—if the *Harvard Business Review's* research is incontestable. According to Aon's "Trends in Global Employee Engagement Survey", pay [wasn't the most important force](#) in driving employee productivity. Instead, [career opportunities and brand reputation](#) were seen as more significant drivers of engagement. Moreover, in *Motivation to Work* behavioral scientist Frederick Herzberg states that money provides the satisfaction of physiological, security and safety needs commonly known as hygiene factors. The presence of these factors at a satisfactory level prevents job dissatisfaction and in no way provides job motivation. Herzberg's findings are concluded from empirical research and data. It functions as conclusive evidence to state that the motivation of the employees is subject to other factors such as job security, location, employment conditions, and working hours.

If the workers aren't productive this will increase the total labour costs of the business. Amazon spends over 5.6 billion on labour, an increment of 20 percent would imply that amazon would now be spending 7.2 billion dollars on labor. This could also have an adverse impact on the company if it doesn't meet its profit mark-up.

This would mean amazon have to increase the price of its goods and services. Since 2009, the federal minimum wage hasn't been increased, despite the pressures put by the house of representatives. While considering the recent accusations against Amazon for violating the labor laws in Maryland and negative PR, increasing the salary of the workers would improve their brand image and would encourage the locals to use the company's amazon products and services. Since 2009, the federal minimum wage hasn't been increased,

despite the pressures put by the house of representatives. While considering the recent accusations against Amazon for violating the labor laws in Maryland and negative PR, increasing the salary of the workers would improve their brand image and would encourage the locals to use the company's products and services. On the other hand, an increase in the price of goods and services may result in a decline in sales and dissatisfied consumers. Consumers may start going to physical retail stores or looking for other alternatives.

According to the second annual consumer survey from delivery services provided convey. 42 percent of the respondents prefer using Amazon because of its "best pricing". This means that a price increase would disappoint 42 per cent of the consumers and potentially even more.

A low profit would also disappoint the shareholders of the organization and discourage new potential investors.

In the long run, the notion to increase the salary may also instigate an internal ripple effect. This means that even after the increment, there will always be workers who are wanting to be paid more in relative terms. This would considerably increase amazon's costs.

On the other hand, an increment in the salary of workers may harm the economy despite changes in entry-level salaries of some companies. A report from the *New York times*. reveals that A 10 per cent increase in the base wage at a company like Amazon translates into a 1.7 percent loss in local jobs — and a 0.4 percent loss in jobs for low-wage workers. Besides driving up unemployment in the local area , this also drives nasty and sunset industries out of business. Nasty industries don't have the capital to pay their workers as much as amazon. This consequently results in the nasty industries having a lower skilled workforce.

After weighing out the pros and cons of increasing the salary, it can be concluded that in the long run, increasing the salary of the workers has more negatives than positives. Especially considering Amazon just doubled its minimum wage in 2018. Motivation and productivity of workers are subjective to other factors such as recognition, responsibility etc. Money solely won't guarantee a motivated, efficient workforce. The money used to increase the salary can be used for the research and development of new products/services or investments in capital equipment. At the end of the day, for a multinational operating private, profit is one of the most important objectives, and it can be concluded that increasing the salary of the workers definitely won't guarantee a productive workforce and it may also tamper with the economy by insinuating unemployment.