Long Island Newsday: Inside Long Island Business

July 2013June 2013May 2013April 2013

Can companies boost revenues by paying higher wages?

Wednesday June 26, 2013 4:13 PM By Nicole Levy

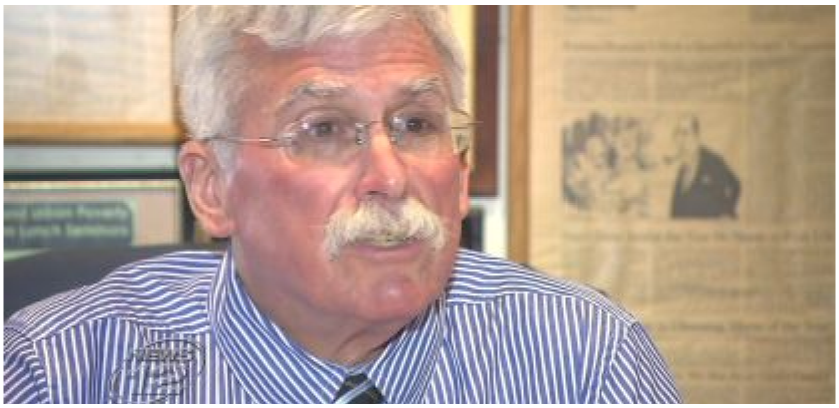

Photo credit: Handout | Martin Cantor, who conducted a survey of service businesses on Long Island, said higher wages and higher revenues often go hand in hand, but one doesn't necessarily cause the other.

One way to increase company revenues may be to pay employees higher wages, a survey of small service-sector businesses on Long Island suggests.

Results from the survey -- commissioned by Freeport-based Advantage Payroll Services and issued to 854 small service-sector businesses on Advantage's client list in April -- reveal a strong correlation between better wages and better revenues.

Payroll president Robert Basso, who moderated a Wednesday morning panel discussion of the survey's conclusions, called the correlation a "big eye-opener," and a logical one. "You pay your people better, you're going to get better productivity and your revenues are going to increase," he explained.

But survey conductor Martin Cantor was careful to distinguish the difference between correlative and causal relationships when evaluating factors such as revenue increases, higher wages and expanding workforces.

Although revenue increases for small businesses and higher wages for their employees often go hand in hand, a wage increase doesn't necessarily predict a revenue increase. A revenue increase for a small business does, however, predict that the company will hire more employees. "In the Long Island economy, if companies do well, they'll hire more people," said Cantor, director of the Long Island Center for Socio-Economic Policy, a Melville-based think tank.

Qualified labor is a competitive resource on Long Island, Cantor noted. About 40 percent of survey respondents said they had difficulty finding capable employees.