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Gap wage hike predated move by big retailers

Bumped-up minimum to \$9 an hour brings double-digit rise in applicants

WASHINGTON — Gap Inc. might not have raised wages before raising wages was cool, but it certainly beat a lot of other companies to the party.



Fully a year before Wal-Mart, Target and T.J. Maxx announced last month they would bump their baselines to \$9 an hour, Gap — which has 65,000 employees across its brands in the United States — had already done so, making it among the first U.S. companies to announce an across-the-board hike in its minimum wage. The stated reason was clear.

“Our decision to invest in front-line employees will directly support our business, and is one that we expect to deliver a return many times over,” Chief Executive Glenn Murphy wrote in a letter to employees.

Those returns aren’t just important for Gap. They could also persuade other companies to pay workers more if the experiment turns a profit. It’s been almost nine months since the \$9 wage kicked in. How’s that return on investment coming?

So far, there’s been one clear reaction, a Gap executive said at a conference Tuesday in Washington. For years, the company had tried to get more people to apply to work at Gap’s stores. Only the wage increase made any difference.

"Almost immediately, we saw our applications increase by double digits," said Dan Henkle, the company's global head of human resources, on a panel at the Council of Institutional Investors' spring conference. That, in itself, should lead to better performance, he thinks. "The idea is, the more people who are applying to your stores, the greater the pool to choose from, you'll get the best talent into your stores."

As for things that impact the bottom line, like employee retention and in-store sales? Well, they don't know yet.

"One of the things we've asked for is patience," Henkle said. "We're not expecting that some of the biggest investments we're making are going to show overnight success."

They do expect it to show success down the road, though. To that end, Gap is working with Harvard supply-chain expert Michael Hiscox to set baselines and measure change.

For back-office employees, Gap has also instituted a "results-only work environment," which allows people to work whenever from wherever, as long as they get things done."

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