

Psychologist Adam Grant Says Paying Employees ‘Extremely Generously’ Can Actually Benefit Employers, Too. Here’s Why.

What if employers paid their workers the highest salaries they possibly could?

According to psychologist and best-selling author Adam Grant, it’s in an employer’s best interest to pay their employees as much as possible – in the form of a high starting salary and raises.

Higher paychecks give workers an increased incentive to stay at the company, leading to better retention rates, lower turnover costs, and a more stable workforce in the long term, he says. Grant frames higher salaries as an “investment” for companies.

“Giving people a raise, and in particular, paying them well—some would even say paying them extremely generously—is an investment in motivation and retention,” Grant told *Fortune*.

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Gallup estimates that replacing an employee can cost a company up to two times the worker’s annual salary – much more than the median 3.8% annual raise in 2024, according to data from nonprofit think tank The Conference Board. Still, job hopping may not yield a significantly higher salary, anyway. According to federal wage data released this week, people who stayed in

their jobs saw their salaries rise by 4.6% in January and February while switchers experienced a slightly higher increase of 4.8%.

Adam Grant. Photo by Brian Stukes/Getty Images

“When organizations pay on the top end of the market range, they end up with unusual loyalty, because people know that they can’t easily replicate the salary that they’re getting elsewhere,” Grant added.

Employees with higher salaries are also more motivated and engaged, per compensation site Figures HR. According to Gallup, higher employee engagement means 78% less absenteeism, 18% more productivity, and 23% more profitability.

Meanwhile, a new Harris Poll survey for Bloomberg News released last week found that three in four workers think employers have the upper hand in the job market. The hiring rate for all workers was 3.4% in January, a low point in the past decade, while job postings were down 8.6% in December compared to the same time last year.

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