Individual employees undertake work in return for fair pay. If we consider living wages as an exchange in this way then some important psychological insights emerge about the positive consequences of living wages for individuals.

Living wages raise perceptions of organisational justice – this leads to the start of a positive spiral for employees.

- People work harder for organisations that fairly reward their labours. This is both in terms of their performance on specific tasks but also in terms of their discretionary effort. As a result, the workplace becomes a nicer and more supportive place to work.

- People are more satisfied by work that recognises their efforts in an equitable way. As a result, they are more likely to put in more effort and so the quality of their work and the service they offer improves. They are more likely to detect errors that get in their way of their capacity to do their work. They are more likely to make suggestions about how to improve their work. All of these new discretionary aspects of their work start to make their work more interesting and therefore more enjoyable, which in turn increases their satisfaction and further improves performance.

- These processes raise employee morale and as people start to invest more in their work, they become more committed and show more loyalty to their organisation. They start to care more about ensuring they comply with the rules and regulations that are important to their organisation. Their harder work and effort can make them feel more secure in their work, so they start to think about their future and the opportunities from this work and workplace.

- Other high quality more skilled people start to be attracted to the workplace too – employees are more likely to recommend this workplace to others, and as it is a better place to work there will be a step change in who is attracted to join them.

- People who earn a living wage are able to work smarter because they are less depleted through not having to rely on multiple jobs to support them and their families and by being more able to afford to relax and to actively enjoy their leisure time. As a result, they are less stressed about work and life.

- Living wages result in people feeling happier in their work, so their well-being is improved. As a result, they need to take less time off for ill-health, their new leisure time leaves them fitter in mind and in body, they have downtime which genuinely restores them leaving them able to be more productive.

- As a result of all of these things people start to become more self-confident, and so they are willing to try new things and to develop their skills further.
Living Wage

Reputation & branding
Customer & supply chain development

Improved productivity
More skilled staff attracted
More capacity for problem solving & efficiency
Better task & service quality

Reduced costs
Improved retention
Reduced recruitment & induction costs
Errors and sabotage
Lower absence management

Organisational outcomes
- By paying a living wage an organisation becomes a more attractive employer, improving the skills and talent pool from which new workers can be selected.
- Building organisational reputation and branding - Through developing a business case for a living wage, organisations can help others and grow their supply chain. They can increase in market share through targeting like-minded organisations e.g. Scottish Business pledge as customers. Integrating living wage conditions into their procurement agreements and contracts demonstrates the organisation’s social commitment. Through this they enhance their reputation as a responsible employer and business partner and boost their brand value.

Job and performance outcomes
- Job performance of staff improves as employees can afford to buy a reasonable basket of goods for their family and pay their bills, so it improves their mental and physical health and ultimately positively influences job performance.
- Organisational capability is boosted as the staff have a better basic skill level which can be further raised through training and development opportunities. Paying the living wage offers productivity improvements and cost savings. The improvements to job performance can stabilise revenues and lead to new value creation as relative reductions in costs of recruitment and training are complemented by productivity gains and reputational benefits.

HR outcomes
- HR costs related to recruitment and induction start to fall as the workforce becomes more stable and turnover decreases. There is also a decrease in the time required to search in the market for new employees.
- Fairness and equity attributed to living wage job attracts socially aware and more skilled employees. This in turn boosts the capability of the work force offering potential for further rather than more basic training and development.
- Staff morale and engagement rises along with job satisfaction leading to pride in work, skills development, workforce retention and discretionary effort with employees recognising the fairer rewards for their improved performance.
- A more cohesive and positive working environment creates healthier, happier staff and minimises downtime due to reduction in staff illness and job interruptions. Time spent on absence management falls.
- These improvements can be monetised for your organisation to help you make the business case for living wages.

IMPACT FOR INDIVIDUALS
Dr. Andrea Coulson, University of Strathclyde
1. What is the Living Wage and why is it important?

The living wage is the minimum income necessary for a worker to meet their basic needs. Needs are defined to include food, housing, and other essential needs such as clothing. The goal of a living wage is to allow a worker to afford a basic but decent standard of living without having to access means-tested in-work benefits/tax credits. Rather than viewing living wages in terms of family poverty, it is far more useful from an HR perspective to understand the positive impact of more equal organizational reward policies and their impacts on workers.

2. Advantages of adopting the Living Wage

From an HR perspective, paying the Living Wage has been shown to have many advantages including: reduced employee turnover rates, and associated cost savings related to recruitment and training, higher staff motivation and morale, reduced absenteeism, better employee relations, the ability to attract higher quality staff, and an enhanced reputation as a socially responsible employer.
3. Practical steps to ensure successful and sustainable implementation of the Living Wage

Above and beyond being aware about these advantages that the adoption of the Living Wage can bring to organizations the following practical steps are recommended to ensure that an organization maximises the benefits of Living Wage implementation.

- Be clear about the strategic rationale for adopting the Living Wage
This includes considering questions such as:
  How does the Living Wage fit into the strategic outlook of the organization? Is it viewed as an HRM tool designed to secure employee effort and commitment? Is it linked to a quality service or product offer, for which well-paid staff is required to ensure success of the company? Is it linked to a wider strategy of staff training and skills development? Is the Living Wage part of the company’s wider social responsibility strategy? Rationales for Living Wage adoption are likely to be stronger where the higher pay rate is not seen as a cost centre but as an investment for a stronger, more sustainable organization.

- Be clear about the initial cost of Living Wage adoption
This includes considering how many, and what type of, direct and indirect employees will have their pay upgraded by accreditation, how much Living Wage adoption will add to wage and contract bills, and consideration of whether these initial costs can be absorbed by the organization or whether changes need to be made to accommodate the Living Wage. An important related issue is the question as to whether the implementation of the Living Wage should also lead to similar pay increases of the workforce already being paid above that wage rate, or whether pay differentials should be allowed to decrease over time.

- Consider what organizational changes need to be made to accommodate the Living Wage
While those employers who already pay most of their employees (close to) the Living Wage may be able to easily absorb the initial cost, all employers should consider whether there are any organizational changes that are required to ensure a long-term sustainable adoption of the Living Wage, including future rate increases. Typical issues to consider are the impact of Living Wage implementation on: pay differentials, overtime rates, performance-related pay as well as outsourced services, for example cleaning and catering (employers might decide to bring outsourced services back in house as part of their Living Wage implementation).

- Develop an internal communication strategy around Living Wage adoption to secure employee buy-in
In order make Living Wage adoption a success, the buy-in of all employees should be sought, especially where organizational changes are required. If there are any substantial changes, for example, in relation to overtime rates and bonuses, engagement and consultation with trade unions or employee representatives are key. Living Wage adoption should be communicated as a positive message, emphasising the positive difference the Living Wage makes in the lives of lower paid employees and/or sub-contracted employees.

- Avoid increase of workload when implementing the Living Wage
Employers should avoid at all costs the perception that Living Wage implementation goes hand in hand with an increase in workload. This will undermine plans, demoralise the workforce, and result in negative consequences for the organization. The Living Wage should be paid in the first instance to enable employees to afford a basic but decent standard of living. If there is a desire to increase staff productivity as a result of Living Wage implementation, this should be done through further training and skills development, and better employee management, rather than through any quantitative increase in workload. It is crucial that frontline supervisors and managers understand the rationale behind the strategy and its implementation. It should not be used to put additional pressure on employees.

- Monitor benefits of Living Wage adoption
While not all benefits of Living Wage adoption may be tangible or measurable, there will be value in monitoring, for example, retention and absenteeism rates and calculating cost savings arising from an improvement of these rates. Costs of prior recruitment may also be collected to gauge savings being made, as could productivity levels.

- Ensure external visibility of Living Wage accreditation
Living Wage employers will only benefit fully from their accreditation if they widely publicise their commitment, on company websites and leaflets, in email signatures, and so on. The Living Wage logo should be used in external communication so that prospective employees, customers, clients, local governments and the public at large recognise the company’s commitment to being a progressive and socially responsible employer.

References
Why Living Wage Matters

In situations of paid employment, living wage refers to ‘fair and decent’ level of income that can contribute towards enabling workers, particularly in the lower socio-economic sections of society, to fulfill their basic needs and leave some discretionary balance money with them. Living wage has the potential to influence and impact both work life and the quality of life overall, and goes beyond mere economic subsistence of human beings. The absence of living wage denies people a decent standard of living, reduces their resilience and capacity to absorb shock, and can keep them locked in a vicious circle of debt. Recognizing such challenges, the UN Sustainable Development Goals (SDGs) agreed in 2015 to emphasise ‘decent work’ by calling for the enabling of full and productive employment, the eradication of extreme poverty so no one would be ‘left behind’. Living wage, therefore, can have far-reaching consequences for people, societies, economy, business, and policy.

Living Wage and Supply Chains

The global policy commitment to take everyone along - or ‘leaving no one behind’ - is the mantra of SDGs. This mantra particularly includes millions of workers in countries such as Cambodia, India, Costa Rica, China, Kenya, Bangladesh. These workers on farms, and in workshops and factories connect inextricably to our daily lives through various visible and invisible products that we buy in shops and consume every day. From avocados to chocolates, shoes to shirts, spices to fruits, to other such commodities and items that we consume, arrive into the UK from different countries across the world, after moving through complex, diverse, fragmented, and far-reaching globalised supply chain system. These supply chains do not just enable products, produce and commodities to be travel from one part of the world to another, they also foster linkages through which value, skills, benefits, and opportunities are both created and distributed. Attention on supply chains in terms of the living wage can, then, play a vital part in helping to realise the UN’s SDGs and in moving towards a more equitable world.

Numerous civil society organisations (CSO) have been calling for the protection of basic rights for low waged workers, including their rights to collective bargaining. In an increasingly globalised world, CSO campaigners and the media have become critical actors in employment relations along these supply chains, with their campaigns having the potential to expose poor practices of firms. Oxfam, Ethical Trading Initiative, Asia Floor Wage Alliance have highlighted and reiterated calls for payment of living wages along supply chains. Initiatives such as the Global Living Wage Coalition (GLWC) and the scholars group the Global Living Organizational Wage (GLOW) study conditions, structures and power relations that fuel these inequalities and low wage systems globally, and to support and realise the goals of living wage within supply chains.

1 UNCTAD report in 2013 estimated that 60% of global trade takes place through such supply chains or global value chains (GVC) and employs 16 million people worldwide.

What Can HR Practitioners Do?
Calls for living wage across supply chains are growing and HR practitioners can contribute by understanding the complexities and challenges with employment relations in supply chains. With broadening of the scope and potential of HR within firms, HR practitioners can proactively plan and should consider living wage issue by taking the following steps:

Know your supply chain:
Irrespective of the product, service or industry, supply chains are the dominant way of organising work, and it is important to know the chain, operations, activities, actors and locations. Gather information about the wages paid to workers across your operations and locations through secondary research and liaising with experts in the area and sector.

Know your stakeholders:
Be aware of and know the actors and organisations involved in and/or interested in the supply chains and living wages, including NGOs and CSOs.

Form working groups for determining living wage: Set up industry/sector/area/firm specific groups for dialogues on living wage in supply chains. Reach out to experts at GLOW/GLWC to learn about how living wage can be calculated for product/s your firm and industry regularly procure from. There is no agreed upon methodology, but several are available, including guidance on determining living wage geographically.

Embark on your journey:
After procuring the relevant information, knowing the people/experts/guidance/tools available, embark on your organizational journey to ensure payment of living wages in supply chains, to create an equal world where no one is left behind!

Sources
Ethical Trade Initiative (ETI) Living wage resources
In 2018 the global unemployment rate was 5%, indicating a general recovery from the 2009 financial crisis. However, despite an increase in the number of people with jobs, half of the world’s population continue to live below the poverty line, living on less than US$2 a day (UN, 2019). While having a job should reflect the ability to move out of poverty, data reveals that having a job does not automatically mean that ability to enjoy a decent life (UN, 2019).

Globally more than 700 million workers do not earn enough to bring themselves and their families out of poverty (UN, 2019). Indeed “inadequate income is a strong predisposing condition for an impoverished life…” (Sen, 1999, p. 87) as a low income not only means living in financial hardship, but also of being deprived of what is intrinsically valuable, a dignified and decent life.

What is a Living Wage?
A living wage is a wage rate that:

- ensures that those who have full-time employment and their families will not live in poverty and will have all the necessities of living (i.e. food, shelter, clothing, transportation, and healthcare) (Clary, 2009; Devinatz, 2013)
- permits workers to enjoy a decent life as it facilitates access to resources beyond mere subsistence levels (Doorey, 2015)
- enables dignified involvement in work and society (UNDP, 2014)
- makes life more than just bearable but where capabilities are nurtured and enabled (Carr et al., 2016).
- allows workers to not just meet their basic needs but also attain more capabilities or freedoms and opportunities to make choices (Carr, 2013) and to function in ways that they intrinsically value (Carr, 2017).

Measuring Living Wage
The living wage is usually calculated based on the official poverty threshold for a family with three/four members (Devinatz, 2013; Rossi & Curtis, 2013) with the poverty threshold determined by the cost of living in an area. Some methods compute for the living wage from a cost of living perspective include determining self-sufficiency standards, identifying budget for basic personal needs and/or the basic family budget among others (Rossi & Curtis, 2013). These methods determine living wage based on a basket of goods and services deemed necessary by a family living above the poverty line in a specified community (Werner & Lim, 2016). This ‘basket’ includes food, cost of rents and utilities, as well as health care, child care and transportation expenses (Rossi & Curtis, 2013). Although these methods provide a direct and objective way of calculating for living wage, these fall short in individual workers varied situations and preferences, such as those without fixed income or working hours (Werner & Lim, 2016). These calculations exclude savings, pensions, and non-material needs.
Another capability approach determines living wage based on what is intrinsically important for the individual worker and their freedoms to achieve and enjoy (Sen, 1999; Carr, 2016). From a psychological lens, capabilities perspective has inherent value to people, and concerns the factors that make-up a good life, and consists of 11 dimensions:

**Housing and Quality of Neighborhood**
A safe place to live that is clean and strong, with electricity, water and toilet facilities, and where you.

**Employment and Quality of Working Life**
Regular, permanent and legal employment; a safe place to work where one experiences gainful employment and good relations with bosses and peers.

**Savings, Wealth and Assets**
Having a house and lot, appliances, savings and being free from debt.

**Social Relationships**
Being with one’s spouse, child/children, friends, and enjoying the love of relatives and friends.

**Leisure and Spare Time Activities**
Time to rest, relax, and have fun with loved ones.

**Physical Health**
Freedom from sickness and disability; ability to exercise regularly and eat nutritious food; enough sleep, and a long life.

**Psychological/ Mental Health and Emotional Well-Being**
Giving importance to oneself; alertness, calmness and peace; able to make personal decisions, handle problems and face changes; gaining respect from family and others.

**Religion and Spiritual Life**
Opportunity to worship, pray, give alms to the church, and do good to others.

**Information and Knowledge**
Ability to read and write, finish college, study in a good school and learn through different means; ability to use one’s education.

**Government Performance**
A country that is peaceful, crime-free, with good public service and stable economy, where citizens are united, and there are equal justice and opportunities to everyone.

**Political Participation**
Knowing what is happening in the country, voting in the election, joining community organizations, and being free to express political opinion.

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**References**


