



How Living Wages Benefit Employers



Since the concept of the living wage was introduced in the 1990s, living wage standards have been implemented in 140 municipalities and counties in the U.S., including Boston, Detroit, Chicago, Los Angeles and New York City, as well as in many UK cities. In 2010, the City of New Westminster, BC, became the first Canadian municipality to enact a comprehensive living wage policy, with many private employers across BC now certified as Living Wage Employers.

As a result there is now a large body of research that documents the positive economic and social effects of paying a living wage. The benefits to workers receiving a living wage are significant, particularly when such policies boost the working poor and their families out of poverty. But employers also reap significant benefits from paying a living wage.

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Guy Stallard, head of corporate services, KPMG London, on becoming a Living Wage Employer

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Lower employee turnover rates

- A 2005 Los Angeles study of 75 living wage contractors found higher rates of employee training plus lower overtime, turnover and absenteeism rates compared to those of 210 similar non-living wage employers. In fact, staff-turnover rates at companies covered by living wage policies were **17% lower**, on average, than the rates at those without such policies.
- A 2005 study of the San Francisco airport by researchers at the University of California found that turnover rates among contracted security screeners plummeted from **95% to 19%** as their hourly wage rose from \$6.45 to \$10. The rise in wages was more than offset by the thousands of dollars saved per worker in employee recruitment and training costs.
- In 2004, Barclays Bank in London specified that its cleaning contractors in Canary Wharf provide their staff with a better pay and benefits package, including pension contributions, sick pay, bonuses, training to industry standards and increased holiday entitlements. Barclays calculated that the increased costs would be more than commercially viable through the attraction of higher-quality employees and improved cleaning standards. Indeed, the new policy resulted in a dramatic drop in staff absenteeism and turnover, along with rising performance and customer satisfaction levels. In 2007, Barclays expanded the living wage rate for cleaners to its city branch offices.
- KPMG London **halved its turnover rate** after introducing a living wage standard for its in-house and contract staff. They have also seen other benefits: “No one abused the new sick-pay scheme and absenteeism is very low. We get the benefit of reduced training costs and increased staff continuity. It is a much more motivated workforce,” says Guy Stallard, head of corporate services.



“We want to be part of a community that invests in the long-term prosperity of individuals and the economy. Paying a living wage to our employees and service providers will help make families stronger and communities healthier.”

Tamara Vrooman, President and CEO, Vancity

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- A *Harvard Business Review* article notes that paying a higher wage than other wholesale retailers significantly reduced Costco’s employee turnover rate, which remains unusually low: **17% overall, compared to 44% a year at Wal-Mart** (a rate closer to the industry average). The study also found greater productivity and lower levels of employee theft at Costco.

Improved performance and service delivery

- More than **80% of employers** involved in the London Living Wage Program (LLW) believe the LLW has enhanced job performance and the quality of staff. **Almost 75% of the employees** also reported increases in job performance as a result of the LLW.
- After the San Francisco airport study implemented a living wage policy, job performance and morale improved dramatically. In fact, 35% of employers reported improvements in work performance, 47% reported better employee morale, 44% reported fewer disciplinary issues and **45% reported that customer service had improved.**
- An investigation of the decision by Queen Mary University of London to bring its cleaning service in-house and become a Living Wage Employer showed increases in job performance, productivity and service delivery, with very little increase in costs.
- The state of Maryland found that encouraging living wage standards boosted competition for state contracts by expanding the pool of “good” firms that could compete on a level playing field.

Stronger local economies

- A 2009 Goldman Sachs report confirms that **increasing the income of people with lower wages has a proportionately larger stimulating effect on the economy than increasing the income of those with high incomes.** Low earners tend to spend more of their increased income than those on much higher incomes, because those on low-incomes have more essential spending needs to be met by any income increases. Higher-income populations deliver only three to five cents increased spending per additional dollar of wealth.
- In a 2008 study, economists at the Federal Reserve Bank of Chicago who examined 23 years of household spending data found that an increase in the minimum wage leads households with a minimum-wage worker to significantly increase their spending over the next year. In fact, for every dollar increase in the minimum wage, families with a minimum-wage worker tend to increase spending by more than \$800 per quarter.
- Vancouver’s Vancity credit union emphasized the positive role that living wages play in the local economy when they agreed to become a Living Wage Employer in 2011: “We want to be part of a community that invests in the long-term prosperity of individuals and the economy. Paying a living wage to our employees and service providers will help make families stronger and communities healthier,” says Tamara Vrooman, president and chief executive officer.

Improved company reputation and profile

- Firms are becoming increasingly aware that a commitment to corporate responsibility is essential to their public image. Though most private companies and public institutions now invest significantly in brand creation and promotion, such lofty efforts and mission statements mean little when the public learns they mask the exploitation of low-paid staff.
- **70% of employers** in the London Living Wage Program felt that being publicly recognized as Living Wage Employers increased consumer awareness of their organization's commitment to ethical standards.
- A statement from KPMG London on why it became a Living Wage Employer states: "Research suggests that most people want to work for a company whose values are consistent with their own, and that a majority of young people believe in the power of responsible business practice to improve profitability. Thus corporate responsibility is increasingly a key factor in attracting and retaining a talented and diverse workforce. Our last annual People Survey showed that almost all of our people believe KPMG is socially responsible and makes a positive contribution to the communities in which we operate."
- Being a service contractor who pays a living wage helps gain recognition from large firms and public bodies who have developed ethical purchasing policies as part of their contracting process.
- Eclipse Awards, a Living Wage Employer based in Vancouver's Strathcona district, was nominated as a Top 10 Finalist for Best Employer in BC in 2011, in part due to its pioneering commitment to living wage standards.
- Being able to advertise that you pay a living wage satisfies the growing consumer demand for ethical consumption.

How to become a Living Wage Employer

A Living Wage Employer is a responsible employer who cares about their employees and the community. They recognize that paying a living wage constitutes a critical investment in the long-term prosperity of the economy by fostering a dedicated, skilled and healthy workforce.

Living Wage Employers agree to adhere to the following criteria:

1. All employees (full-time, part-time and casual) must be paid the current living wage rate for your area. To reach the living wage rate we take into account the total compensation package (wage + benefit package) of an employee. If you pay non-mandatory benefits to your employees, the living wage rate will be reduced to take account of this. See our calculator for details www.livingwageforfamilies.ca/employers/living-wage-calculator/
2. Externally contracted staff who provide services to your organization on a regular ongoing basis must also be paid a living wage.
3. Employees paid by incentive-based pay (tips) or commission can be paid less than a living wage provided their total earnings (including incentive-based pay and/or commission) equal or exceed the living wage.

To see which areas in BC are part of the living wage employer program, and to learn how to begin the application process, visit www.livingwageforfamilies.ca

"Corporate responsibility is increasingly a key factor in attracting and retaining a talented and diverse workforce ... our people believe KPMG is socially responsible and makes a positive contribution to the communities in which we operate."

KPMG London on why the company became a Living Wage Employer



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