



How Living Wages benefit employers

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



As a result of this 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, of course, 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?

Less employee turnover

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Head of Corporate Services,
Guy Stallard, KPMG, London on

- 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 leading 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 new-employee recruitment and training costs
- In 2004, Barclays Bank in London specified that its cleaning contractors in Canary Wharf provide a better pay and benefits package, to include 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, from **30% to 4%**, 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. Other benefits have been seen as well: "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 Head of Corporate Services, Guy Stallard

- 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. Employees (**almost 75%**) also reported increases in job performance as a result of the LLW.
- In the aforementioned San Francisco Airport Study, after the airport implemented a Living Wage Policy job performance improved dramatically, as did morale. 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.
- A 2008 study by economists at the Federal Reserve Bank of Chicago, which examined 23 years of household spending data, shows that an increase in the minimum wages 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 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.” Tamara Vrooman, President and Chief Executive Officer, Vancity .

Improved company reputation and profile

- Firms are becoming increasingly aware that commitment to corporate responsibility is essential to their public image. Though most private companies and public institutions now invest significantly in “brand” creation/promotion, such lofty efforts & 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 (LLW) felt that being publicly recognized as Living Wage Employers increased consumer awareness of their organization’s commitment to ethical employer 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 BC 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

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