# A CHECKLIST FOR HR MANAGERS

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## 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 front-line 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**
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