

LIVING WAGES: IMPACT FOR INDIVIDUALS

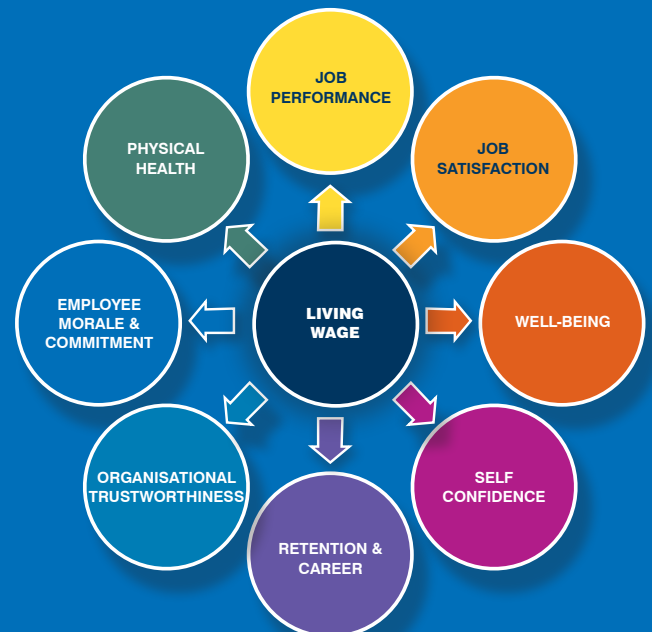
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Individual employees undertake work in return for fair pay. If we consider living wages as an exchange in this way then some important psychological insights emerge about the positive consequences of living wages for individuals.

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.

