

Living Wage

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2015

Commissioned by Employment and Social Development Canada

Social Value and Your Business

The business sector has a critical role to play in contributing to a flourishing society. And consumers increasingly expect it. There is a high level of consensus around the world that companies' social role goes beyond meeting legal requirements, complying with ethical standards, creating jobs and paying taxes¹.

How can business respond to these rising expectations? What role can business play to contribute to strong communities? And how can this be done in a way that enables business growth and delivers financial value?

Business is not apart from society but a part of society.

— TOMORROW'S COMPANY

This "Living Wage" report is a partial answer to these questions.

It is designed to address the knowledge gap for businesses large and small that seek to foster more inclusive and equitable communities, yet lack the tools and insights to play an effective role.

Leading businesses know that their financial health and the health of their communities are interdependent. By supporting the vibrancy, health and resilience of the communities in which they operate, they are contributing to their future workforce and supplier and customer base. Everyone, including business, benefits from a vibrant and healthy community and society.

While for years companies have "given back" to society through philanthropy and community relations, increasingly they are tapping into their core competencies and operations to create a more positive social footprint. They are going beyond charity to use their power to purchase, develop products, invest, market, hire and train to create lasting value for society and their business.

The "[Social Value Business Guide](#)" provides an overview of four emerging opportunities to create strong social value from your business investments and tap into the business benefits:

- **Community hiring**
- **Living wage**
- **Social buying**
- **Social innovation**

This report focuses on Living Wage.



About the Author

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Living wage



> What is it?

A living wage is an hourly wage that enables employees and their families to meet their basic needs such as food, clothing, shelter, transportation and childcare. It sets a higher test than the legal minimum wage, reflecting what earners in a family need to earn based on the actual costs of living in a specific community². For example, the minimum wage in Alberta is estimated at \$9.95 and the living wage in Medicine Hat is estimated at \$13.00 an hour while the minimum wage in Ontario is \$10.25 and the living wage in Toronto is estimated to be \$16.60 per hour³.

The living wage is the hourly rate of pay at which a household can meet its expenses once government transfers have been added and government deductions from wages and government taxes have been subtracted.

Paying a living wage is a step towards considering your workforce not as a cost to be minimized but as a strategic asset. According to a recent Forbes article, companies with this mindset “invest in their employees with the expectation that they will get even more back in terms of labor productivity, customer service, cost-cutting, innovation and flexibility during difficult times. Most businesses consider their high-level managers and skilled professionals to be strategic assets. But these companies see their front-line people that way, too.”⁴

> Why is it important?

Working is not always enough to escape low income. In 2011, 6.4 percent of earners were considered working poor.⁵ Low-income conditions affected some 1,289,000 individuals in households where the main income recipient worked for pay at least 910 hours in 2011⁶.

Paying a living wage can lift low-income earners and their families out of poverty, reduce their financial stress and foster healthy child development. Families are provided economic security that enables them to plan and invest in the future. It reduces the need for parents to work long hours at two or three jobs to make ends meet. Families are able to spend more time together and participate in community activities, promoting social inclusion. Paying a living wage also benefits the local economy by stimulating consumer spending, according to Goldman Sachs’ research, which shows that increasing the income of people with lower wages has a proportionately larger stimulating effect on the economy than increasing the income of those on high incomes⁷.

> What can you do?

The first step is to determine the living wage in your area. Depending on where you operate, the living wage might have already been determined. Living Wage Canada, a national living wage online resource, provides a searchable [database](#) of living wage calculations by city.

If the living wage for your community has not been determined, a national methodology for calculating the living wage is available at [Living Wage Canada](#). The “[Canadian Living Wage Framework](#)” defines a living wage as the hourly rate that allows two income earners to support a family of four, assuming the following scenario:

- A healthy family of four with two children.
- One child in full-time daycare, one in before and after-school care.
- Full-time hours of employment between two parents (35 – 40 hours a week).
- One parent taking evening courses at a local college to improve employment capacity.
- Costs of living including transportation, food, rental housing, clothing, childcare and medical expenses.
- Inclusion of tax credits, returns and government benefits, such as child tax benefits.

Businesses may also wish to become certified as a Living Wage Employer. To do so, you would be expected to require any contracted and subcontracted service staff to be paid a living wage in addition to your direct full-time, part-time and casual employees.

> What are the business benefits?

Paying a living wage benefits employers in a number of ways. Studies show that living-wage employers experience significantly reduced staff turnover and savings from reduced hiring and training costs, which is a strong benefit given that turnover costs can range from 10 to 30 percent of an employee’s annual wage⁸. Other employee benefits include:

- Reduced absenteeism
- Increased employee engagement, morale and productivity levels
- Reduced employee theft
- Fewer disciplinary issues
- Improved work performance

Living wage employers also report increases in customer satisfaction and brand and reputation benefits⁹. While it is conventional wisdom that business needs to keep wages low to keep prices low, research has found that “even in highly competitive industries like low-cost retail, it is possible to pay employees decent wages and treat them well while giving customers the low prices they demand”¹⁰.

One major UK firm found that paying contractor staff a Living Wage cut staff turnover by half, saving them £75,000 on the value of a single contract¹¹.

Appendix A Resources

Living Wage Canada

<http://livingwagecanada.ca/index.php/living-wage-employers/employer>

Living Wage Canada is a website designed to facilitate learning and information sharing among living wage employers and communities to help build a national living wage movement. It includes details about the Canadian Living Wage Framework which provides a consistent living wage definition, calculation methodology, and strategy for recognizing corporate and community leadership who commit to pass a living wage policy.

A Guide to Becoming a Living Wage Employer

<http://www.livingwagecanada.ca/files/6113/8443/7637/LW-Guide1.pdf>

The Business Case For Paying a Living Wage

http://livingwagecanada.ca/files/7213/8269/9483/Living_Wage_doc...pdf

Endnotes

¹ “GlobeScan Radar 2013: Business in Society”, August 2013, p. 9.

² From: http://www.livingwagecanada.ca/files/7813/8243/8036/living_wage_full_document.pdf accessed March 13, 2014.

³ From: <http://www.livingwagecanada.ca/index.php/living-wage-communities/alberta/> accessed March 15, 2014.

⁴ From: <http://www.forbes.com/sites/forbesleadershipforum/2014/07/01/why-companies-that-pay-above-the-minimum-wage-come-out-ahead/> accessed July 9, 2014.

⁵ From: <http://www4.hrsdc.gc.ca/.3ndic.1t.4r@-eng.jsp?iid=23> accessed March 18, 2014.

⁶ From: http://www4.hrsdc.gc.ca/.3ndic.1t.4r@-eng.jsp?iid=23#M_8 accessed March 19, 2014.

⁷ “The Business Case for Paying a Living Wage”, p. 2.

http://livingwagecanada.ca/files/7213/8269/9483/Living_Wage_doc...pdf

⁸ From: <http://www.americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/> accessed August 5, 2014.

⁹ From: http://livingwagecanada.ca/files/7213/8269/9483/Living_Wage_doc...pdf accessed March 15, 2014.

¹⁰ From: <http://www.forbes.com/sites/forbesleadershipforum/2014/07/01/why-companies-that-pay-above-the-minimum-wage-come-out-ahead/> accessed July 8, 2014.

¹¹ From: <http://www.neweconomics.org/blog/entry/Paying-the-living-wage-benefits-business-as-well-as-employees> accessed March 15, 2014.