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# More employers using "living wage"

## to improve workforce and business results.

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The concept of a "living wage" is one that more U.S. employers are using to help establish wage rates capable of attracting and retaining well-qualified workers while reducing turnover. These workforce improvements, in turn, tend to produce better business results overall.

For many years, employers have considered pay rates based on various, largely qualitative measurements including "competitive pay," "fair pay" and "good pay." More recently, the idea of a "living wage" has provided employers with a useful new yardstick for making decisions related to wage rates.

In a nutshell, living wage calculations attempt to determine wage rates necessary for sustaining households of various sizes and configurations, including a single employed adult, a working adult with a child or an employed adult with a non-working spouse and two kids.

### Living wage versus minimum wage

This makes the living wage fundamentally different from the minimum wage, which is set by federal, state and local regulations without regard to the family situation of workers earning the lowest legal wage.

Minimum wage rates—even in states and localities with rates above the federally-mandated level—are generally understood as inadequate to support families of any size.

The living wage concept has gained attention as academic experts, policymakers and others have sought new ways to understand and calculate pay rates capable of supporting a basic and decent standard of living among low-wage workers across the United States.

### Living wage calculations helpful to employers

A growing number of successful employers are now using the living wage concept to help establish pay rates. This is a significant development, reflecting a shift away from wage calculations based largely on determining the wage rates of competing employers and offering pay levels that are slightly higher.

More and more successful employers now understand that offering wage levels based on those found on, say, local job boards is not optimal for either their business or their workers.

Why? Because such wage rate calculations are not based on trying to provide workers with wages that allow them to cover basic necessities. And wage levels below living wage standards actually drive up worker turnover, fueling an unproductive cycle of exiting workers, hiring new people, retraining those individuals and bringing them up to speed.

### Helpful tools in understanding living wage rates

As employers strive to establish pay rates that allow workers to reach or at least begin to approach a living wage, they have a growing number of tools available to assist in this effort.

Many, for example, have turned to a "Living Wage Calculator" provided by non-governmental agencies and university-based experts. Such calculators give employers enhanced insights into what a living wage would be for various households within the local markets where they operate. With these insights, major corporations and leading smaller companies are able to make more informed pay-rate calculations, increase employee morale and contentedness, and drive down turnover.

One such resource is the "Family Budget Calculator" provided by the Economic Policy Institute. This online tool compiles the costs of essentials like food, housing, child care, transportation and health care for families of different sizes in different regions of the country, giving employers and others a new way to view the income required for families to meet their basic needs.

## Other benefits of living wage insights

In addition, employers paying at or near living wage levels can improve their standing in their local communities, gain a positive reputation as an employer of choice and avoid being seen as an uncaring and cheap employer. And improving an employer's local image can be tremendously valuable, even for employers that don't market directly to area people and businesses.

Providing more workers with pay rates at or near a living wage has other positive impacts on workers, their families and their employers. Such pay rates help workers avoid or move further out of poverty by offering them the resources to get to work more reliably, purchase food to stay strong and healthy, maintain their health and avoid sick days, and be content and comfortable enough to want to stay in their positions. Along the way, living wages can also stimulate local economies by boosting consumer purchasing power for goods and services.

## EmployBridge and living wage pay rates

EmployBridge understands the value of striving to pay workers at or near living-wage levels. The company is convinced that this effort—by providing fresh insights into the actual needs of individual workers and their families—is good for business and helpful to EmployBridge and the client firms it serves.

Currently, EmployBridge measures and tracks how its wages compare to living wages across the company's top markets, across its portfolio of employment-solution brands and across three different household scenarios: one working adult living alone, one working adult with one child, and one working adult with a spouse and two children.

These calculations help EmployBridge determine optimal pay rates capable of attracting and retaining quality workers. And the company is able to make pay-rate adjustments based on a solid foundation of current information regarding what it costs to meet the expectations of current and potential employees for maintaining a basic standard of living.

## Summary

For many companies, including EmployBridge, the drive to compensate more workers at or above living wage standards remains a journey. We know higher wages, in general, help us provide client companies with a better caliber of worker and contribute to a client workforce that is more reliable, more productive and more stable, with lower turnover rates.

Even so, EmployBridge remains committed to continuous improvement in order to better serve our client companies, our employees and our communities. Living wage calculations are helping us to improve, just as they are helping many other companies across the United States.

### What's a living wage and why is it important?

- A living wage is one that seeks to cover the basic needs of worker households based on location and family size.
- In general, living wages are significantly higher than federal, state and local minimum wage levels.
- Paying at or near a living wage helps employer companies attract and retain better workers, improve productivity and reduce turnover.
- Living wage calculations can help employers improve their image as employers of choice and avoid being seen as uncaring.