

A CASE FOR A LIVING WAGE

BUSINESS LENS

INTRODUCTIONS

There are multiple intersecting factors that come together to bring forth a good and sustainable standard of living. Among these include public services such as affordable housing, childcare subsidies, public transportation, and access to education. Additionally, the social and cultural expectations of a given community help define what is considered a good standard of living. With those factors in mind, a more immediate determinant is income. As such, conversations around living wage is crucial when exploring what is considered a meaningful way of living.

Considerations

The information on the info sheet was obtained from literature reviews and community conversations. It is important to note that implementing a living wage will have varying impacts depending on the makeup of the local economy and the target industries. It is important for stakeholders to work together when implementing a living wage so it acknowledges the unique restrictions and opportunities each community and business face.

KEY POINTS

SIGNALS CORPORATE SOCIAL RESPONSIBILITY

A certification conveys the business's commitments to social responsibility:

- Individuals are more likely to support businesses whose values are consistent with their own.
- Increases revenue by being able to charge a higher price
- Increase in sales by attracting new customers who support social responsibility
- Helps improve a company's reputation and public image

There is an increased demand for entities in the private, public, and non-profit sectors to be socially responsible.

CREATES MORE COMPETITIVE ADVANTAGE

- There is an increased trend of municipalities and businesses awarding contracts based on factors that include living wage standards and social value
- Helps recruitment efforts by using a living wage to attract potential employees

REDUCES BUSINESS COSTS, FIXED COSTS AND/OR VARIABLE COSTS

- There is a potential decrease in turnover, which then saves training costs (fixed costs)
- There is a decrease in absenteeism (variable costs)
- A potential reduction in theft (variable costs)
- Increases employee availability as it reduces the need to work a secondary job

REDUCES STRESS-RELATED WORK IMPACT

- Stress is a major factor in employee sickness, and stressed employees are more likely to spend on prescription medications
- Financially stressed employees spend a part of their work day dealing or thinking about finances, which impacts productivity and worker engagement

BOOSTS EMPLOYEE MORALE

- Employees feel work pride and loyalty, which in turn translates to motivation to work harder

CASE STUDIES

ALBERTA CARPET CLEANING

Concern: In the 1980s, the company was experiencing high turnover rates and poor and low quality customer service.

Solution: The company created a strategy to address the issues by increasing the wages of its employees, along with improving its equipment and workplace safety, and dedicating resources to training.

Result: Staff wages rose by 20-30% and the company saw significant decrease in turnover and increase in productivity (the labor cost as a percentage of sales decreased).

COSTCO VS SAM'S CLUB (USA)

Wayne F. Cascio (2006) made a case in the Harvard Business Review that minimal pay and benefits extoll higher costs in the long run based on a comparison of Wal-Mart's Sam's Club and Costco's respective business models. Costco spends more to provide better compensation and benefits to its employees compared to Sam's Club. However, Costco saves significantly more when factoring in turnover cost.

Cost to the company		
	Costco	Wal-Mart's Sam's Club
Turnover	17% overall, 6% after one year's employment	44% a year (based on Wal-Mart numbers)
Turnover cost (estimates)	In skilled and semi-skilled positions, the cost of replacing an employee is 1.5 to 2.5 times the worker's salary, but even when using a conservative assumption of 60%, Sam's club would have an annual cost of employee turnover of \$612 million versus Costco's \$244 million.	

Benefits available to employees		
	Costco	Wal-Mart's Sam's Club
Wages	\$17/hour	\$10.11/hr (average)
Health benefits for employees	82% are covered with 8% premium	Less than 50% are covered with 33% premium
Retirement plan	91% are covered with \$1,330 annual contribution per employee	64% are covered with \$747 annual contribution per employee

CASE STUDIES

HOME SPRITZ

The owners of Home Spritz were hiring cleaners as clients prior to starting their business. They noticed they would have new cleaners rotating through, rather than one steady cleaner. They started conversations with these cleaners to understand why and what was happening. What they learned was that due to the low rate of pay, cleaners would rotate through companies to receive any raises possible.

Home Spritz has had to brainstorm to ensure their margins remain feasible while paying a living wage. The technology they use to lower costs of hiring and customer service is:

- **Automated systems** through website allows the booking process to be easy and hassle free for clients and reduces client service cost on the business end.
- **Cleaners are the first point of customer service**, and they have the technology tools through the website to manage their relationship and the communication with clients.
- Scheduling, payment processing, cleaner payment, and booking management are **automated with technology**.

The **turnover rate in the cleaning industry is over 200%**. Due to Home Spritz paying a living wage, their turnover rate isn't nearly as high, so while operating costs might be higher, due to less turnover, hiring and training costs are much lower, cancelling out costs.

Home Spritz boasts an **80 Net Promoter Score** as a result of long term partnerships with their cleaners, which has yielded long term partnerships with their clients.

Since being founded in 2019, Home Spritz has grown **300% yearly and are cash flow positive**.

"So far in the industry, cleaners have been very undervalued and underpaid, and with the inflation of all the other costs going up, their rate has been flat. So with this new system we've implemented, they're getting better support while making a sufficient living wage to better support their families. Now our cleaners are not constantly worried about shuffling through different companies to make more so they can focus on what they do and do what they love, which allows them to provide better services for our clients."

Yeonsil Kang, CEO
Home Spritz

QUOTES

WHAT WE'VE HEARD FROM CERTIFIED EMPLOYERS

"We know that investing in our team is an investment in the business. It matters to us that we are developing our team and ensuring they can have a prosperous career in dog training. We are striving to create a new way of doing business in our industry and demonstrate that you can make the right decision for the dogs and your people, and still have a thriving successful business."

Megan Stanley, Founder and President
Dogma Training

"Reduced financial stress positively impacts employees, their mental and physical health, and general work morale. This is mutually beneficial for both the (Calgary) Foundation and our employees."

Tracy Maracle, Vice President, Governance and Human Resources
Calgary Foundation

"We believe, in a perfect economy, the minimum wage would track inflation. Otherwise we as a society are literally devaluing our own human labor time, which is truly our most precious resource."

Caleb Cummings, General Manager
Keto Grill and Bakery

"MAE has noticed that employee retention is improved with higher wages and a strong benefits package. Paying living wages has had a trickle-down effect in boosting employee morale and overall satisfaction with our employees' jobs, which in turn has a positive effect on overall productivity."

Claire Ha, P.Eng. Principal
McCuaig & Associates Engineering Ltd.

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The Alberta Living Wage Network is made up of community organizations and municipalities with the goal of advancing a coordinated living wage movement in Alberta. The network assists communities in their annual living wage calculation and provides certification to qualifying living wage employers.

<https://livingwagealberta.ca>

