

# A living wage increases economic productivity while reducing poverty

May 16 2022, by Anna Barford and Jane Nelson

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Credit: AI-generated image ([disclaimer](#))

It can be difficult to see a way out of the current cost of living crisis. Prices continue to rise, and there are fears that if nothing changes, many families will face [serious financial hardship](#).

The effects of this will be devastating. Poverty causes [premature death](#),

[poor nutrition](#), [disease](#) and [exhaustion](#). In the face of this bleak outlook, there is an urgent need for effective leadership to bring about change—but not just from governments. Businesses too can play a crucial role.

One of the single most important things any company can do to reduce poverty is to pay its employees a [living wage](#). Our [new report](#) demonstrates in detail how a [living wage](#) not only benefits employees and workers, but also employers and society as a whole.

Receiving a living [wage](#) helps to break cycles of poverty by ensuring that pay is sufficient to cover household essentials as well as occasional emergencies or unexpected expenses.

Our expert interviewees reported that being paid a living wage can reduce stress levels and the excessive working hours sometimes needed to make ends meet. This in turn means [fewer sick days](#) and overall [greater employee well-being](#).

From a [business perspective](#), this can result in [lower staff turnover](#), reducing recruitment and training costs. Productivity can increase, and there are even early signs that raising entry-level wages may be linked to [increased revenue](#).

We also discovered that as living wage commitments become more common, the benefits reach further into society. Wage increases stimulate spending in the [local economy](#), while reductions in poverty and inequality can lead to [greater social cohesion](#).

In short, our report (produced by [Business Fights Poverty](#), the [Cambridge Institute for Sustainability Leadership](#) and [Shift](#)) supports growing evidence that living wages offer [multiple benefits](#)—beyond those experienced by individual workers.

This should provide businesses with the confidence to see wages not just as a net cost, but as a [positive investment](#). After all, a [business](#) can only be as resilient as the workers it employs.

The wider impact on society is also clear. We found that living wages have the potential to not only help tackle poverty, but also to address many of the UN's [Sustainable Development Goals](#). For instance, one of the goals includes "[decent work for all](#)", and fair incomes are a core component of decent work. Tackling poverty can also improve access to housing, food and health.

Fortunately, being a living wage employer is becoming a new marker of business leadership, which is valued by investors and [consumers](#) alike.

In the UK for example, IKEA, Everton Football Club, and the Nationwide Building Society, are just three of over 10,000 employers [who have committed](#) to paying what the Living Wage Foundation describes as a "real living wage." In practice that means paying workers a minimum of £9.90 per hour (£11.05 in London). Similar campaigns exist in other countries, including [New Zealand](#) and [Canada](#).

## **Raising the bar**

Some companies are going even further, by extending living wages commitments to include their suppliers. In 2021, Unilever [announced plans](#) to work towards a living wage for the people who provide goods and services to the company in areas like logistics and packaging. To achieve this, Unilever is partnering with suppliers to commit to and report on paying their workers at least a living wage.

Our report, which combined extensive analysis of previous research with numerous interviews, suggests that others should join them.

Dr. Annabel Beales, who co-authored the report with us, said: "Given the sheer scale of rising poverty, a shift to a living wages economy is urgent and we need more businesses to play their part. The decision to pay living wages offers businesses a lot in return for their investment in terms of performance, resilience and stability."

To move things forward, investors and CEOs should now feel confident that the payment of living wages is a sensible business decision. Meanwhile, governments can increase statutory minimum wages to reach living wage levels.

Consumers too can push for progress through the power of their spending decisions and the businesses they support. For businesses large and small have an important role to play in combating the drivers of [poverty](#)—and can be economically more successful as a result.

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