

77th Annual Meeting Academy of Management

ALL ACADEMY THEME Panel Symposium

"INTERRELATIONSHIP OF BUSINESS AND PUBLIC GOODS

Sponsor: ONE

***Hilton Regency, Greenbriar Room
August 6, 2017; 10:30-Noon***

Stuart Carr

Professor of Psychology

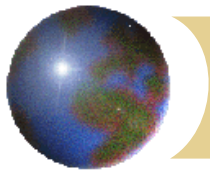
Jim Arrowsmith

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***Linking Decent Wages to
Human Capabilities in
Society: Validating the
Living Wage Concept in
New Zealand***



Some preliminaries

Low pay as a 'public bad'

- Low pay is socially subsidised through in-work benefits.
- The costs of low pay (which impact highest on disadvantaged groups) are externalised to the public
 - long hours, work/life stress, poor diet and heating = mental and physical ill-health; family dysfunction etc
 - rising living costs (housing, energy, food) and precarious work are intensifying the social costs of low pay





LWs can be a social good

- Improve **individual** wellbeing, work/life satisfaction and development
 - not simply materially, but related to subjective perceptions around dignity and being valued at work
- Improve **business** performance: 'efficiency wages' promote better recruitment, retention, motivation, productivity, returns to training, workplace relations/conflict, HRM practices, employee/consumer branding etc

human sustainability: LWs can help in 'creating an equitable, developmental and healthy workplace for employees'
(Heslin and Ochoa, 2008)

RBV – LWs can help build sustained competitive advantage by investment in human capital and building a positive culture that is difficult to replicate.

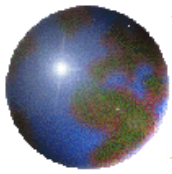


Structure and agency constraints

- 'First mover disadvantage' in highly cost-competitive sectors
- LME 'shareholder value' ownership models are transactionally focused (short-term returns) more than relational (long-term investment)
- Industrial and political disorganisation of workers intensifies rampant neoliberal capitalism

Implications

Voluntarist CSR approaches based on business case arguments, consumer pressure, even entrepreneurial commitment are insufficient
= role for regulation, e.g. LW ordinances



Moral arguments for LW regulation: Decent work and fair competition

Servants, labourers and workmen of different kinds, make up the far greater part of every great political society... **No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.** It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged.

Adam Smith, 1776. *An Inquiry into the Nature and Cause of the Wealth of Nations*

It is a **serious national evil** that any class of His Majesty's subjects **should receive less than a living wage in return for their utmost exertions.** It was formerly supposed that the working of the laws of supply and demand would naturally regulate or eliminate that evil ... Where in the great staple trades in the country you have a powerful organisation on both sides, where you have responsible leaders able to bind their constituents to their decision, where that organisation is conjoint with an automatic scale of wages or arrangements for avoiding a deadlock by means of arbitration, there you have a healthy bargaining which increases the competitive power of the industry, enforces a progressive standard of life and the productive scale, and continually weaves capital and labour more closely together. But where you have what we call sweated trades, you have no organisation, no parity of bargaining, the good employer is undercut by the bad, and the **bad employer is undercut by the worst...** where those conditions prevail you have not a condition of progress, but a condition of progressive degeneration.

Winston Churchill MP, 1909. *Trades Boards Bill Debate, House of Commons*

No business which depends for existence on paying less than living wages to its workers has any right to continue in this country.

President F.D. Roosevelt, 1933. *Statement on National Industrial Recovery Act*



Arguments against: Whose equity?

- Shareholder (legal ownership rights) vs stakeholder (vested interest rights) view of the firm
 - “Do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no they do not... The business of business is business” (Milton Friedman, ‘The social responsibility of business is to increase its profits’, 1970)
- One size fits all - yet diversity of individual, household, sector and firm circumstances
- Interference with market raises costs of employment and therefore leads to job losses (insider-outsider model of labour markets)



But, research suggests little negative employment impact from LWs

Econometric studies – e.g. Reich et al, 2017.

- Offsetting returns, as above
- Plus less scope (or willingness where customer facing) for labour substitution in many low-paid service jobs
- Labour costs relatively low proportion of operating costs (can absorb or pass on – customers not so price sensitive).

Sociological/Qualitative studies

The firm is not an atomised 'black box' but a social institution embedded in networks of communities, households and inter-firm relationships where pay-setting functions within a 'range of indeterminacy' (Arrowsmith et al, 2003).

Research implications

Benefits of processual/longitudinal, empirical, dual focus (employer *and* employee), mixed methods research

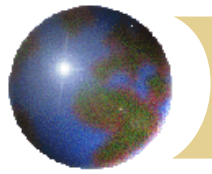


Our research

- National survey
 - 1183 employees; 606 providing rich qualitative data
 - 'Marsden' proposal under final review
- International GLOW network

Employee findings

- Both quantitative and qualitative results demonstrate that an income range approximating to the LW rate in NZ (NZ\$ 30-40k, or c. US\$ 22-29k) delivers a significant step-change in work and life 'capabilities' relating to perceived job satisfaction, empowerment, workplace justice/equity, life satisfaction, work-life balance and stress
- The results suggest a symbolic as well as material effect (extending to increased satisfaction of higher paid workers in LW firms)
- However *pay* is only part of the picture – *working time* and *work intensity* are also very important; as are intrinsic motivators to do with nature of the *work* and workplace *relationships*
 - 'Good employer', 'good management' effect (as per Herzberg, Pfeffer etc)



Employer perspectives

Mi-Guard Security

- social conscience: personal experience of long hours, low pay
- HR strategy: improve retention/stability, employee development, customer service
- business strategy: branding to win larger contracts (corporates, public sector) in newly regulated environment (lower margin/higher volume)



Nice Blocks

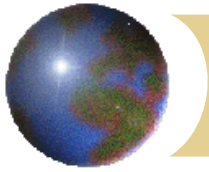
- social conscience: value staff, employ homeless; LW fits with healthy product, eco/sustainability ethos (and WOM/social media marketing)
- supports positive/unitarist small firm culture (25 staff); productivity/cost benefits = 'eventual' economic return



Warehouse Group

- 'Career Retailer Wage' linked to service (5000hrs) and training
- ethical foundations: leadership and personal values
- business case: staff retention, career development, culture change
- problems: costs quantifiable and immediate, benefits the reverse; opposition within Board, from different management functions/levels, and union





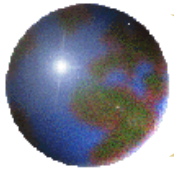
Summary

LW as a public good.

- Can strongly contribute to human, social, business sustainability.
- LW regulation could serve as a ‘beneficial constraint’ (Streeck, 1997) on employers

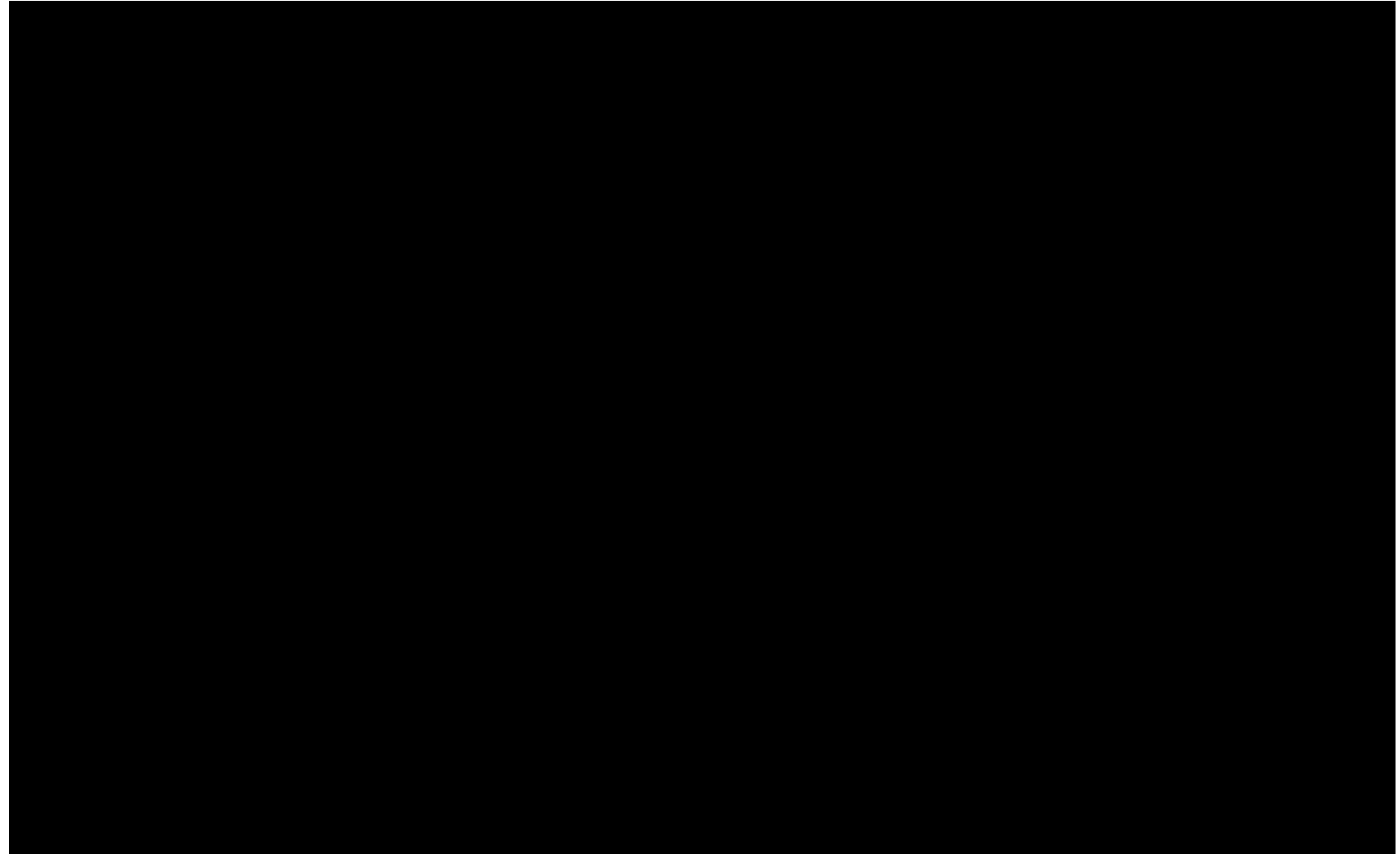
At the same time, pay is only part of the picture

- working time and work intensity very important factors
- and context/intrinsic motivators → workplace relationships; nature of the work

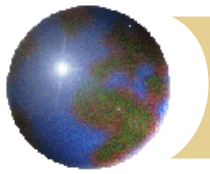


A Picture Paints a 1000 words...

<https://youtu.be/zbZafHggumo>

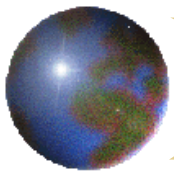


Let's sample from two GLOW Hubs...



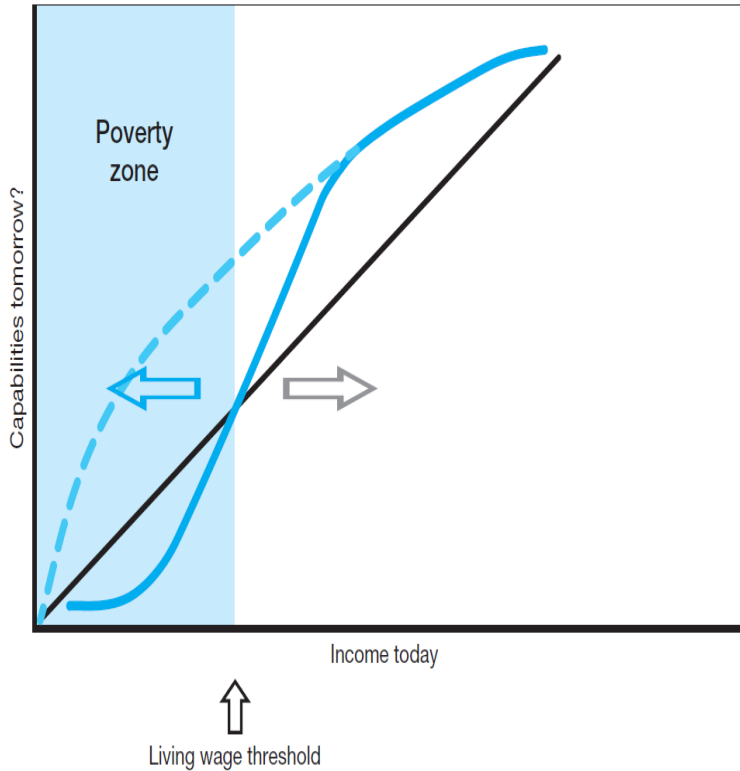
Two GLOW Hubs in Tandem...

- ✦ Treasuries in both **NZ** and **SA** have each indicated that living wages are a risk to firm **sustainability**...
- ✦ Even **THOUGH**: Job Attitudes like Job Satisfaction, Organizational Commitment, Work Engagement...
- ✦ ...Predict both work performance (Employ-**ees**) and unit performance (in organizations, employ-**ers**)...
- ✦ Whose Responsibility? **Ours**, perhaps...
- ✦ Question: How do we step **up**...



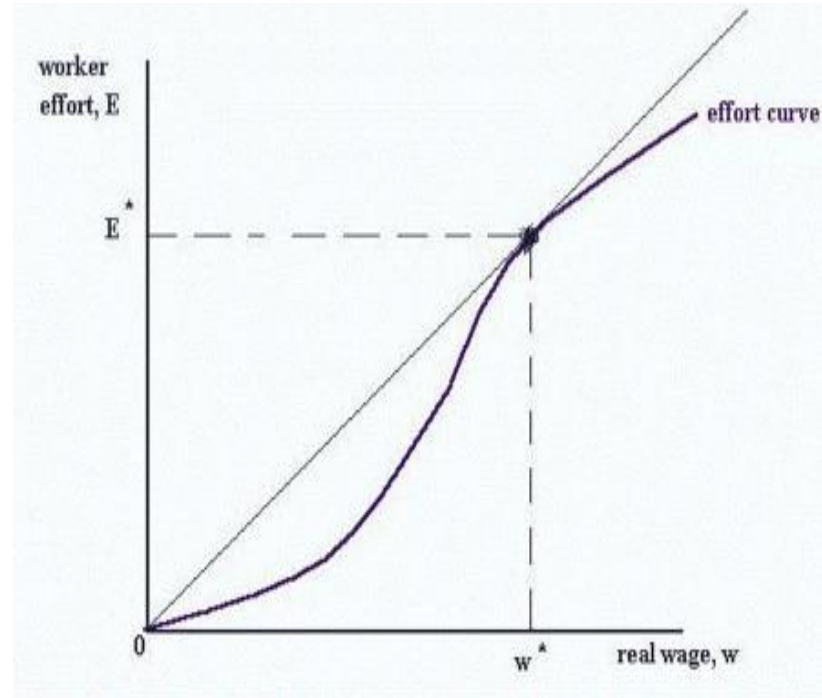
Employ-EE perspective

$y =$ Personal thriving?

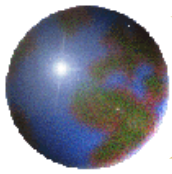


Employ-ER perspective

Efficiency gains?



$x =$ Income (hourly rate, salary band, household income controlling for size, etc.)



EMPLOY-EE perspective? Instead of Econometrics:



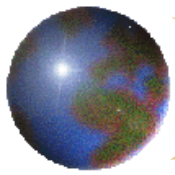
✦ **Why not ASK people directly?**

❏ about their quality of life, & work life (**VARIABLEs/Qualia**)

✦ **As Functions of monetary incomes?** **(VARIABLEs/\$s)**

= A *People focused* approach that can:-
(1) estimate a Living Wage value +
(2) chart its benefits with/for people, and possibly,
(3) organizations?





Household Income and quality of life

LOESS=Locally Estimated Scatterplot Smoothing

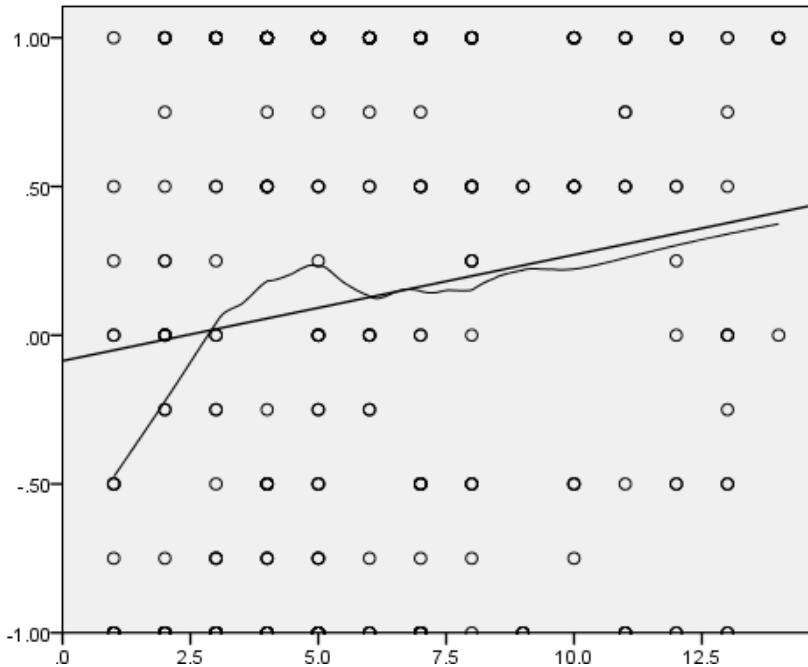


Household LW pivot range \approx NZ\$30Ks (crosses 0 on y)-40Ks
(same as in Carr et al, 2016, with dependents, streams etc. controlled)

Pattern:
'Rise-Pause-Rise'

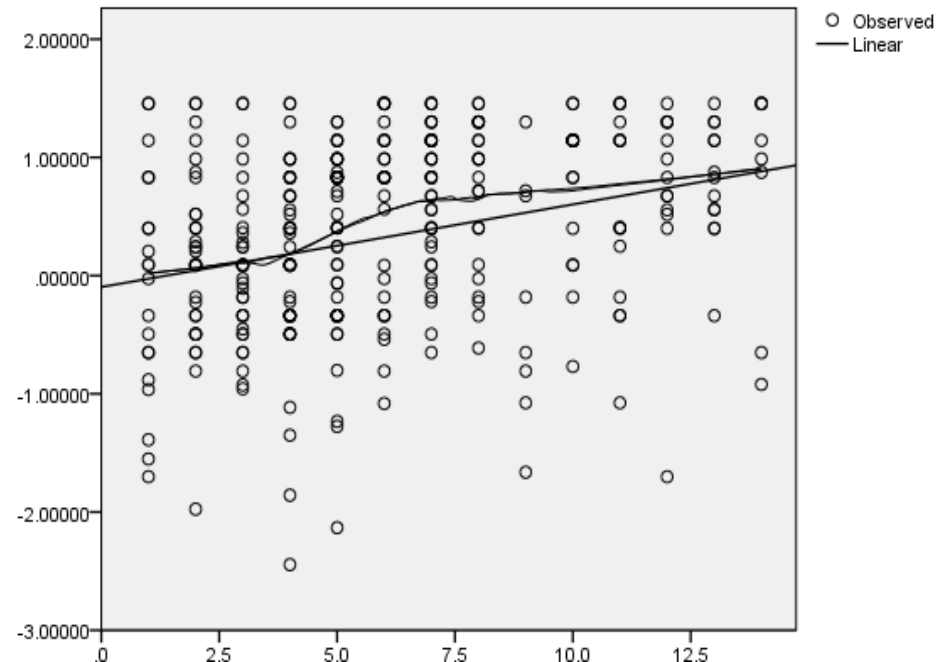
FAIR

NATION: New Zealand

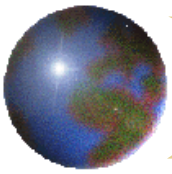


WORK

NATION: New Zealand



**30Ks Households—"Hand-to-Mouth"; 40Ks—"Survivable";
50Ks—"Works well enough, still not Fair"**



Household Income and quality of life

LOESS=Locally Estimated Scatterplot Smoothing



Pattern:

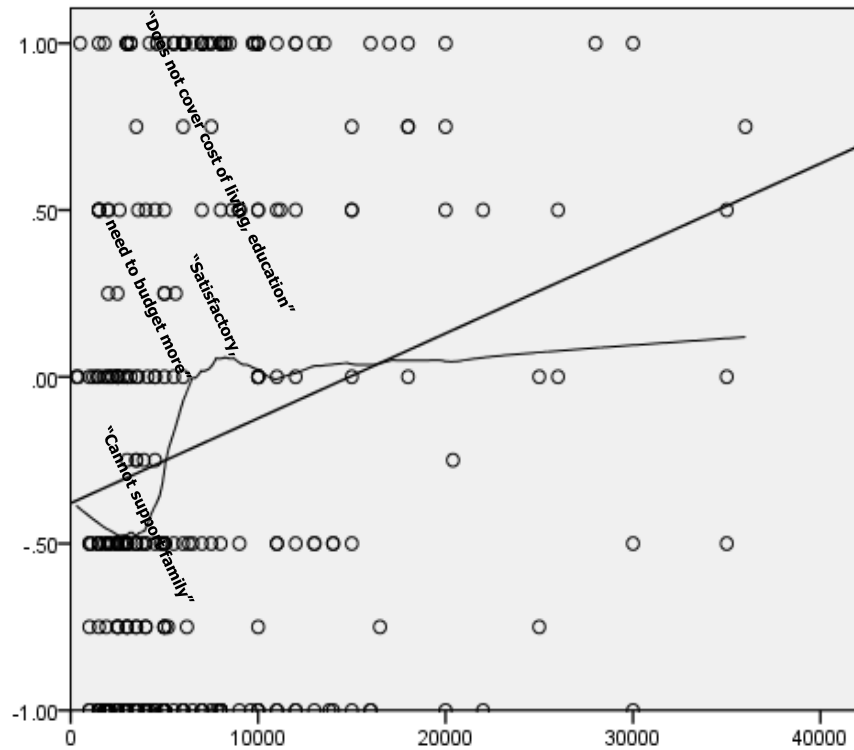
'Rise-Pause-Rise' (both countries)

+ S-shape Poverty Trap SA (lowered income extremities)

Pivot range: 4K ZAR (curve starts to rise from trap zone) to 10K (crosses mid-point/z=0)

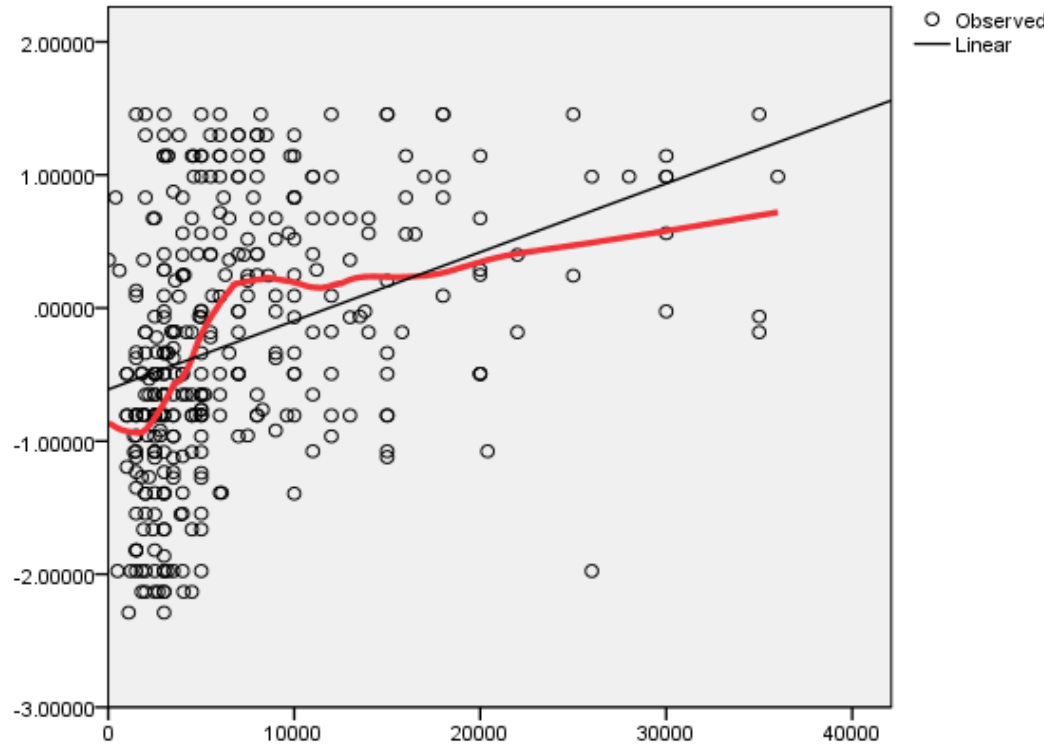
FAIR

NATION: South Africa

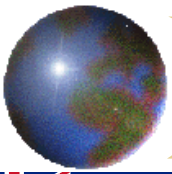


WORK

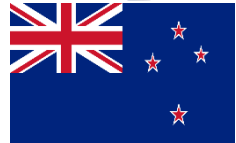
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Source: Maleka et al, 2016



Personal Income and Capability



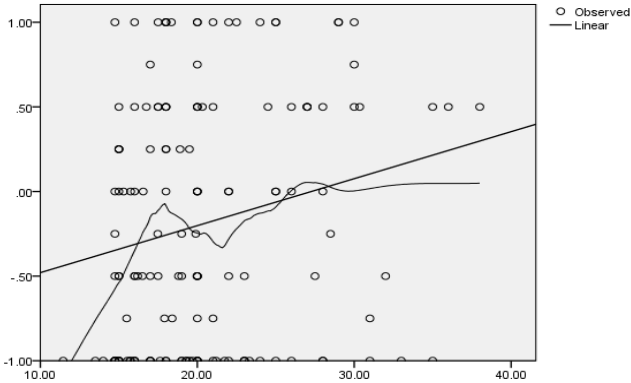
Y-score crosses 0 and 'peaks' ≈ NZ\$20 per hour

Note to selves: EXPLORATORY!!

Pattern:
'Rise-Pause-Rise'

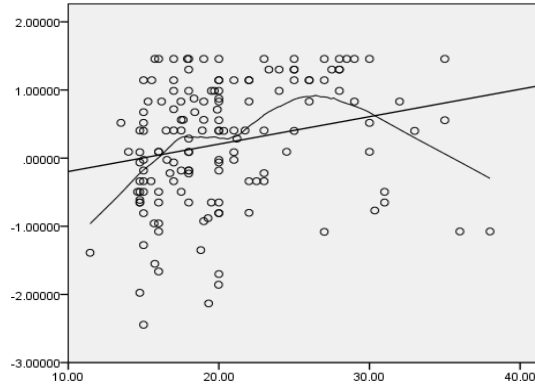
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NATION: New Zealand



WORK

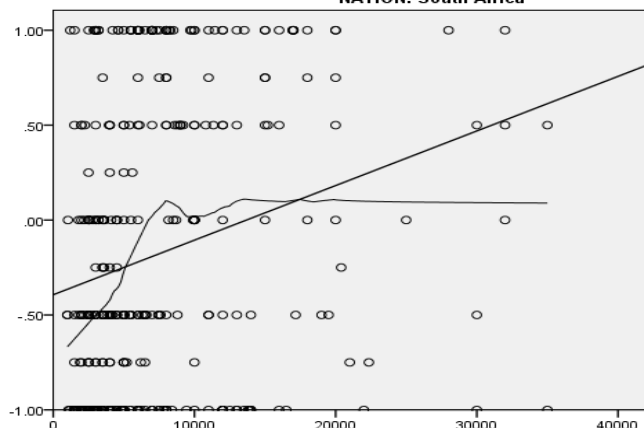
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Curve safely crosses + 'peaks' at 10K ZAR Monthly Wage, in + territory on y-axis

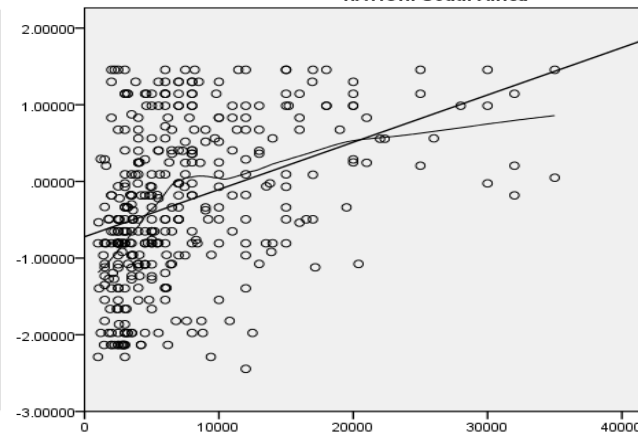
FAIR

NATION: South Africa



WORK

NATION: South Africa





Any similar Point of Inflexion?

(NB GLOW's core question from video)

- ✚ Converted to Purchasing Power Parity \$s
- ✚ Similar figure in both countries, despite any variations in gradient
 - ✚ E.g. due to salience of income inequality
- ✚ Very tentative figures:
 - ✚ SA PPP\$2000 +/- 200 per month (SA/NZ)
- ✚ Recent reviewer comment: 'Most interesting finding is relatively small gap between them'

**Economic and Social Council**

Distr.: General
1 December 2016

Original: English



Commission for Social Development

Fifty-fifth session

1-10 February 2017

Follow-up to the World Summit for Social Development and
the twenty-fourth special session of the General Assembly:
priority theme: strategies for the eradication of poverty to
achieve sustainable development for all

**Statement submitted by Society for Industrial and Organizational
Psychology, a non-governmental organization in consultative
status with the Economic and Social Council***

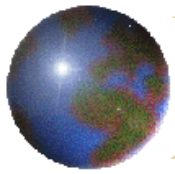
The Secretary-General has received the following statement, which is being
circulated in accordance with paragraphs 36 and 37 of Economic and Social Council
resolution 1996/31.

E/CN.5/2017/NGO/7

Statement**The Sustainable Development Goals need to build a Social and Business Case
for Living Wages**

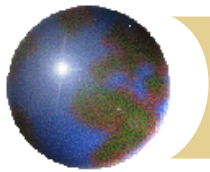
Introduction.

One of the most direct and sustainable pathways out of poverty (SDG1) is finding a secure and decent job (SDG8), one that pays an inclusive (SDG9), living wage. In 2013, the World of Work report concluded that reducing income inequality in the workplace is a core, strategically important issue for the eradication of poverty to achieve sustainable development for all (SDG10). In particular, achieving shared prosperity hinges on lowering excess CEO pay ceilings while fundamentally, raising minimum wage floors to liveable but also affordable levels. This proposal focuses on that balance and how applied psychology can contribute to this important agenda to eradicate poverty.



In everyday Life? Ripple Effects...

- ✚ Sobering and humbling resonances
 - ✚ E.g., WDR 2013, on “Jobs” (2012, p. 15):
- ✚ Dalit class, Southern India, estimated benefits from US\$90 per annum in a woman’s income
 - ✚ Translates to on average 1.6 years of child schooling...
- ✚ Potential ripple effects, inter-generational, of living wages across **all 17 domains of the SDGs...?**



References

- ✦ Arrowsmith, J., M. Gilman, P. Edwards, and M. Ram. (2003). "The Impact of the National Minimum Wage in Small Firms." *British Journal of Industrial Relations* 41 (3): 435–456.
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- ✦ Haar, J., Carr, S., Parker, J. & Arrowsmith, J. (2016). *A longitudinal study of fair pay and outcomes in New Zealand: The role of a living wage workplace*. British Universities Industrial Relations Association Conference 2016, Leeds, United Kingdom.
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- ✦ Reich, M., Allegretto, S. and Godoey, A. 2017. *Seattle's Minimum Wage Experience 2015-16*. CWED, University of California, Berkeley.
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