



## Resource Guide

# Living Wage & Wage Equity



## What is Living Wage & Wage Equity?

The living wage is defined as the wage a full-time worker would need to earn to keep themselves above the federal poverty line in a given locality. The living wage compiles geographically-specific expenditure data for food, childcare, health care, housing, transportation, and other necessities. The living wage changes based on the household size and number of working adults. Wage equity refers to reducing or equalizing the wage gap between the highest- and lowest- paid full-time employees in a company. It includes all compensation and bonus income.

## Living Wage Calculator

The first step to ensuring a company provides employees with a living wage is to become familiar with the living wage for the company's area. The Massachusetts Institute of Technology has created a [living wage calculator](#). The living wage in the United States was \$15.86 in 2016 for a family of four (two working adults, two children). Here are a few living wage stats for the Rhode Island region:

- Single adult – \$11.12
- Family of four – two adults, two children (two working adults) \$ 16.57
- Family of four – two adults, two children (one working adult) \$ 24.69
- Family of four – one adult, three children - \$ 37.98

## Why Pay a Living Wage & Increase Wage Equity?

### Living Wage

Workers who are paid above a living wage can begin to afford safe and adequate housing, food, transportation, medical expenses, and basic comforts in the area where they work. By implementing a living wage policy, businesses can decrease staff turnover, reduce absenteeism, increase productivity, and strengthen recruitment.

### Wage Equity

Increasing wage equity is a form of reinvestment in every person who contributes to the success of a business, which can lead to increased employee satisfaction, decreased turnover, and increased employee engagement across the company. Improved wage equity can also help to reduce the effect of gender, racial, and other biases associated with a perceived value of work. According to [Women's Foundation](#), unequal pay doesn't just hurt women, it hurts entire families. Women who earn less bring home less money to pay for household necessities. It may also help facilitate upward mobility and wealth accumulation for many historically marginalized groups.

# Steps to Improve Wages & Wage Equity

## Living Wage

1. Identify employees in the company who are making less than the living wage, by comparing the company's lowest wages to the current calculation for the Rhode Island region.
2. Calculate what it would cost to raise those employees to the living wage. Remember to factor in potential savings from decreasing turnover. If there are major financial implications for the business, it may be necessary to phase in these wage alterations or determine other funding sources in order to offset costs.
3. Bring all current employees to the living wage. To ensure fairness, consider additional adjustments for employees already making more than the living wage.
4. Establish a system to ensure that this practice applies to new hires. The living wage changes from year to year, so revisit the rates each year and make necessary adjustments.
5. Communicate the results of the effort and the expected timeline for wage changes across the company with the staff.

## Wage Equity

1. Engage relevant decision-makers throughout the process (including HR, board members who oversee executive compensation, VPs, and Directors). Consider creating an evaluation committee that is representative of the company across various demographics. Begin by discussing how pay ratios will change and why this is important.
2. Identify the highest- and lowest-paid full-time employees, and calculate the difference using both wages and bonuses. Exclude the monetary value of company ownership from the calculations.
3. Discuss a target wage equity multiple and develop a plan and timeline for decreasing the wage gap. This may include increasing pay rates for the company's lowest-paid employees.
4. Consider creating policies that link pay increases or bonus structures for executives with pay increases for their staff.
5. Communicate the results of the effort and the expected timeline for adjustment across the company with the staff.

## Resources

- Conscious Company Magazine shares [Why Living Wages Should Matter to Your Business](#)
- Entrepreneur shares [Why Paying a Living Wage is Smarter Business](#)
- [CEO Pay Continues to Rise as Typical Workers are Paid Less](#) as shared by Economic Policy Institute
- The Good Economist makes the case to [Vote for a Fair Minimum Wage](#)
- [RI Women and the Wage Gap](#) from the National Partnership for Women & Families

## Associated Resource Guides

- Bonus Programs
- Employee Engagement & Feedback

