

Why do Managers of Small and Medium-sized Businesses seek Voluntary Living Wage Accreditation? – An Exploration of Choice Rationales

Author:

Dr Andrea Werner

Middlesex University Business School

The Burroughs, London, NW4 4BT, United Kingdom

Email: a.werner@mdx.ac.uk

Abstract

This article explores empirically the choice rationales for voluntary adoption of the Living Wage (LW) by managers of small and medium-sized enterprises (SMEs) in the UK. Framed analytically by related concerns within the fields of employment relations/HRM in SMEs, business ethics and signalling, interviews with owners/directors from 23 SMEs identified a four-fold typology of choice rationales for the LW as: an expression of care for employees, the basis for a high quality service business model, a marker of corporate social responsibility, and a signal to challenge the practice of other economic actors. Opportunities and barriers for voluntary adoption of the LW in SMEs are considered, in addition to their economic effects. The practical implications for LW movements and SME managers are drawn out, and avenues for further research identified.

Keywords: Living Wage, Small and medium-sized enterprises, choice rationales, accreditation, strategy, ethics

This is an Accepted Manuscript of an article published by Taylor & Francis in the European Journal of Work and Organizational Psychology on 7 May 2021, available online:

<https://doi.org/10.1080/1359432X.2021.1908417>

Introduction

The growth of low-wage jobs in developed and emerging economies (Edwards & Wajcman, 2005) in contexts where national minimum wages either do not exist or are set too low to prevent hardship (Werner & Lim, 2016) drives interest in a Living Wage (LW) – one which enables workers to meet their essential needs and to lift them out of poverty (Wills, 2009). While civil society campaigns have pushed for national (Eskow, 2014) and local (e.g. Reynolds, 2001) labour legislation to increase legal minimum wages to LW levels, there is increasing global interest in *voluntary* adoption of a LW by individual employers, evident in the introduction of accreditation schemes in the UK (livingwage.org.uk), US (livingwagework.org), and New Zealand (livingwage.org.nz). Supported by civil society organizations, these schemes provide LW accreditation to employers who voluntarily pay a specific hourly wage rate, based on regional/local ‘basic living costs’, as a minimum to all employees and subcontractor staff. As both minimum wage and LW are expressed as an hourly rate they may be compared easily – highlighting any gap. Thus the UK scheme, run by civil-society backed Living Wage Foundation [LWF] with more than 7,000 accredited employers, promotes two LW rates reflecting higher living costs in the capital (London). The London LW (£10.85 per hour in 2020) and the LW for the rest of the UK (£9.50), for all workers over 18, are each significantly higher than national *minimum* wage rate (£8.72 for over 25s, £8.20 for workers aged 21-24, £6.45 for workers aged 18-20).

Despite some consideration of *how* employers engage with a voluntary LW (e.g. Linneker & Wills, 2016; Heery et al., 2017a) it is unclear *why* they do so – their various motivations in seeking LW accreditation. This is crucial, as it explains how voluntary LWs take root in economies and what differences uptake of voluntary accreditation is likely to make. We explore empirically these motivations, identifying employer choice rationales for

adopting the voluntary LW through exploratory, in-depth interviews with a sample of owners/directors of UK LW-accredited SMEs.

There are strong grounds for focusing attention on SME employers. Approximately half of LW-accredited employers in the UK are private sector SMEs, comparatively more than either private sector large firms, third sector and public sector employers, and are thus well placed to aid wider LW adoption. Known for their labour intensive nature (Harney & Alkhalaf, 2021), SMEs account for 60% of UK private sector employment (DBEIS, 2019), and in other economies around the world (Spence, 2016), and influence the conditions of millions of workers (Scase, 2003). Comparative differences between SMEs and large firms (Harney & Alkhalaf, 2021) may inform distinctive dynamics of LW adoption in this sector. SMEs are known to experience comparative resource poverty (ibid.) and greater competitive pressures (Barrett & Rainnie, 2002). While this suggests that SMEs may be less able and/or willing to pay higher than legally required wages than larger firms, and such inference is supported by the prevalence of minimum wage jobs in small firms (Philpott, 2014), this does not explain why some SMEs nevertheless *do* seek LW accreditation. Similarly, a known greater propensity for informal management practices within SMEs (Harney & Alkhalaf, 2021) – including considerations social responsibility (Fassin, 2008) – makes active adoption of the LW as a formalised wage policy anomalous. The concentration of decision-making power in the hands of owner-managers or top management teams (Harney & Alkhalaf, 2021; Della Torre & Solari, 2013) does, however, mean that the LW can be relatively speedily adopted *if* those managers choose to do so. SME managers' rationales for so doing are also likely to be informed by their perceptions of context.

Given the above, our study is informed by a social constructionist perspective. Common in the psychology of entrepreneurship literature, such perspectives explore how entrepreneurs construct and evaluate opportunity (Chell, 2000), such that "... the business

owner/entrepreneur is an active agent who shapes and creates his or her own reality” while “... operating within a reality which sets limits on choice of action possibilities” (ibid.) The focus is on how entrepreneurs design their business in interaction with their immediate and wider contexts of community, industry and market characteristics (Gorgievski and Stephan, 2016). The present analysis contributes to research on the LW, the psychology of entrepreneurship literature, and on the role and capacity of SME employers to voluntarily advance decent working conditions.

The article’s primary contribution is development of a nuanced perspective on the ‘business case’ for adoption of the LW. Business cases are often used by civil society campaigns to appeal to employers’ instrumental interests (Heery et al., 2012). Typically, they emphasise expected performance benefits such as efficiency gains – through reduced absenteeism and turnover and subsequent reduction in recruitment, training and supervision costs – and better motivated and productive staff (e.g. Pollin, 2005; Waltman, 2004). They may also include image benefits, such as enhanced reputation (Heery et al., 2017b). However, the instrumental framing fails to consider the extent to which other rationales may also appeal. A better appreciation of these different rationales and the contexts in which they may resonate will facilitate more constructive engagement by activists with SMEs as potential LW adopters.

We adopted a purposive sampling strategy to better explore SME managers’ rationales for adoption of the LW in sectors with a high prevalence of low-wage workers – in which LW adoption makes more of a difference and is also potentially more challenging. This enabled us to consider some of the specific opportunities and barriers of LW adoption in such sectors.

The following section sets out the three conceptual lenses which informed the present analysis of choice rationales. As “context” has been established as important to understanding SME managers’ choice rationales, first relevant features of SME contexts from the

perspectives of employment relations and HRM will be considered. This is followed by business ethics, to explore the opportunities for SME managers to engage in ethical and socially responsible actions. Then the extent to which signalling theory may be helpful in elaborating SME managers' choice rationales will be considered, in the context of voluntary accreditation systems. Having set out these extant literatures, the methodology guiding this empirical study will be outlined. Next, the identified choice rationales for LW adoption offered by SME managers will be set out and discussed, which will also include a discussion of barriers and challenges of voluntary LW accreditation in SMEs. The final section summarizes the contributions and limitations of the study, and sets out some practical implications as well as avenues for further research.

Conceptual lenses

Employment relations and HRM: People management in SMEs

While the resource poverty and relative informality which typifies the sector may influence the setting of pay and working conditions (Harney & Alkhalaf, 2021), there is considerable variation in the HRM practices adopted by SMEs. Not all SMEs adopt a purely informal approach to HRM such that formal practices may exist alongside more informal ones.

Similarly, while employer-employee relations in SMEs are often characterized as either unproblematic ('small is beautiful', 'industrial harmony', 'happy family') or exploitative ('bleak house'), the reality is considerably more varied (Harney & Alkhalaf, 2021; Edwards & Ram, 2003).

Top managers and their philosophy and experience are held to greatly influence HRM policy and practice. Other important internal factors include the size and age of the business, as well as available resources and the chosen business strategy (Harney & Alkhalaf, 2021).

Externally, the industry sector (including labour and product market conditions), and

presence of dominant customers also may also exert significant influence (ibid; Gilman et al. 2002). These factors may interact to the extent that the same structural market conditions may elicit different strategic responses, depending on how these conditions are perceived (Edwards & Ram, 2003). As both agency (managers) and structure (internal and external factors) are important in shaping HR policies, such agency-structure interactions are likely to inform LW adoption.

Similarly, culture and social relationships within SMEs are likely to inform HRM practice (Goss, 1991). A good working environment may reasonably be expected in fraternalist cultures, in which employers regard employees as equals and are concerned to maintain harmony. Similarly in paternalist cultures, and despite a clear hierarchy and power imbalance between managers and employees, managers would value a good working environment and grant benefits to workers to secure their commitment – regarding such behaviour as a social obligation on their part. In contrast, autocratic cultures marked by exploitative practices due to either extreme competitive pressures and/or employees being deemed a ‘dispensable’ commodity appear antagonistic towards decent work conditions as a means to secure workers’ effort. While pure autocracy is limited by management reliance on workers to organize production, resulting in continuous negotiations and (informal) accommodations around working conditions (Ram, 1994). The extent to which LW adoption may be influenced by the prevalence of a specific SME organisational culture is an important consideration.

More generally, SME pay rates – even in competitive industries for similar jobs in the same locality – may vary (Gilman et al., 2002). This is indicative of discretion (Scase, 2003) and indeterminacy in the setting of pay rates – given the general absence of collective bargaining in SMEs (McLoughlin, 1996). Rates of pay in SMEs largely reflect external conditions of labour and product markets (Gilman et al, 2002), and SME managers may

consult local labour market or industry rates, where they exist, to determine pay rates (shadow bargaining) (McLoughlin, 1996). SME managers do not, however, always make exact calculations about labour costs and may be open to pay adjustment in the light of conceptions of fairness – defined as balance of effort and reward within the firm in the light of broad interpretations of the labour market (Gilman et al., 2002). In this manner, pay is subject to constant revisions within the dynamic tension between labour market forces and social norms. Of particular interest here is how formal LW adoption may be rationalised within these SME wage setting strategies.

Business Ethics in SMEs

Despite a largely strategic/instrumental orientation, the literature considered above indicates that business practices may not be solely guided by economic or business imperatives, but also by other norms. Business ethics (BE) scholars in particular explore the scope for *ethical* responsibility and concern on the part of SME managers, indicating the possibility for coexistence of – and accommodation between – instrumental logic and moral concerns (Ten Bos & Willmott, 2001). This is considered particularly likely in SMEs due to the low social distance between SME managers and their stakeholders (Spence, 2016). Employees are generally considered important moral stakeholders within SMEs, with genuine caring relationships resulting from the reciprocity between employer and employee, echoing the importance of social relationships highlighted in ER literature. Business ethicists also draw attention to the possibility that SME managers may engage in social responsible behaviour due to personal values and beliefs (Egels-Zandén, 2017) and that ownership structures may allow them to engage in profit-satisficing rather than profit-maximization (Spence & Rutherford, 2001). The extent to which SMEs are embedded within their socio-cultural contexts (Curran and Blackburn 2001, p.6-7) may also be

important, to the extent that SME managers may be responsive to embedded social norms and expectations. As they themselves may identify strongly with their socio-cultural context, they may adhere to such norms and expectations in genuine expression of citizenship (Baumann-Pauly et al., 2018), and / or to enhance their business' legitimacy and reputation (Suchman, 1995).

Each of the reasons set out above – moral proximity to employees, personal values and beliefs, ability to engage in profit-satisficing, and societal embeddedness – informed our analysis of rationales for LW adoption, considered below.

Accreditation and signalling

Voluntary LW adoption is a compound – it involves *paying* a particular wage rate and *receiving* accreditation. This latter may signal a message above and beyond formal commitment to a minimum pay strategy, and which may play an important role in choice rationales. The observation that HRM policies may communicate something in addition to the policies' specific content (Backes-Gellner & Tuor, 2010) is informed by signalling theory (ST), which concerns communications intended to convey positive (and otherwise invisible) attributes of the signaller and reduce information asymmetry (Connelly et al., 2011).

ST draws attention to signaller *intent* – i.e. that which SME managers mean to convey by attaining accreditation, and to whom. While signals may be sent to different stakeholders with different aims (Hefti & Levie, 2015), their success is dependent upon the extent to which outsiders are able to notice the signal (*'signal observability'*); ascriptions of honesty, legitimacy and reliability (*'signal credibility'*); and correlation of the signal with the (unobservable) quality the signaller seeks to convey (*'signal fit'*) (Connelly et al., 2011). How SME managers use, and perceive, LW accreditation as a signal forms an important part of the present analysis.

Method

To explore LW adoption in SMEs, semi-structured interviews were conducted with a sample of UK LW-accredited SME employers. A sample of 250 private sector SMEs was selected from the LWF membership database¹. Companies from sectors with a high prevalence of low-wage employees (care, hospitality, retail, cleaning, manufacturing, construction) were included in the sample given the expectation that LW adoption would have more implications for such companies than small professional firms, where the assumption was that only regular office cleaners would benefit from LW adoption. (Some of these assumptions were refuted in the study as, for example, not all manufacturing companies rely on low-wage labour). Care was taken to ensure that the sample largely reflected the overall composition of SMEs contained in the LWF database in terms of geographical regions, and size (up to 10 employees, 11-50, and 51-250²).

Sampled companies received a Qualtrics questionnaire, with the aim of recruiting respondents for research interviews. Out of the 60 responses received, 38 indicated willingness to be interviewed. Of these, 23 companies were selected purposefully to maximise variance between industries, company size and geographical regions. Interviews were conducted between May and August 2016, lasting between 30 and 60 minutes. Most were undertaken on company premises, giving further insights into the context within which the LW was adopted. The interviews were normally conducted with the company's named LW contact (as recorded in the LWF database), and holding one or more of the following positions in the firm: founder/owner/managing director/functional director (e.g. HR, marketing, finance). In a few cases the interview was conducted as a group interview, with the LW contact inviting other company directors to participate in the interview to provide additional perspectives. Details of the profile of respondents is shown in Table 1. Close to

30% of the interviewees were women and all respondents stated that they employed a mix of full-time and part-time employees.

#Insert Table 1 about here#

The interviews explored motivations, benefits, challenges and strategies around LW adoption (Appendix B), using a semi-structured, open-ended format allowing the views and voices of SMEs to emerge naturally (Wengraf, 2001).

The interviews followed standard research ethics protocols, assuring anonymity to the respondents. All interviews were fully transcribed for analysis.

The analysis was an iterative, and interpretative (Symon & Cassell, 1998) process using framings from BE, SME management and signalling as analytical lenses. The first step in the data analysis was to code according to whether respondents stated a moral vs a strategic motivation (BE). Responses were further categorised as to the audiences to which LW accreditation was aimed (signalling), e.g. core employees, higher paid employees, clients. Implementation of LW (as part of strategic HRM, or non-strategic implementation [SME context lens]) and the stated benefits of LW adoption were also considered to identify distinctive rationales types. A final consideration was given to the SME's industry, including the nature of work of employees affected by the LW (SME context lens), to refine rationale types. Following these steps, three choice rationales – presented below – emerged as a fairly tight fit between specific industries and/or approaches to people management and stated motivations. A fourth category, which was not tied to specific industries and also appeared alongside one of the other rationales, was also identified. Additionally, 'pride' was identified as a motive occurring across several rationales. Data saturation (Faulkner & Trotter, 2017) was achieved as the identified choice rationales occurred repeatedly across the sample, and

all main choice rationale categories could have been identified from the first 10 interviews. While additional interviews added depth and detail to the choice rationale categories, no new main choice rationale category emerged. Below, we present the choice rationales in sequence as distinct ‘ideal’ types, focusing mainly on ‘primary’ rationales, although most interview accounts had (albeit to different degrees) several choice rationales present. We offer quotes and phrases from the interview data as required to best exemplify each choice rationale.

Findings

The Caring Rationale: The Living Wage as an Expression of Care for Workers

This rationale was evident where SME managers’ stated reasons for LW adoption were characterised by strong moral language and referred directly to SME managers’ relationship with their employees. For SME managers employing this rationale LW accreditation was seen as an opportunity to express *care and concern* for employees and their well-being:

I think [the LW is] a quite good idea. Because ... well we care a lot about our employees. (Manufacturing1)

[The LW] immediately resonated with me because it was in line with the ethical principles that underpin the company. ... I definitely try and nurture an environment of sort of wellbeing for employees... (Wholesale&Retail1)

SME managers primarily employing this rationale typically relied on a significant percentage of their core work-force carrying out low-skilled, routine work – such as in warehousing / wholesale, low-skill manufacturing and hospitality. Through LW accreditation, they sought to give their employees recognition or reward for their contribution to the business, such as in the case of *Manufacturing4*, where the LW was adopted after the company underwent a significant transition requiring employees to work unusually hard, which led to a significant wage uplift (Appendix A, *quote 2*³).

Respondents described their employees' work as 'hard', 'gruelling', and 'a little bit mundane and repetitive', and that, therefore, they felt that their employees 'deserved' to be paid a LW and should not be 'seen as a commodity' (*quotes 1-3*).

On the other hand, there was a perception that LW adoption would, in turn, elicit positive employee responses, translating into better employee relations, lower staff turnover, and increased employee effort, for example:

It actually is a massive plus because people broadly are happy... But if people are happy at work they stay longer, they contribute more, everything is good.

(Wholesale&Retail2)

Beyond those perceived HR-related benefits (see also *quotes 4-5*), LW accreditation was attributed with the additional advantage that managers no longer had "to worry about figuring out what a fair wage rate is" (*quote 6*), helping them to be satisfied that they were "doing the right thing by [their] employees" (*quote 7*), ensuring that "they have a wage that you know they can live off and a standard of living that reflects the hard work that they do" (*quote 8*). Respondents primarily employing the caring rationale were generally not strategic about LW implementation in their organizations. Apart from some adjustments in the pay structure in some companies, it did not go hand in hand with a particular HRM strategy, a small business phenomenon noted elsewhere in the literature (Gilman et al., 2002). For example:

I wouldn't say we've got a LW strategy ... we didn't need a strategy, it was like 'ok, that's the LW, we need to put our wages up to meet it', and each time it's put up we'll continue to meet it. (Wholesale&Retail1)

There was also willingness to accept some reduction of profit margin as a reasonable LW implementation strategy:

Our staff are worth it, and if it means that there's less profit margin for us then that's fine. (Hospitality5)

The ‘caring’ choice rationale for LW adoption appears to be aligned closely with either fraternalistic or paternalistic cultures. With regards to the former, SME managers would closely work alongside their employees (occasionally doing the same jobs as them) and stating that they had previously worked in the same jobs as their employees – or else they described their culture in egalitarian terms (e.g. “a group of people working together” (*Wholesale&Retail2*), “we have a really flat hierarchy” (*Hospitality1*)). With regards to the latter, the LW was regarded as one element of a range of benefits that the company sought to provide to their workforce (for example, alongside subsidized lunches and on-site language classes), indicative of a managerial obligation to ensure employees’ well-being.

The ‘Quality’ rationale: The LW as a Basis for a High-Quality Service Business Model

Similar to the ‘caring’ rationale, this rationale was invoked in relation to SME managers’ core staff. While some also exhibited a ‘caring’ attitude towards employees, the emphasis here was strategic. Specifically, LW accreditation afforded the opportunity to make an explicit and strategic link between pay, the ‘quality’ of their core staff (that is, their skills, experience and motivation) and the *quality* of the service their businesses offered:

We have made it known that we are a LW employer so that I think that message [is].. that [it’s] quality staff that we keep, very, very good staff that will look after your kids (Childcare)

Respondents exemplifying this rationale stated a desire to recruit and retain qualified / experienced / skilled staff and/or invest in staff skills training enabling a higher level of service quality (*quotes 9-13*). Good wages, with the LW being the minimum, were seen as necessary to achieve this end. Respondents stated that they “can’t get that quality if [they’re] not acknowledging, training and developing and rewarding [their] staff properly” (*DomiciliaryCare2*), that without paying a decent wage “good people would leave” the

business (*Childcare*), that it was important “to give the team ... [financial] security, so that they can provide the best level of customer service” (*Retail2*).

The businesses of respondents invoking this rationale typically operated in service industries where low-wage employment models dominate, such as domiciliary care, childcare, retail and hospitality. For these respondents, paying the LW clearly differentiated them from low-wage competitors:

If we were just another generic agency that maybe paid a bit less, we would really struggle to differentiate ourselves in the market, because it's a really competitive market. There are tens and tens of thousands of people working in hospitality ... and most of them are on minimum wage, so how do we differentiate from these.

(Hospitality2)

LW accreditation was identified as a credible signal, communicating a distinct quality-focused business model:

[LW accreditation] is one little step that we could take to ensure that ethically we are running a business with credibility, with respect for our staff as well as our clients... [that] we're about delivering a quality product (DomiciliaryCare1)

While most SME managers expressing this rationale had the LW already incorporated into their business prior to their accreditation due to their choice to pursue a high-quality service business model, in one case (*Retail2*), the respondent explained that his employees' wages received a significant uplift as part of a strategic change in business model from local minimum wage computer retail / repair shop to a national specialist retailer of high-spec custom made computers and work stations.

The CSR Rationale: ‘Being Seen As a Socially Responsible Employer’

Most respondents in the sample expressed *some* expectation of reputational benefit accruing from LW accreditation. However, SME managers’ employing the CSR primary choice rationale distinctively indicated LW accreditation as a strategic opportunity *to enhance their company’s CSR image or reputation* as a ‘socially responsible’ employer – even though the vast majority of their core employees already received higher than LW market-rate pay due to their skills sets (*see quotes 15-18*). This contrasts significantly with the ‘quality’ and ‘caring’ rationales in which the LW formed a key remuneration strategy. Instead, LW accreditation was considered a “... good symbol [projecting] a good image of the company” (*Construction3*), a “sales tool” (*Manufacturing5*) – to “differentiate [themselves] in the market place” (*Construction2*), in particular to gain business from organizations that regard CSR performance of their suppliers as an important selection criterion, such as public sector organizations like local authorities and universities which were their business’s key clients (*quotes 15-17*).

Managers employing this choice rationale also regarded LW accreditation as a signal communicating their status as a socially responsible employer to employees remunerated above-LW – further increasing workplace attractiveness and employee loyalty. Respondents hoped, that LW accreditation would attract potential employees based on the values that LW accreditation signalled (“it obviously attracts people to the business as well” [*Construction3*]) or, as another respondent stated, would help to signal to current above-LW employees that they worked for a “certain type of company”, which “valued employees” (*Manufacturing2, quote 18*).

The Civic Rationale

While this shared an emphasis on strong moral language with the ‘caring’ rationale, the decision to formally adopt the LW was rationalised less in terms of ‘relational’ aspects than more *general* moral principles – such as ‘social justice’ and ‘fairness’ (*quotes 19, 20*).

Accounts were informed by a desire to show personal solidarity with, or personal support of, the Living Wage movement and its perceived values and aims (*quotes 19, 21*). It also served as a strong secondary rationale across the sample, indicative of the extent to which SME managers’ actions may, *in their capacity as citizens*, be influenced by wider societal concerns.

Most respondents using it as a primary choice rationale already had LW or above LW pay policies in place before seeking accreditation, but for some the concept of the LW carried a strong moral force, compelling them to uplift their workers’ wages. For example, *Retail4* who had taken over their retail shop from the previous owner found it “important to adjust” wages from “a social justice point of view”, which they deemed affordable because of the high price margins in their line of business.

For managers expressing the civic rationale, LW wage accreditation was identified as a visible challenge to low pay practices prevalent in one’s own sector and/or the wider economy (e.g. *Retail3*, *quote 22*), or even to more general ‘bad’ employment practices prevalent in their sector (such as the ‘black economy’ in the hospitality industry (*Hospitality1*, *quote 23*) or the treatment of the child care sector as a ‘get rich quick scheme’ (*Childcare*, *quote 24*]).

Others indicated a desire to positively encourage other businesses to sign up to the LW:

We feel it encourages other people to join in... A lot of the companies that we deal with, we are saying to them why don't you think about paying your guys another quid an hour or whatever it is and you might find it works for you. (Wholesale&Retail2)

And indeed, several respondents said their trigger to sign up to the LW had been contact with another LW-accredited company (e.g. *quote 25*).

While those employing this rationale indicated that LW accreditation had a strong moral signalling function, it was also seen as a clear signal of differentiation to enable customers to distinguish good / ethical from bad/unethical employers / business (see *quotes 26 and 27*).

Cutting across Rationales: Proud to be a Living Wage Employer

One clear cross-cutting theme was the expression of pride in the company's LW accreditation (*quotes 28-32*). Respondents across the sample noted that they were "quite proud that [they] are a LW employer, and it's a good thing to be doing that" or that they were "proud to be able to say [they] are involved [in the LW]". Some emphasized the fact that they were proud of being 'leading' or 'trailblazing' organizations with regards to the LW, and others hoped that LW accreditation would instil in their employees pride in the company.

Pride is considered an ambiguous emotion but in its authentic form – in the sense of achievement of a highly desirable outcome – it may be seen as a 'positive' emotion reinforcing pro-social behaviours (Michie, 2009; Bodolica & Spraggon, 2011). As authentic pride comes with excitement, pleasure and joy, it has an energizing effect and can induce effort and perseverance toward towards goals (ibid). Indeed, the personal satisfaction and rewards – whether financial or otherwise – resulting from creating something new form an important part of entrepreneurial action (Hisrich, 1990, cited in Gorgievski & Stephan 2016).

Discussion

The present analysis identifies a range of choice rationales informing the actions of SME managers seeking LW accreditation. Set out as four distinct ‘ideal types’ for clarity, it is evident that multiple rationales may coexist. Indeed, the combination of different moral and strategic rationales may serve to better motivate and sustain SME managers’ commitment to LW adoption. We consider below the congruence between these rationales and specific theories (Table 2) and explore barriers and challenges of LW accreditation in the light of our results.

The ‘caring’ rationale, centred on core employees, is congruent with SME managers’ moral proximity to, and mutual interdependence with, employees as espoused by business ethicists (Spence, 2016). By contrast, ER literature suggests that such concern may be motivated by the need for SMEs to extract effort from their workers while maintain harmonious relationships within fraternalistic and paternalistic settings (Goss, 1991). Whatever its underlying motivation, the ‘caring’ rationale is consistent with notions of reciprocal exchange and, according to social exchange theory, social exchange relationships evolve when employers ‘take care of’ employees – resulting in effective work behaviour and positive employee attitudes towards performance, commitment and intention to stay (Crompanzano & Mitchell, 2005; Pittino et al., 2016). In such a context LW accreditation functions as a tangible (moral) signal for employees which catalyses reciprocity and fosters SME employers’ satisfaction in the ‘fairness’ of their remuneration strategy regarding effort and reward (Gilman et al., 2002).

In contrast, the ‘quality’ rationale, expresses a strategic choice to build a high quality business model around LW accreditation. It calls to mind the link between good working conditions, staff commitment, appropriate and effective skills development, staff retention and higher value added product/service in companies appearing on the UK *Sunday Times* List

of '50 Best Small Companies to Work For' (Drummond & Stone, 2007). Intentionally building a business model centred on the LW is also consistent with the observation that effective HPWS in SMEs requires a clear mission for the business and careful implementation. It is remarkable that managers pursue such high-quality business models in industries perceived to be 'low skill-low wage', such as care, hospitality and retail (Edwards & Wajcman 2005, p. 38; Walmsley et al., 2019; Hart et al., 2007).

The 'CSR' rationale presents a 'HRM as a CSR' strategy, in which the LW functions as a signal / symbol to improve competitive performance (Lechuga et al., 2018). The strategic deployment of accreditation as a signal to clients interested in the CSR performance of suppliers suggests the potential influence of dominant customers on HRM (Harney & Alkhalaf, 2021). LW accreditation as a signal to higher paid employees, to the extent that it is intended to communicate employers' valuing of their staff and increase employee commitment and organizational identification (Lechuga et al., 2018), performs a similar function to trigger a reciprocal exchange mechanism (Crompanzano & Mitchell, 2005) as explored in the 'caring' rationale.

Finally, the 'civic' rationale, as an opportunity for SME managers to express 'social justice' convictions, indicates the potential of these businesses to perform civic and / or political roles in relation to social issues (Baumann-Pauly et al., 2018; Wickert, 2016).

#insert table 2 here#

Respondents indicated that the manifold benefits attributed to LW accreditation, including high signal credibility and good signal fit with CSR and high-quality business models, outweigh the costs of formal accreditation – and appeared to be preferred to other means of achieving their aims. This is in contrast to other accreditation regimes, such as

Investors in People (IIP), often characterised as inappropriate and prohibitively bureaucratic (Hoque & Bacon, 2008). Indeed, several respondents commented directly on the ease of LW compared to IIP accreditation.

Affordability may be particularly important to consider. Often presented as a barrier to SME uptake of the LW, the overwhelming majority of study respondents stated that either only a small wage uplift was required to receive LW accreditation, or else no wage uplift at all. Thus LW accreditation could be regarded as accreditation of ‘good practice’, a phenomenon that has also been observed in relation to other SME accreditation schemes such as the UK’s ‘Investors in People’, a scheme designed to boost employee training but mainly used by companies to affirm already existing training provision (Hoque & Bacon, 2008). Any minimal LW wage uplift costs may be seen by the majority of accredited SME managers as being offset by expected benefits (e.g. in relation to staff retention and performance, or reward of LW-compliant business contracts) and / or profit margins allow accommodation of the LW. It should be recognised, however, that the fact that LW accreditations may not involve wage uplifts, it may bring costs in terms of the need for careful construction of LW-oriented business models.

Those limited number of cases where high wage uplifts were required to attain accreditation occurred either where respondents felt a strong moral force that compelled them to reconsider their wage policies and profit-margins (e.g. *Retail4*) – something that we probably cannot expect to happen frequently among SME managers – or else in circumstances of wider organisational / strategic change (*Manufacturing4, Retail2*). Such strategic change may not always be a feasible option for low-wage businesses (Edwards & Ram, 2006), and thus LW adoption may work best for businesses already engaging in progressive pay practices and people management, or else where LW uptake presents a compensable and / or negligible cost.

The need to sustain commitment to LW accreditation may prove a challenge. While LW accredited SMEs often perceive themselves to be ‘different’, this becomes increasingly less evident as more SMEs sign up to the scheme – a particular problem where LW accreditation is valued for its competitive advantage. The ubiquity of LW accreditation may thus deter companies from joining and discourage sustained commitment as pride in its ‘specialness’ becomes increasingly difficult to maintain. In the UK, this issue is unlikely to occur soon as there were only 7,000 accredited LW employers at time of writing, out of 1.4 million employing businesses in the economy (DBEIS, 2019), but this could change in the future, leading SME owner-managers to have to search for other ways to differentiate themselves from their competitors. Another challenge may occur should expected benefits of LW accreditation, such as increased custom and customer loyalty, fail to materialize. This highlights the need for society to be better educated about the LW so that customers, for example, can more easily recognise and reward SME LW employers.

Conclusion: contributions, practical implications and future research

This paper identifies why some SME managers seek voluntary LW accreditation and considers the difference such voluntary LW adoption makes for the wider economy. Three analytic lenses – people management in SMEs, business ethics and signalling – were applied to qualitative interview data to derive four choice rationales (‘caring’, ‘quality’, ‘CSR’ and ‘civic’). By focusing on SMEs we were able to consider the varied contexts in which UK SMEs operate with regard to work and industry environments, and interactions between environments (e.g. social relationships in firms, product and labour market structures) and managers’ philosophies shaped choice rationales, in the form of social exchange benefits, the development of ‘new’ business models, or an ‘HRM as CSR’ approach. The Business Ethics lens highlighted the intertwining presence of ethical motives in SME managers’ choice

rationales, in particular the moral care and concern for employees, the expression of social justice values, and pride as a moral emotion. Consideration of signalling additionally identified the various audiences that SME managers sought to influence via LW accreditation.

Regarding the ‘difference’ LW accreditation makes, it is clear that – due to the small wage uplifts implied – the direct contribution of SMEs to the aim of LW movements to “... *lift* people out of poverty” is likely to be small and incremental, although it may help reduce the number of people that do fall into poverty. SMEs may however have two significant contributions to make. Firstly, they may play a significant role in developing new business models based on LWs (‘quality’ rationale) which may, over time, change the nature and perception of jobs traditionally thought to be ‘low-wage/low-skill’. Secondly, they may act as role models related to the ‘civic’ rationale.

The findings of this study have several practical implications. Perhaps most importantly, they challenge the ‘standard business case’ promoted by LW campaigners. LW campaigners would be well advised to engage in more targeted communication according to the contexts in which SME managers operate (e.g. emphasise reputational benefits for high-skilled manufacturing enterprises, or employee related benefits in businesses that employ predominantly low-waged workers). The presence of ethical motives in choice rationales also indicates that SME owner-managers may be open to a moral case. The typology of rationales set out in this article may also serve to guide SME managers considering LW adoption, helping them determine the fit between LW accreditation and their business strategy and / or ethos for sustainable adoption.

While providing valuable insights, the study also has some limitations. In common with all interview-based studies we are reliant on the veracity of respondents in revealing their motivations, attitudes and behaviour (Alvesson & Kärreman, 2000). However, the study

has succeeded in its aim to identify a *range* of views among LW accredited SMEs and these accounts interview accounts are perhaps best viewed as “uncertain, but often interesting clues for the understanding of social reality and ideas, beliefs, values and other aspects of ‘subjectivities’” (ibid.). Furthermore, the findings presented in this paper are the results of the interpretative analysis of a single author; inter-rater reliability, as customary for qualitative papers produced by multiple authors, was not sought.

It would be helpful in future research to also include SME managers who deliberately do not adopt the LW, to better understand barriers to LW accreditation. Future studies should also work with larger samples, including more industries, to test and refine the identified rationale types, and to further elaborate hybrid rationales in instances where different rationales are equally present in the same company. A particularly interesting avenue for further research would be to explore the gender dimension of entrepreneurship, for example whether the caring rationale or the running of ‘care’ services under the LW banner may be more prevalent among female entrepreneurs, and whether rationales that appeal to competitive advantage (‘quality’, ‘CSR’) or reference to ‘rights’ and ‘justice’ might be more prevalent among male entrepreneurs (cf. Gilligan, 1982). A better understanding how the gender of the entrepreneur may (or may not) impact on their choice rationales regarding LW adoption may enable campaigning organisation to develop even better targeted messages. Another fruitful future research project would be the exploration of rationales for seeking LW accreditation present in managers of accredited larger organizations. This would enable consideration of the extent to which choice rationales differ in relation to structural differences between small and larger companies. Finally, given the importance of SMEs for poverty alleviation in developing economies (Spence, 2016), future research could explore the potential of SME managers to engage with the LW in these contexts, as they may pose different sets of constraints and opportunities for LW adoption.

As political, economic and societal debates around acceptable wage minimums and other decent working conditions gather momentum, this study has identified opportunities afforded by voluntary LW adoption, and considered barriers to their wider adoption. As SME managers continue to construct opportunities in a world of changing social norms and expectations, they are well placed to challenge and change ‘business as usual’ for a better, more decent, economy.

References

- Alvesson, M., & Kärreman, D. (2000). Varieties of Discourse: On the study of organizations through discourse analysis. *Human Relations* 53(9), 1125-1149.
- Backes-Gellner, U., & Tuor, S. (2010). Avoiding labor shortages by employer signaling: on the importance of good work climate and labor relations. *Industrial and Labor Relations Review*, 63(2), 271-286.
- Barrett, R., & Rainnie A. (2002). What's so special about small firms? Developing an integrated approach to analysing small firm industrial relations. *Work, Employment and Society*, 16(3), 415-431.
- Baumann-Pauly, D., Wickert, C., Spence, L., & Scherer, A. (2013). Organizing corporate social responsibility in small and large firms: Size matters. *Journal of Business Ethics*, 115(4), 693-705.
- Bodolica, V., & Spraggon, M. (2011). Behavioral governance and self-conscious emotions: Unveiling governance implications of authentic and hubristic pride. *Journal of Business Ethics*, 100(3), 535-550.
- Chell, E. (2000). Towards researching the "opportunistic entrepreneur": A social constructionist approach and research agenda, *European Journal of Work and Organizational Psychology*, 9 (1), 63-80
- Connelly, B., Certo, S., Ireland, R., & Reutzel, C. (2011). Signaling theory: A review and assessment. *Journal of Management*, 37(1), 39-67.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 31(6), 874-900.
- Curran, J., & Blackburn, R. (2001). *Researching the Small Enterprise*. Sage.
- Department for Business, Enterprise, Innovation and Skills (DBEIS) (2019). *Business population estimates for the UK and regions: 2019 statistical release*, <https://www.gov.uk/government/publications/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html>.
- Drummond, I., & Stone, I. 2007. Exploring the potential of high performance work systems in SMEs. *Employee Relations*, 29(2): 192-207.
- Edwards, P., & Ram, M. 2006. Surviving on the margins of the economy: Working relationships in small, low-wage Firms. *Journal of Management Studies*, 43(4): 895-916.
- Edwards, P., & Wajcman, J. (2005). *The Politics of Working Life*. Oxford University Press.
- Egels-Zandén, N. (2017). The role of SMEs in global production networks: A Swedish SME's payment of living wages at its Indian supplier. *Business and Society*, 56(1), 92-129.
- Eskow, R. (2014). Democrats, meet the minimum-wage movement. *The Huffington Post*, 5 September 2014. April 25, 2020.
- Fassin, Y. (2008). SMEs and the fallacy of formalising CSR. *Business Ethics: A European Review*, 17(4), 364-378.

- Della Torre, E., & Solari, L. (2013). High-performance work systems and the change management process in medium-sized firms. *The International Journal of Human Resource Management*, 24(13), 2583-2607.
- Faulkner, S. L., & Trotter, S. P. (2017). Data saturation. *The international encyclopedia of communication research methods*, 1-2.
- Gilligan, C. (1982) *In a different voice*. Harvard University Press.
- Gilman, M., Edwards, P., Ram, M., & Arrowsmith, J. (2002). Pay determination in small firms in the UK: The case of the response to the National Minimum Wage. *Industrial Relations Journal*, 33(1), 52-67.
- Gorgievski, M.J. & Stephan, U. (2016), Advancing the Psychology of Entrepreneurship: A Review of the Psychological Literature and an Introduction. *Applied Psychology*, 65, 437-468.
- Goss, D. (1991). *Small Business and Society*. Routledge.
- Harney, B., & Alkhalaf, H. 2021. A quarter-century review of HRM in Small and Medium-Sized Enterprises (SMEs): Capturing what we know, and exploring where we need to go. *Human Resource Management*, 60(1).
- Hart, C., Stachow, G., Farrell, A., & Reed, G. (2007). Employer perceptions of skills gaps in retail: issues and implications for UK retailers. *International Journal of Retail and Distribution Management*, 35(4), 271-288.
- Heery, E., Abbott, B., & Williams, S. (2012). The involvement of civil society organizations in British industrial relations: extent, origins and significance. *British Journal of Industrial Relations*, 50(1), 47-72.
- Heery, E., Nash, D., & Hann, D. (2017a). The Living Wage – employer experience. Cardiff Business School www.cardiff.ac.uk/_data/assets/pdf_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf.
- Heery, E., Hann, D., & Nash, D. (2017b). The Living Wage campaign in the UK. *Employee Relations*, 39(6), 800-814.
- Hefti, J., & Levie, J. (2015). Entrepreneurial Leadership-Vision Casting and the Role of Signalling. *The Proceedings of the 3rd International Conference on Management, Leadership & Governance Academic Conferences International Limited*, 95-102.
- Hisrich, R.D. (1990). Entrepreneurship/intrapreneurship. *American Psychologist*, 45(2), 209–222.
- Hoque, K., & Bacon, N. 2008. Investors in People and training in the British SME sector. *Human Relations*, 61(4): 451-482.
- Linneker, B., & Wills, J. (2016). ‘The London living wage and in-work poverty reduction: Impacts on employers and workers’. *Environment and Planning C: Government and Policy*, 34(5), 759-776.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.
- McLoughlin, I. (1996). Inside the non-union firm. In P.Ackers, C.Smith, & P. Smith (Eds.), *The New Workplace and Trade Unionism: critical perspectives on work and organization* (pp. 301-323). Routledge,.

- Michie, S. (2009). Pride and gratitude: How positive emotions influence the prosocial behaviors of organizational leaders. *Journal of Leadership and Organizational Studies*, 15(4), 393-403.
- Philpott, J. (2014). *Rewarding work for low-paid workers*. York: Joseph Rowntree Foundation.
- Pollin, R. (2005). Evaluating living wage laws in the United States: good intentions and economic reality in conflict?. *Economic Development Quarterly*, 19(1), 3-24.
- Ram, M. and Edwards, P. (2003). 'Praising Caesar not burying him: what we know about employment relations in small firms'. *Work, Employment and Society*, 17 (4): 719-730.
- Reynolds, D. (2001). Living wage campaigns as social movements: Experiences from nine cities. *Labor Studies Journal*, 26(2), 31-64.
- Scase, R. (2003). Employment relations in small firms. In P. Edwards (Ed) *Industrial Relations Theory and Practice* (pp. 470-488). Blackwell.
- Spence, L. (2016). Small business social responsibility: Expanding core CSR theory. *Business and Society*, 55(1), 23-55.
- Spence, L., & Rutherford, R. (2001). Social responsibility, profit maximisation and the small firm owner-manager. *Journal of Small Business and Enterprise Development*, 8(2), 126-139.
- Symon, G., Cassell, C. (1998). Reflections on the Use of Qualitative Methods. In Symon, G. Cassell, C. (Eds) *Qualitative Methods and Analysis in Organizational Research - A Practical Guide* (pp. 3-8). Sage.
- Ten Bos, R., & Willmott, H. (2001). Towards a post-dualistic business ethics: interweaving reason and emotion in working life. *Journal of Management Studies*, 38(6), 769-793.
- Walmsley, A., Partington, S., Armstrong, R., & Goodwin, H. (2019). Reactions to the national living wage in hospitality. *Employee Relations*, 41(1), 253-268.
- Waltman, J. (2004). *The case for the living wage*. Algora Publishing
- Wengraf, T. (2001). *Qualitative Research Interviewing*. Sage.
- Werner, A., & Lim, M. (2016). The ethics of the living wage: a review and research agenda, *Journal of Business Ethics*, 137(3), 433-447.
- Wickert, C. (2016). "Political" corporate social responsibility in small-and medium-sized enterprises: A conceptual framework', *Business & Society*, 55(6), 792-824.
- Wills, J. (2009). The living wage. *Soundings*, 42, 33-46.

Endnotes

1. One official classification criterion for enterprises is number of employees. The UK Government classes businesses as SMEs if they have 0-249 employees, with a further distinction between non-employing businesses, micro-enterprises (1-9 employees), small enterprises (10-49) and medium-sized enterprises (50-249) (DBEIS, 2019). An exact definition of what constitutes an SME, however, remains difficult, especially in view of sector differences (Curran & Blackburn 2001, pp. 8-14). Inclusion of micro enterprises in the present study is justified because the UK Government definition allows inclusion of these companies within the SME category, they constitute the second largest SME category (after non-employing businesses), and also close to 40% of accredited SMEs are micro-businesses.

2. These three categories were established by the LWF for their database.
3. In the following all quote numbers refer to the illustrative quotes listed in Appendix A.

APPENDIX A Further illustrative quotes

Caring Rationale

1. Our values are that we do care about the staff, we do care that they have a wage that you they can live off and a standard of living that reflects the hard work that they do. (*Manufacturing4*)
2. At the start of that transition period, our staff really worked so hard. They worked lots of overtime for us, because when you're in a transition period like that obviously, we were trying to fulfil orders and we needed to keep the orders to be able to pay for all the investment and in the company...And we agreed that as soon as we'd got into the new building that we would reward our staff with the voluntary living wage. So that was a firm commitment from the staff and us... It's very important to us that we look after our workforce and reward them for the work that they do. And obviously not just reward them for the work they do, but to not see the workforce as a commodity, see them as the driving force and if it wasn't for them then we wouldn't be where we were today. (*Manufacturing4*)
3. I worked all my days as a waitress in the hospitality industry and I know how gruelling it is, and I know how hard the team have to work... They deserve it, they work so hard for it, so I feel that if they feel valued then I'm going to get more from them. (*Hospitality4*)
4. The people we're paying the LW ..., I think they were already quite motivated, but I'm hoping that it continues to motivate them by the fact they're actually paid quite well for a job that can be a little bit mundane and repetitive, but they work hard (*Manufacturing1*)
5. I guess people always respond well to a pay increase, ... but I think there was also a degree of recognition that I was attempting to do something right by them ... I think ... it makes your staff feel good, feel valued by the company. ... It has improved staff turnover measurably as well. (*Wholesale&Retail1*)
6. *It saves you the job of trying to go out and do a bit of research and thinking well should I do a wage increase this year or not? ... No, you just say 'LW has gone up, so our wages have gone up' and it's sort of a load off your mind* (*Wholesale&Retail1*)
7. You also want to be able to *demonstrate* that you care about your employees. So it was that kind of motivation ... the way we benefit is maybe *knowing that we're doing the right thing by our employees and that they know it too.* (*Manufacturing1*)
8. There are those benefits which you are aware of, but for us it wasn't about the benefits it was really ethical, how we wanted to look after our staff and make sure that they did have a wage that they could live off. (*Manufacturing4*)

Quality Rationale

9. We're not shying away from the fact that ... we're not the cheapest in the market, and we don't want to be the cheapest in the market ... we're about delivering a quality product and ... when we talk with our clients and we talk about the price that we charge, part of the conversation is 'but we're a LW accredited employer, we're wanting to do things the right way' (*DomiciliaryCare1*)

10. Why we win clients and why we keep clients is the fact that we have better motivated, happier, more experienced staff... I've always been trying to fight with my clients to let them know the benefits of better motivated staff and paying people properly (*Hospitality2*)

11. The strategy of my business is to grow it based on quality and reputation of quality. So and that means putting some dignity and respect for my staff, because I can't get that quality if I'm not acknowledging, training and developing and rewarding my staff properly. (*DomiciliaryCare2*)

12. It comes down to customer service, understanding the needs of the customer, exceeding their expectations ... [We aim] to give the team around us security, so that they can provide the best level of customer service. (*Retail2*)

13. [In nurseries] you're looking after people's most precious things. You're forming human beings, and if you're going to pay nothing, the good people who would love to be here couldn't afford to stay, they couldn't do it; they would have to leave. (*Childcare*)

14. I wanted to be able to send a very clear message out to potential staff, but also potential clients that we are different. It becomes a message that we can send out that we are not only giving lip service to this, we actually are being held to account on it. ... So it gave people confidence in us trying to say that we were different ... , it gave us that credibility. It gave me something that I had to live up to personally. (*DomiciliaryCare2*)

CSR Rationale

15. [LW accreditation] is a good symbol. It projects a good image of the company and it obviously attracts people to the business as well, and it helps us with a lot of contracts. If you're up against someone else, you've got this badge that says you're an ethical employer, you pay the LW and your staff are happy with that as well. So there was a variety of reasons, but because we already did pay it, it made sense just to get the badge to say it. (*Construction3*)

16. So for me it's essentially a little bit of a sales tool ... and you hope that it shouts about the good things that you do and it all adds to the marketing side of the company ... what sets you apart from your competitors, if you make one product and everybody makes it and it performs in a similar way. Well I make mine in [in Northern England] with local people on the LW, so, as opposed to another company who manufacture in China. ... Most of our employees were already paid more than the LW and so for us the transition between paying two or three extra staff a slightly higher wage, wasn't that big a jump for us. (*Manufacturing5*)

17. It was a simple decision for us, it was an investment over the 12 months.

Interviewer: An investment to get more contracts...?

Yes, we are obviously trying to differentiate ourselves in the market place. It's quite a competitive market, so there was a number of [CSR] initiatives that we brought through.. (*Construction2*)

18. I think it was 95% + were already paid the LW, but it's so that our employees know that we do invest in training, we do value them.... [Our staff] have commented on ... the LW ... they're starting to recognize that we are accredited, as being a certain type of company. And they're commenting in a positive way. It was nice to hear the staff talking about it because all the people [who did] ... it had no effect, the LW ... It's about giving people pride in the company.... I think it's mainly so that the employees see us as good employers, and our customers, ... and make people feel valued. (*Manufacturing2*)

Civic Rationale

19. We were keen to show solidarity with the movement at a time of great social and economic upheaval in the United Kingdom. ... make a stand about it then we don't publicize issues that we think are important and particularly important in the work placea commitment to fairness, a commitment to a wage rate, which is significantly higher than the legal minimum. (*Retail3*)

20. It is not just necessarily about the benefits now or next year, it's about a commitment to being fair and being able to point to an actual heritage of being fair, demonstrably... I think it is important from a social justice point of view. (*Retail4*)

21. [My accreditation is] a statement ... that I'm with all those people, and with the Foundation, in their goals and aims, and I think that's important. (*Construction1*)

22. You have to remember we work in the retail industry which has become one of the worst areas of low pay. So the stand we are making as retailers has a great deal more resonance than if we were lawyers.... we are making a rather louder statement than those who are already expecting to pay substantially more money. (*Retail3*)

23. I thought it would be a really good thing for us to get some recognition for [already paying the LW], in part so that our customers know, but also in part so that more people in the industry recognize the importance of paying people reasonable wages... there's a fairly substantial black economy when it comes to bars and maybe all cash businesses ... and that will always be a barrier I think in paying people LW because so many people are paid off the books and they're paid half on the books, half off the books and it's damaging in the respect that people will have to work really hard to be paid reasonably in those kinds of businesses, but it's also really damaging in terms of lost tax revenue. (*Hospitality1*)

24. I don't think [childcare is] a 'get rich quick' scheme. People should not be doing it that way because the care industry for me is about 'care' and actually if you do this properly and provide the right things, there should be no such thing as somebody with no experience coming along, setting up a children's nursery, ... making a fortune and selling it on. To me that is just not morally right ... So it was good to join that process of recognition because you probably won't find that many businesses within this sector who are doing that already so for us that was quite important. (*Childcare*)

25. I did a tour actually of (***) Company who are a LW employer as well and kind of heard about them being a living wage employer and thought that it would be a really good thing for us to get some recognition for so that. (*Hospitality1*)

26. I would be fibbing if I ..., there is a commercial motivation as well, because there seems to be a bit of a social justice divide... And it seemed a good opportunity to hit the zeitgeist on the nose and get a little bit of extra ... publicity around the fact that there aren't many small micro employers, particularly not in retail, offering the LW. (*Retail4*)

27. I think perhaps this is what makes the difference that an employer has been seen to make a commitment. A commitment to fairness, a commitment to a wage rate, which is significantly higher than the legal minimum. I think it makes a difference and I think it makes a difference in our positioning ourselves as an ethical business. (*Retail3*)

Proud to be a Living Wage Employer

28. I liked the thought of trail blazing a little bit, and being one of the first. I think we were the first food retail business in C**** to become accredited and I'm quite proud of that. (*Wholesale&Retail1*)

29. I ... said [to the workers] 'I hope you feel very pleased because we're quite proud that we are a LW employer, and it's a good thing to be doing that.' (*Manufacturing1*)

30. We want to be leading rather than being dragged up afterwards, and it was something that we really wanted to be proud of and shout from the rooftops. (*DomiciliaryCare1*)

31. I'm proud to be able to say that we are involved [in the LW) and that we're doing it. (*Hospitality4*)

32. We do take pride in paying above the LW..., and a lot of companies don't (*Construction3*)

APPENDIX B

Interview questions

When did you become a Living Wage employer?

What triggered your decision to become a LW employer?

How many direct employees have benefited from your decision to become a LW employer?
What roles do they have in your organisation?

Did any subcontracted staff working on your premises benefit?

How much cost did the LW add to your wage bill? (ask for percentage)

Do you feel Living Wage accreditation has made you a more attractive business?

Did you make any changes to the way you run your business following LW accreditation (or in order to get LW accredited). Did any of these pose a challenge to you? If they did, why and how? How did you overcome these challenges?

What do you do in your organisation to make the Living Wage work? Are there any challenges attached to it?

How did your employees respond to the Living Wage accreditation? Any difficulties?

How do you think your company has benefited from being a Living Wage employer? Can you give concrete examples?

What surprised you about becoming a Living Wage employer? Why?

How important do you find it to communicate the fact that you are a Living Wage employer to others? Why, why not?

Do you actively display the Living Wage logo on your premises / on website / in business communications? Why, why not?

Do you feel your Living Wage accreditation is given recognition by others? (customers, business partners, community, employees). How is recognition given?

How does the Living Wage fit in the overall strategy of your business?

To what extent is the Living Wage integral to achieving your organisational aims?

Do you have any other accreditations / organisational policies that complement the aims of the Living Wage (e.g. Investors in People, environmental policies)?

How do you see your Living Wage strategy developing in the future?

Table 1 Profile of Respondents

Respondent code (incorporates sector)	Core business	No of employees	Interviewed directors	Adjustment of wages to achieve LW accreditation (employee percentage/percentage of wage bill)
Childcare	Childcare	21	Founder, Business	Auxiliary staff only/less than 5%
Cleaning	Residential cleaning	16	Founder	None (start-up)
Construction1	Security Installations	6	Founder	None
Construction2	Residential building and maintenance	140	Marketing	About 10%/less than 2%
Construction3	Façade Refurbishment	31	Sales/Technical	Less than 10%/less than 2%
Construction4	Building and Building Refurbishment	108	Finance	Less than 10%/less than 5%
DomiciliaryCare1	Adult Social Care	9	Founders (2)	None (start-up)
DomiciliaryCare2	Adult Social Care	17	Founder	None (start-up)
Hospitality1	Bar	13	Founder	None
Hospitality2	Events Management	580 (part-time staff)	Founder	None
Hospitality3	Pub	23	Board (3)	More than 50%/less than 2%
Hospitality4	Catering	37	Founder	None (start-up)
Manufacturing1	Low-tech medical equipment	35	Managing (part-owner)	Less than 25%/less than 5%
Manufacturing2	Natural lighting and ventilation	70	Managing, HR, and Communications	Less than 5%/less than 2%
Manufacturing3	Lab sterilisers	36	Managing	Less than 10%/less than 2%
Manufacturing4	Food production	120	HR (part-owner)	More than 50%/more than 10%
Manufacturing5	Refractory Concrete	14	Managing (owner)	Less than 25%/less than 2%
Retail1	Clothing	52	Founder	Less than 10%/less than 10%
Retail2	Computers	10	Managing (owner)	More than 50%/more than 10%
Retail3	Gifts and Furniture	4	Founder	More than 50%/more than 10%
Retail4	Health Foods	5	Managing (owner)	More than 50%/more than 10%
Wholesale&Retail1	Organic food	10	Founder	More than 50% /less than 10%
Wholesale&Retail2	Wholefoods	45	Founder	Less than 10% (casual workers)/less than 2%

Table 2: Overview of Choice Rationales

	Dominant industries (in sample)	Lenses/theories	Cultural types	Dominant target of Accreditation	App. % of respondent utilising this rationale
Caring Rationale	Low skilled manufacturing Wholesale&Retail	Moral Proximity Social Exchange	Fraternalism Paternalism	Core employees (Managers themselves)	52%
Quality Rationale	Services (care, hospitality, customer-focused retail)	Strategic Choice: Quality	High commitment/high performance workplace	Core employees Market place (clients)	22%
CSR Rationale	High skilled manufacturing Construction	Strategic Choice: “CSR as HRM” Social Exchange	High commitment workplace (employees)	Market place (clients) Higher paid employees	26%
Civic Rationale	none	Political CSR	-	Other businesses Market place	48%