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Transliteration Table: Consonants

Arabic	Roman		Arabic	Roman
ب	b		ط	ṭ
ت	t		ظ	ẓ
ث	th		ع	‘
ج	j		غ	gh
ح	ḥ		ف	f
خ	kh		ق	q
د	d		ك	k
ذ	dh		ل	l
ر	r		م	m
ز	z		ن	n
س	s		ه	h
ش	sh		و	w
ص	ṣ		ء	’
ض	ḍ		ي	y

Transliteration Table: Vowels and Diphthongs

Arabic	Roman		Arabic	Roman
◌َ	a		◌ًا، ◌ًى	an
◌ُ	u		◌ٌو	un
◌ِ	i		◌ٍي	in
◌َا، ◌ٰ، ◌َى،	ā		◌َوْ	aw
◌ُو	ū		◌َيْ	ay
◌ِي	ī		◌ُوّ	uww, ū (in final position)
			◌ِيّ	iyy, ī (in final position)

Source: ROTAS Transliteration Kit: http://rotas.iium.edu.my

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"Should I Pay a Living Wage?" A Systematic Review on Employers' Decision from an Organisational Justice Perspective

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Maisarah Mohd. Taib***

Abstract: This study is a systematic review that explores employers' decision for or against living wage (LW). Published articles up to year 2022 were extracted and screened, and a total of 24 articles were reviewed. Thematic analysis was used to extract themes for three components of organisational justice. Themes like employer morale and ethics, employee contribution as well as current and future impacts explain distributive justice. The right strategy, implementation costs, perceived benefits and external interventions describe procedural justice. Finally, employers direct, indirect or no communication to employees explain interactional justice. Theoretically, a novel framework that describes how employers decide on living wages from the perspective of organisational justice is proposed. It simultaneously serves as a decision-making tool for employers to introduce LW and a strategy for living wage advocates to persuade employers paying living wage.

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Keywords: Industrial and organisational psychology, living wage, organisational justice, decision-making, employer.

Abstrak: Kajian ini meneliti keputusan majikan untuk menerima atau menolak gaji sara hidup wajar dengan menggunakan metodologi sorotan literatur bersistematik. Kajian ini mengekstrak dan menyaring artikel yang diterbitkan sehingga tahun 2022. Sebanyak 24 artikel telah dipilih dan diteliti. Kaedah analisis tematik digunakan untuk mengenal pasti tema-tema yang berkaitan dengan tiga komponen keadilan organisasi. Keadilan pengagihan dihuraikan melalui tema-tema seperti moral dan etika majikan, sumbangan pekerja, serta kesan masa sekarang dan masa hadapan. Keadilan prosedur pula dihuraikan melalui tema-tema seperti strategi yang tepat, kos dan manfaat gaji kehidupan wajar, serta intervensi luaran. Manakala keadilan interaksi dijelaskan melalui tema komunikasi majikan kepada pekerja secara langsung, tidak langsung, dan tiada komunikasi. Dari sudut teori, kajian ini mencadangkan satu kerangka baharu yang menerangkan bagaimana majikan membuat keputusan berkaitan gaji kehidupan wajar berdasarkan perspektif keadilan organisasi. Dalam masa yang sama, kerangka ini berfungsi sebagai alat dalam membantu majikan membuat keputusan, memperkenalkan gaji kehidupan wajar, dan sebagai strategi bagi pendokong gaji kehidupan wajar untuk meyakinkan majikan membayarnya kepada pekerja.

Kata kunci: Psikologi industri dan organisasi, gaji kehidupan wajar, keadilan organisasi, membuat keputusan, majikan.

Introduction

Ensuring fair pay remains a complex challenge for organisations, as employees' perceptions of perceived fairness of pay are closely linked to their work motivation and satisfaction (Armstrong, 2006; Woods & West, 2016). Employers, on the other hand, often base pay distribution on the basis of employee contribution and performance (Armstrong, 2006; Skilling & Tregidga, 2018). This tension reflects the broader discourse on organisational justice, where fairness is not only a subjective experience that shapes employees' attitudes and behaviours, but also a normative principle that guides managers' decisions on pay practises.

Living wage (LW) is proposed as a wage scheme that guarantees employees and their families a basic standard of living, enables social participation, personal and family development and reduces financial

burdens (Werner & Lim, 2017; Chong & Khong, 2018). It ensures individuals' minimum standard of living and social sustainability by addressing essential needs while promoting growth and social quality (Werner & Lim, 2016). The LW usually exceeds the statutory minimum wage. In the United Kingdom (UK), the rates are £10.85 in London and £9.50 outside London, compared to a minimum wage of £8.91 (Living Wage Foundation, 2021). In Malaysia, the Bank Negara has recommended LW of between RM2,700 and RM6,500, depending on household size (Chong & Khong, 2018), with the latest estimate being RM3,047 compared to the minimum wage of RM1,500 (Choy & Tay, 2023). Given the higher rate, LW has sparked heated debates and public controversies, reflecting divergent reactions among economic actors (Ford & Gillan, 2017; Hodgetts et al., 2022).

The debates on LW are based on the principles of justice (Hill, 2019; Werner & Lim, 2016). Proponents view LW as a matter of distributive justice, ensuring employees' right to a decent standard of living while promoting productivity, equitable distribution of wealth, economic growth and employee well-being, thereby benefiting society as a whole (Werner & Lim, 2016; Carr et al., 2019). However, critics argue that wages should reflect skills, income and market value, which makes LW unfair (Skilling & Tregidga, 2019). The decision to adopt LW is therefore based on competing perspectives of equity and fairness.

Previous research has explored the rationale for LW from economic, ethical and religious perspectives (Werner, 2021; Werner & Lim, 2016), as well as strategic decision-making perspective (Heery et al., 2017; Zeng & Honig, 2017), but the link to organisational justice remains limited (Hill, 2019). As pay distribution is central to organisational practise, applying an organisational justice lens provides valuable insights for employers and stakeholders in LW decisions. This study fills this gap by proposing a comprehensive framework that draws on distributive, procedural and interactional justice to answer "How do employers and business stakeholders decide for or against LW?

This study has two key contributions. First, it identifies the motives of economic actors who support or oppose LW, addressing theoretical gaps in prior research that largely emphasised trends (Searle & McWha-

Hermann, 2020). Second, it provides evidence-based insights for fair and equitable LW implementation, providing reliable evidence for decision and policy makers (Petticrew & Roberts, 2006). This paper introduces organisational justice and its connection to wage distribution and LW, as well as outlining the document extraction methods and the Preferred Reporting Items for Systematic Reviews and Meta Analysis (PRISMA), before presenting and discussing the findings.

Organisational Justice

Organisational justice, centred on workplace equity, shapes perceptions of fairness (Greenberg, 2009; Nabatchi et al., 2007), and strongly influences organisational decision-making, attitudes and behaviours (Woods & West, 2016; Hadi et al., 2020). It positively correlates with affective commitment, trust, and employees' behaviours in the organisation (Khaola & Rambe, 2021; Choong et al., 2018), while perceptions of injustice often result in anger and resentment among employees (Nabatchi et al., 2007).

Research on organisational justice in pay distribution has long centred on employees, but recent studies highlight the role of employers and business stakeholders as key agents of organisational justice (Eib et al., 2020). Nevertheless, employers are pivotal in shaping pay policies, (Burri et al., 2020), as most decisions are made top down (Heery et al., 2017).

This study adopts Greenberg's model of organisational justice, which includes distributive, procedural, and interactional justice (Nabatchi et al., 2007) to examine wage distribution and LW.

Distributive Justice

Distributive justice, central to pay decisions (Armstrong, 2006; Burri et al., 2020), concerns the perceived fairness of resources in social exchange. In remuneration, fairness is measured by the proportionality of pay to work performance (Greenberg, 2009). Employers argue in favour of LW, claiming that it is commensurate with employees' contributions to the organisation (Werner & Lim, 2017). Conversely, opponents argue that LW is disproportionately high for low-wage employees and question the perceived fairness relative to personal and market value (Skilling & Tregidga, 2019). These differing valuations of LW shapes employers' decision-making.

Procedural Justice

Procedural justice, understood as the perceived fairness of decision-making processes (Greenberg, 2009), emphasises satisfaction derived from procedures themselves (Nabatchi et al., 2007). Employers across both high- and low-wage sectors often uphold this principle in determining fair pay (Hill, 2019). Among LW employers, compensation is assessed against factors such as skills, qualifications, experience, effort, time, enthusiasm and contribution to company profits (Hill, 2019). In contrast, non-LW employers contend that LW undermines performance-based system, particularly those linked to commissions and bonuses (Werner & Lim, 2017). Consequently, decisions on such matters necessitate careful deliberation with management to ensure just and defensible implement (Carson, 2022).

Interactional Justice

Interactional justice concerns fairness in the communication of procedures and outcomes (Greenberg, 2009). It comprises informational justice, where fairness is perceived when outcomes are fully explained, and interpersonal justice, where authorities demonstrate courtesy and respect (Nabatchi et al., 2007; Greenberg, 2009). Interactional justice, such as treating co-workers with dignity, aligns with the ethical foundation of LW, which emphasises adequate compensation for a decent standard of living (Werner & Lim, 2016). Interactional justice also shapes responses to decision outcomes and predicts various dimensions of pay satisfaction, as it encourages employee voice and transparent communication about pay performance and performance system (Wickramasinghe, 2023). However, compared to distributive and procedural justice (Hill, 2019), evidence of interactional justice in relation to LW remains limited.

Methods

This study employs a systematic review to generate high quality evidence and enhance understanding of employers' decision-making regarding the adoption or rejection of LW. This approach is particularly valuable for guiding employers and business stakeholders in pay-related decisions, given that wages constitute a substantial share of business costs, reaching up to 70 per cent (Bobieca et al., 2021; Paycor, 2022). Such decisions affect product pricing, businesses sustainability

and organisational performance. The systematic review further ensures comprehensive insights drawn from a robust body of research, aligning with the objectives of this study.

This study adopted PRISMA as the primary reporting framework. To address PRISMA's limitations in guiding qualitative and mixed-method designs, the guidelines for qualitative systematic reviews by Butler et al. (2016) were applied (Shaffrill et al., 2020). The search strategy was designed to comprehensively identify relevant studies across multiple databases (Butler et al., 2016), guided by specific inclusion and exclusion criteria. Inclusion criteria comprised: (1) studies using primary data from employers' and business stakeholders' experiences and decisions on LW, supported by secondary data; (2) research employing qualitative methods as the primary approach, with quantitative and mixed methods also considered; (3) peer-reviewed journal articles and book chapters from reputable databases (e.g., Springer Link, Routledge, Taylor & Francis); (4) publications in English; and (5) studies published up to 2022. Exclusion criteria were: (1) studies focusing exclusively on employees; (2) non-peer-reviewed sources; (3) non-English publications; (4) inaccessible documents; and (5) studies irrelevant to the research questions.

The search terms were developed using the Population, Context and Outcome (PCO) framework (Butler et al., 2016), with synonyms identified through the EBSCO Thesaurus and prior literature review (Shafrill et al., 2020) to guide the search process. Table 1 presents the keywords derived from the PCO framework.

Table 1: Keywords for the Literature Search

PCO framework	Keywords
Population	Employer OR stakeholder OR manager OR owner OR council OR government authority OR shareholder OR trade union OR politician
Context	Living wage
Outcome	Decision OR support OR pay OR reject OR against

This study utilised a comprehensive search across open access and university databases, including DOAJ, EBSCO, Emerald, MDPI, Scopus, Science Direct, Springer Link, Taylor and Francis, Web of Science and Google Scholar. Consistent with Shaffrill and colleagues (2020), advanced search techniques such as Boolean operators, phrase searches, truncation, wildcards and field codes were applied. An example of the search string for the advanced search in the databases: AB "living wage" AND AB (("employer*" OR "stakeholder*" OR "manager*" OR "owner*" OR "council*" OR "politician*" OR "shareholder" OR "trade union" OR "government* authorit*")) AND AB (("support" OR "pay" OR "against" OR "reject")). Manual strategies included hand searching three journals with LW special issues, such as Labour & Industry, Employee Relations and Transfer: European Review of Labour Research (Dobbins & Prowse, 2022), as well as backward searching reference lists and using Connected Papers database to confirm saturation (Connected Papers, n.d.). Following Levy and Ellis (2006, cited in Shaffrill et al., 2020), the search was concluded when no new results emerged. Conducted between July and September 2022, the process yielded 346 articles after the automatic removal of 6,677 records and 54 duplicates, with an additional 45 records identified manually.

A total of 346 electronically retrieved and 45 manually identified articles were screened for eligibility based on title, keywords, abstract and methodology. The 45 manually retrieved articles were further assessed for quality using the Critical Appraisal Skills Programme (CASP) Qualitative Checklist, a widely applied tool for evaluating qualitative research that enables rapid appraisal of validity, methodological appropriateness, and ethical considerations (Butler et al., 2016; CASP, 2018). Articles were scored as "Yes" (2 points), "Can't tell" (1 point) or "No" (0 point) (Njau et al., 2019), with only those achieving medium to high scores (16-20) included in the data extraction and analysis. Quality assessment was conducted independently by all three authors, with the first author reviewing all articles and assigning them to the second and third authors for secondary review. Articles were scrutinised to ensure compliance with the inclusion criteria and relevance to the research questions. This process yielded 24 articles, summarised in PRISMA diagram (Figure 1).

The data were analysed using thematic analysis to capture and interpret recurring patterns in experiences, thoughts and behaviours

(Kiger & Varpio, 2020). Deductive categories were applied to organise the data into three themes, aligned with the principles of organisational justice, while inductive categories allowed subthemes to emerge within each principle. This combined approach reflects the recognition that exclusive reliance on a single analytic strategy is neither practical nor sufficient (Byrne, 2022).

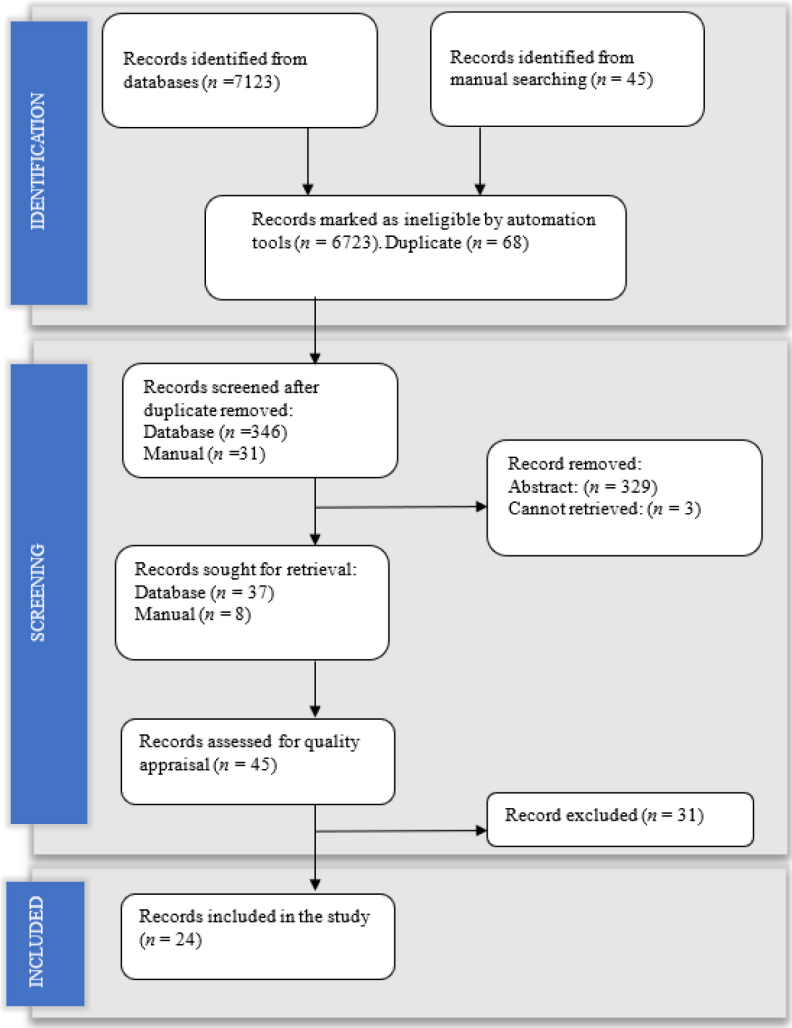

Figure 1: Summary of the Search Process

Findings and Discussion

The 24 articles reviewed in this study were published between 2000 and 2020, and conducted across diverse contexts, including Canada (Jaarsveld et al., 2019; Ptaschnick & Zuberi, 2015; Zeng & Honig, 2017), New Zealand (Hodgetts et al., 2022; Parker et al., 2022), the United States of America (USA) (Bartle & Halaas, 2008; Clain, 2012; Grant & Trautner, 2004; Reynold & Vortkamp, 2005; Schumaker & Kelly, 2013), the UK (Carson, 2021; Dabinett et al., 2016; Heery et al., 2017; Heery et al., 2018; Johnson, 2017; Prowse et al., 2017; Prowse & Dobbins, 2022; Prowse & Fells, 2016; Walmsley et al., 2018; Werner, 2021; Werner & Lim, 2017), Sweden (Egels- Zandén, 2015; Tarnovskaya et al., 2022) and several Asian regions (Ford & Gillan, 2017; Tarnovskaya et al., 2022). Most applied study designs such as case studies or mixed methods and used interviews, closed- and open-ended surveys, observation, and document analysis as methods of data collection.

Distributive Justice

Distributive justice, defined as fairness in resource allocation (Greenberg, 2009), is often assessed through outcomes relative to inputs, including wages, education, training, experience and effort (Baldwin, 2006). In this study, it refers to employers' perceptions of the fairness of LW in relation to the benefits it provides. Three themes were identified as shaping employers' judgments and their decisions to support or reject LW: employers' moral and ethics, employees' contribution and current and future impacts.

Theme 1: Employers' moral and ethics

Theme 1 explores employers' moral and ethics and identifies fundamental values that influence their attitudes to LW, which uncovers ethical and moral judgements based on the principle of distributive justice, particularly the principle of needs-based sufficiency and consideration of common goods. It comprises three sub-themes: employers' general perceptions, adequacy of livelihood and concern for employees.

Sub-theme 1: Employers' general perceptions

Sub-theme 1 explores employers' general perceptions of LW and their reasoning regarding its fairness. The literature highlights that many

employers view paying LW as morally justified and aligned with responsible organisational practises (Hodgetts et al., 2022; Prowse & Dobbins, 2017; Werner, 2021; Werner & Lim, 2017). Supporting LW is regarded as a means for organisations to ensure fair wages (Hodgetts et al., 2022) and demonstrate sound business practises (Parker et al., 2022). Employers' satisfaction in providing LW further underscores its strong moral rationale (Werner, 2021).

Proponent of LW regard it as a fair wage and a fundamental human right, eliminating ambiguity in wage determination (Werner, 2021). This perspective aligns with the LW philosophy, which upholds employees' right to fair wage and employers' duty to provide it (Werner & Lim, 2016). Conversely, opponents argue that LW disadvantages employees and trade unions (Ford & Gillan, 2017) and constitutes an artificial intervention unlikely to enhance productivity (Parker et al., 2022).

The principle of common good lies at the core of debates on LW. Proponents link between poverty to low wages and highlight the health consequences of inadequate income (Ptashnick & Zuberi, 2015). Opponents argue that addressing such issues requires broader economic, social and political analysis contending that LW alone cannot substantially reduce poverty, enhance productivity or improve overall quality of life and work (Parker et al., 2022). Thus, while proponents emphasise the communal benefits of LW, opponents stress its limitations and uncertainties.

Sub-theme 2: Adequacy of livelihood

Sub-theme 2 addresses livelihood adequacy, illustrating that employers who support LW seek to ensure employees a decent and sustainable quality of life (Egels-Zenden, 2015; Hodgetts et al., 2022; Ptashnick & Zuberi, 2015; Parker et al., 2022; Werner, 2021). This perspective links wages and benefits to societal well-being, emphasising the need for sufficient income to support families with essentials such as nutritious food and education (Werner & Lim, 2017). In contrast, opponents challenge the calculation of LW, criticising unrealistic assumptions and its inadequacy in difficult circumstances (Ford & Gillan, 2017) as reflected in concerns about family responsibilities and care burdens highlighted by Hodgetts and colleagues (2022, p.8), "*but if I've got*

three kids… a sick mother-in-law at home or something, that's not nearly enough to actually live with dignity."

The debates reflect the sufficiency principle of distributive justice, which advocates wages adequate for a dignified life (Burri et al., 2021) and align with LW sustainability principle that wages should ensure self-sufficiency (Stabile, 2008, in Werner & Lim, 2016). However, this sub-theme highlights the ambiguity in defining needs (Fischer, 2008), raising doubts about the purpose of LW.

Sub-theme 3: Concern for employees

Sub-theme 3 highlights employers' concern for fairness and employee well-being. Paying LW is viewed as an expression of care, enabling employees to afford a decent lifestyle and support their families, thereby enhancing their well-being. This was highlighted by Zeng and Honig (2017, p. 480); "*I care about our employees' well-being. I think the living wage provides the employees with the opportunity to be able to afford their lifestyle with their family*." This moral commitment extends to the macro level, as employers emphasise that LW benefits not only employees, but also businesses and society (Prowse & Dobbins, 2017). For employers, LW thus represents both an act of care and a demonstration of doing what is right.

Theme 2: Employees' contribution

The second theme deals with the question of whether LW is proportionate to employees' contribution to the business. Proponents contend that LW reflects employees' contribution and skills (Hodgetts et al., 2022; Werner, 2021), long working hours as well as routine and complex tasks, (Werner, 2021; Parker et al., 2022), challenging environments (Parker et al., 2022), fulfilment of employer expectations (Walmsley et al., 2018), employees' hard work (Werner, 2021) and high quality services (Walmsley et al., 2018; Werner & Lim, 2017). Employers also value LW as a fair reward that reinforces their strategic positioning as providers of quality services, exemplified by statements emphasising staff retention and exceptional care as stated in Wener (2021, p. 5), "*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.*"

In contrast, opponents of LW question its applicability to certain employees, labelling them as "undeserving" due to low morale, absenteeism, illiteracy or low qualifications (Hodgetts et al., 2022). They also highlight perceived inequities for middle-level earners and discrepancies with higher skills and productivity (Carson, 2022; Parker et al., 2022; Werner & Lim, 2017). This challenges the sufficiency principle and invokes the desert principle, which claims that contributions, efforts and labour demands justify economic benefits (Burri et al., 2021). Conversely, proponents emphasise that LW is not productivity-based but ensures life sustainability (Hodgetts et al., 2022). This contrast illustrates competing applications of distributive justice principles (sufficiency and desert) in assessing LW fairness.

Theme 3: Current and future impacts

This theme explores employers' perceptions of the fairness of LW in relation to its current and future organisational impacts. It is analysed through five sub-themes: investment in employees, investment in business, pay disparity, market shift and mindset. This theme highlights the complexities and dilemmas employers face when assessing the fairness of LW.

Sub-theme 1: Investment in employees

This sub-theme uncovers employers' motivations for supporting or opposing LW in relation to employee outcomes. Proponents emphasise benefits such as improved retention of skilled employees (Hodgetts et al., 2022; Parker et al., 2022; Werner & Lim, 2017; Zeng & Honig, 2017), reduced absenteeism and turnover (Zeng & Honig, 2017), increased motivation (Walmsley et al., 2018) and improved productivity (Egels-Zenden, 2015; Werner & Lim, 2017). This perspective is encapsulated in the view that a happy workforce is more committed and productive (Werner, 2021). For these employers, paying LW is considered an investment expected to yield positive returns (Carson, 2022; Werner, 2021; Werner & Lim, 2017), linking directly to the next sub-theme, which is investment in business.

Sub-theme 2: Investment in business

Employers also consider the spillover effects of LW from employees to the business. For examples, improved retention reduces retraining needs (Zeng & Honig, 2017), while satisfied and empowered employees

minimise errors, enhance output, lower production costs and generate savings (Egels-Zenden, 2015). These outcomes align Carr et al.'s (2019) assertion that LW supports productivity gains and promotes decent work.

Conversely, opponents raise concerns about the uncertain economic impact of the LW, particularly its potential to reduce business competitiveness and cause plant closures or job losses (Parker et al., 2022; Tarnovskaya et al., 2022). One employer who adopted LW but later abolished it reported adverse outcomes, including high turnover and employee dissatisfaction following the removal of performance bonuses, which created the perception of unfair pay (Werner & Lim, 2017). Increased wages without added benefits undermined company savings, leading to the discontinuation of LW. The employer, however, introduced alternative fair remuneration methods, reflecting a pragmatic stance in which LW is adopted when beneficial, but withdrawn if it threatens business viability.

Sub-theme 3: Pay disparity

This sub-theme highlights the complexity of assessing fairness between LW proponents and opponents. Employers argue that implementing LW increases operating costs and necessitates wage adjustments for higher earners, potentially affecting motivation (Johnson, 2017). Balancing costs with productivity is therefore critical. Narrowing the pay gap between supervisors and subordinates may be perceived as unfair (Egels-Zenden, 2015), particularly by those earning slightly above LW, leading to demotivation (Carson, 2022). In addition, higher wages for low-skilled employees may discourage upskilling (Egels-Zenden, 2015) and contribute to wage compression (Parker et al., 2022), challenging the merit principle. When wages fail to reflect skills and responsibilities, the fairness of LW is called into question.

On the other hand, employers committed to pay equity (Hodgetts et al., 2022) and operating within flat pay systems (Werner, 2021) view the introduction of LW as minimally disruptive, as it aligns with established flat pay structures. Flat structure reflects a team-based consultative culture, therefore, LW does not alter perceptions of fairness (Parker et al., 2022, p. 15). However, organisations already paying above market rates to middle- and senior-level employees may refrain from further increases, as current salaries are deemed fair (Zeng & Honig, 2017).

Sub-theme 4: Market shift

Beyond affordability, there is a growing trend of employers adopting LW (Hodgetts et al., 2022), with adoption by some companies encouraging others to follow (Ptaschnick & Zuberi, 2015). However, employers facing rising living and wage costs may not perceive an immediate need to implement LW (Parker et al., 2022). This sub-theme reflects employers' views of fair wage distribution as shaped by the market demand (Deutsch, 1975) and prevailing market standards for wage setting (Skilling & Tregidga, 2019).

Sub-Theme 5: Mindset

Advocates emphasise the need for employers to shift their attitudes toward LW, arguing that objections based on wage inequality are unfounded since all employees deserve fair pay for a decent life. Employees are urged to avoid wage comparisons (Hodgetts et al., 2022), while LW is seen as reshaping societal expectations of fairness, grounded in individual' life needs. Employers are further encouraged to regard LW as a long-term investment rather than simply a cost (Carson, 2022).

Procedural justice

Procedural justice refers to individuals' perceptions of the fairness in decision-making processes (Greenberg & Tyler, 1987). Given the complexity of wage distribution, decision-making procedures are particularly significant. In this study, procedural fairness is defined as the process by which employers determine their stance on LW. Four themes emerged: the right strategy, implementation costs, perceived benefits and external interventions.

Theme 1: The right strategy

This theme looks at the strategic considerations employers undertake before introducing LW, including its alignment with the organisational goals and values, process before decision-making, balance in decision-making and creative ways to overcome challenges.

Sub-theme 1: Alignment with organisational goals and values

Resource allocation should align with organisational goals and values (Armstrong, 2006), making it essential that decisions on the LW reflect

these principles. Advocates of LW emphasise such alignment with core business objectives (Ptashnick & Zubeir, 2015; Werner, 2021; Werner & Lim, 2017), a view supported by surveys showing that over 80 per cent of LW employers highlight its importance (Heery et al., 2017). For many organisations, LW is integrated into business strategy to secure employee financial security and improve customer service (Werner & Lim, 2017). For example, one company explicitly linked LW to ensuring employees' financial security and delivering "*the best level of customer service*" (Werner & Lim, 2017, p. 857).

Employers acknowledge that diverse values shape their decisions and that organisational philosophies and priorities differ. As noted by an employer: "*The difficulty for me is that I work for a company that values training and development, and career development is something we have always done. But I realise that there are many organisations that do not necessarily have the same philosophy ... and don't focus on fair pay ...*" (Walmsley et al., 2018, p. 262).

Sub-theme 2: Process before decision-making

This sub-theme explores the multi-layered process employers undertake before committing to LW. Steps include board and stakeholder discussions (Carson, 2022; Prowse et al., 2017), cost impact analyses (Egels-Zenden, 2015; Prowse & Fells, 2016), pilot testing (Egels-Zenden, 2015; Tarnovskaya et al., 2022), developing performance indices, forming collaboratives (Tarnovskaya et al., 2022), and establishing fairness commissions (Dabinett et al., 2016; Johnson, 2017). For example, one organisation assessed LW feasibility through multiple cost calculations, using Fair Wear Foundation's methods, employee estimates and partner assessments, demonstrating its commitment to ensuring fairness for both employers and employees (Egels-Zenden, 2015). Seeking employee consent further reinforces perceptions of fairness in wage adjustments (Hodgetts, 2022; Werner & Lim, 2017).

Against the backdrop of a government emphasising fairness and striving to be the fairest city in the country (Dabinett et al., 2016), a proactive step was taken to form a commission to advise on fairness before considering the introduction of LW. As a result, 23 local authorities in the UK, including Cardiff, formed the Fairness Commission. This commission produced a report that looked at key issues such as jobs and wages, and ultimately proposed the introduction of LW. Executive

committees of leaders from the private, academic and public sectors were also formed to lobby for its implementation citywide (Dabinett et al., 2016). Through frequent meetings and discussions, these initiatives encouraged organisations to reconsider their stance, leading some to adopt LW.

Sub-Theme 3: Balance in decision-making

Employers carefully evaluate the advantages and drawbacks before adopting LW (Hodgetts et al., 2022). Affordability concerns (Werner & Lim, 2017) serve as a crucial reality check, requiring a balance between meeting wage demands and safeguarding organisational sustainability (Walmsley et al., 2018).

Sub-Theme 4: Creative ways to overcome challenges

LW employers adopt inventive strategies to address associated challenges. These include foregoing expensive consultants, limiting new hires, reducing subcontracting (Prowse & Fells, 2016), adjusting prices, adopting cost-effective technologies (Werner & Lim, 2017), integrating expenses into financial plans (Reynolds & Vortkamp, 2005) and seeking subsidies from contractors (Ptashnick & Zuberi, 2015). Some offset costs through productivity gains (Werner & Lim, 2017), while others manage expectations, viewing increased costs as anticipated (Walmsley et al., 2018).

Theme 2: Implementation costs

This theme illustrates one of the key approaches to supporting or rejecting LW. It looks at employers' analyses and assessments of the costs of introducing LW and highlights their assessment of companies' ability to pay as part of the decision-making process.

Firstly, employers begin by assessing the direct costs of implementing LW, which include a large proportion of low-paid employees, limited resources (Prowse & Fells, 2016) and rising LW rates (Werner & Lim, 2017). Passing these costs to customers poses risk of reduced demand (Parker et al., 2022), reinforcing concerns about LW's expense and discouraging adoption. However, some organisations find the transition manageable when wages already exceed LW (Grant & Trautner, 2004; Werner, 2021), only a small workforce is affected (Johnson, 2017; Reynolds & Vortkamp, 2005; Werner & Lim, 2017; Zeng & Honig,

2015), increases are marginal (Egel-Zenden, 2015; Werner, 2021), or costs are balanced by resulting benefits (Ptashnick & Zuberi, 2015; Werner, 2021).

Secondly, the pay gap is a significant concern in evaluating the fairness of LW, especially across employee groups. While some advocate reducing wage disparities (Hodgetts et al., 2022; Jaarsveld et al., 2022), others favour maintaining the status quo (Hodgetts et al., 2022; Walmsley, 2018), arguing that narrowing gaps may demoralise long-serving employees (Ptashnick & Zuberi, 2015; Werner & Lim, 2017). This resistance aligns with distributive justice and merit principles, which emphasise compensation that reflects duties and responsibilities, particularly in supervisory roles.

Finally, hidden costs such as administrative adjustments, further add to the financial impact of implementing LW. Organisations often face extensive salary revisions affecting most employees (Reynolds & Vortkamp, 2005; Werner & Lim, 2017), while regulatory paperwork creates additional burdens (Grant & Trautner, 2004). These unanticipated expenses, shaped by complex organisational factors (Parker et al., 2022), alongside wage differentials underscore the practical challenges of adopting LW.

The sub-themes reveal the practical challenges of implementing LW. While employers may accept LW as a basic requirement, they often refrain from adoption when costs are prohibitive (Parker et al., 2022). This reflects the moral-profit dilemma, where employers acknowledge the importance of fair wages, but are reluctant to risk profitability (Walmsley et al., 2018).

Theme 3: Perceived benefits

In contrast to the previous theme, this theme highlights employers' considerations of the benefits of adopting LW, particularly reputational, organisational and business advantages.

Reputation emerges as a key factor in decision-making. While opponents perceive little reputational value in LW (Hodgetts et al., 2022), proponents argue that it fosters trust, strengthens customer retention and attraction, creates new business opportunities (e.g. Werner, 2021; Werner & Lim, 2017) and helps secure projects from local authorities (Jaarsveld et al., 2022; Johnson, 2017; Werner, 2021).

A systematic review by Gomez-Trujillo et al. (2020) further supports a positive association between reputation and financial performance, noting additional benefits such as talent attraction, crisis resilience and improved relations with government and society. The findings emphasise the significance of reputational advantage in sustaining organisational viability.

Employers also recognise organisational benefits of LW, including improved employee attitudes and behaviours such as job satisfaction, morale, motivation, engagement and productivity (Tarnovskaya et al., 2022; Walmsley, 2018; Werner & Lim, 2017). In addition, personnel-related advantages include retaining skilled employees, reducing turnover, securing good talent, as well as reducing training needs and frequency (Ptashnick & Zuberi, 2015; Werner, 2021). As one employer observed, "*without paying a decent wage 'good people' would leave the business*" (Werner, 2021, p. 5).

Finally, employers evaluate the balance between the costs and benefits of implementing LW. Many conclude that the benefits outweigh the costs, contributing to improved funding and overall organisational success (Jaarsveld et al., 2022). This strategic assessment emphasises LW's positive impact for both employers and employees.

Theme 4: External interventions

The final procedural justice theme identified in this study is external intervention, which highlights how external factors, including labour unions, politicians, campaigners, other business owners and local authorities influence employers' decisions to support or oppose LW.

Politicians and political parties are among the strongest advocates (Clain, 2012). In the UK, Bradford City Council adopted LW following a narrow Labour majority (Prowse & Fells, 216), while Sheffield implemented LW and lobbied other political leaders to pursue its goal of becoming the fairest city in the country (Dabinett et al., 2016). Municipal adoption also served as a model for other organisations (Heery et al., 2017; Jaarsveld et al., 2022). In the US, LW legislation is more likely to be passed in regions with Democratic voter majorities and strong public sector unions (Clain, 2012). Local governments have also linked contracting to LW compliance, requiring companies to pay LW to secure contracts (Johnson, 2017), or obligating appointed contractors

to extend LW to their employees (Grant & Trautner, 2004; Reynolds, 2005). However, evidence show that some contractors fail to honour these commitments, treating LW primarily as a business strategy rather than a moral obligation (Luce, 2014).

Labour unions are among the most prominent advocates for the LW, as they regularly negotiate wage arrangements with employers on behalf of their members (Prowse & Fells, 2016). The role of the union is to negotiate wages with employers for their members. Advocacy groups, including not-for-profit organisations and accreditation bodies such as Citizens UK and Living Wage Aotearoa, play a central role in LW campaigns in the UK and New Zealand, promoting initiatives and encouraging employer accreditation (Prowse & Fells, 2016). These efforts have prompted many employers to consider adoption. Nonetheless, some employers are influenced less by government, unions or pressure groups, and more by media coverage and the perceived business benefits (Carson, 2022).

Market pressure also influences employers' decisions, as strategies to attract and retain top talent increasingly align with labour market demands for LW (Hodgetts et al., 2022). As one employer noted, "*in terms of recruitment, which I do a lot of, I think the market was starting to expect a living wage from employers. I think particularly the kind of brand that we like to aim for, much talent we were recruiting were already demanding that*" (p. 9). Such pressures may therefore drive employers to adopt LW.

Interactional Justice

Interactional justice refers to the fairness perceived by individuals based on how outcomes and procedures are communicated, whether information is thoroughly explained (interpersonal justice) and/or in a way that conveys respect and dignity (informational justice) (Greenberg, 2009). In this study, it refers to how employers communicate the process and outcomes of supporting or rejecting LW to employees, either directly, indirectly or not at all, to ensure fairness. In cases of involuntary regulation, interactional justice reflects how authorities communicate LW regulations to employers, shaping their perceptions of fairness and decision-making.

Theme 1: Direct communication

Employers who favour direct employee involvement in decision-making communicate their commitment to paying the LW by consulting employees and obtaining their consent prior to implementation (Werner & Lim, 2017). Some host a series of national events to celebrate LW adoption (Prowse & Dobbins, 2017), while others adopt employee-led approaches, such as monthly negotiations that allow more managerial flexibility in recognition and rewards (Parker et al., 2022). These practises reflect informational and interpersonal justice, as employers engage in open communication, seek employee input and respect their views.

Theme 2: Indirect communication

Employers may also communicate their decisions indirectly through negotiations with trade unions and associations (Heery et al., 2017) or, in the case of political institutions, through political manifestos (Prowse & Fells, 2016). Accreditation or displaying a 'badge' as LW employers further serves as implicit communication of pay practises (Carson, 2022; Werner, 2021). However, this study found limited evidence of how employers directly communicating such decisions to employees.

Theme 3: No communication

In some cases, employers do not communicate their decisions, leaving employees to speculate about wage allocations. For example, employees may question why some colleagues receive LW bonus while others are excluded (Egel-Zenden, 2015). This reflects the top-down nature of pay decisions, where management determines outcomes without employee involvement. Such lack of communication can undermine perceptions of fairness, despite when employers intend to ensure fair pay. Figure 2 summarises the findings.

Conclusion

The decision to support or reject the LW is fundamentally a question of sustainability for individuals, society and businesses LW promotes a dignified life, alleviates financial burdens, and enables families to thrive and participate in social activities, thereby strengthening society and reducing poverty. It also benefits the economy by enhancing business reputation, improving workforce quality and increasing purchasing power. However, associated costs may jeopardise business viability.

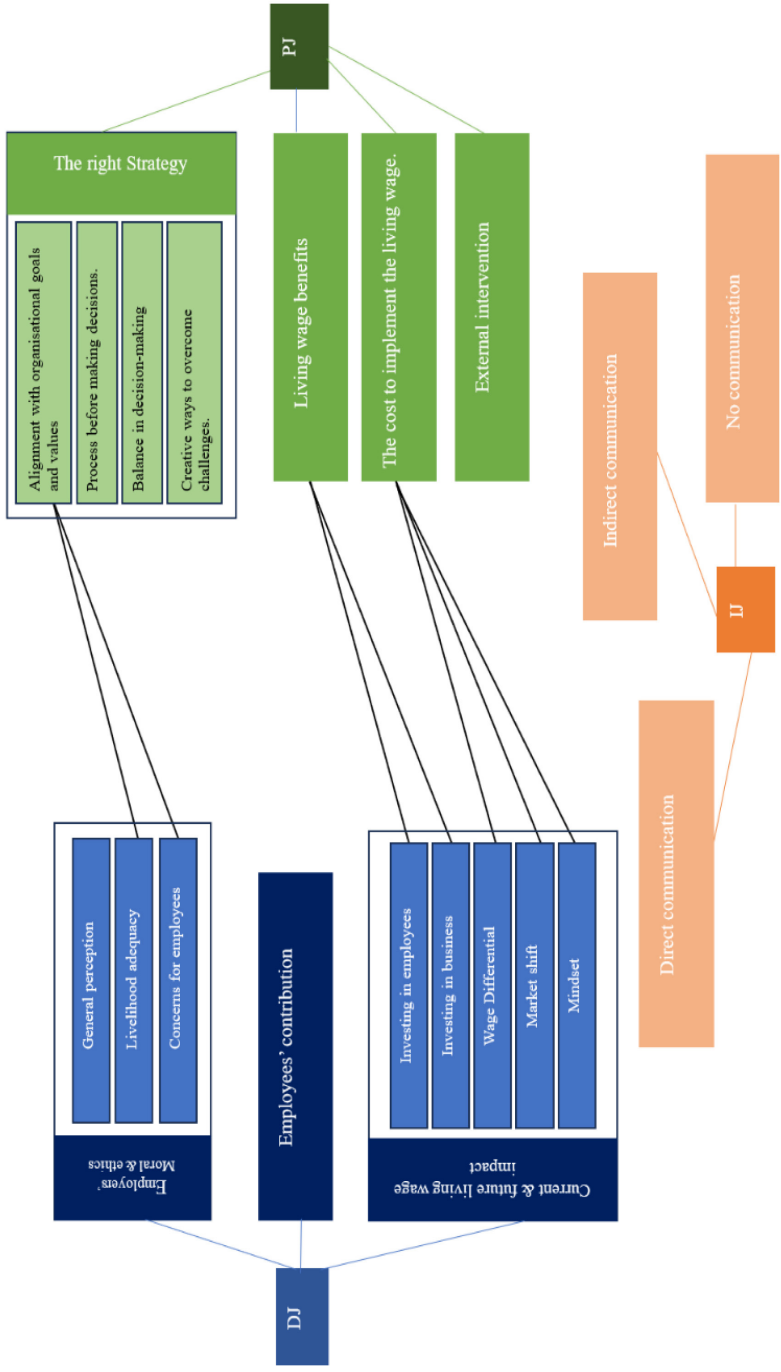

Figure 2: Employers' motivation to support or reject LW.

The decision to support or reject LW is a complex process guided by principles of justice and fairness. A fair outcome requires consideration of both moral values and strategic factors from the perspective of organisational justice. Employers may support LW to assist employees and their families, yet financial constraints can limit implementation. Strategically, LW may be adopted to enhance the organisational reputation, drive growth and differentiate from competitors. This process illustrates the interaction between different types of justice dimensions, i.e., distributive justice in determining fair outcomes, procedural justice in weighing costs and benefits and interactional justice in communicating intentions and decisions.

Nevertheless, this study is not without its limitations. It focuses exclusively on peer-reviewed journals and excludes other sources such as dissertations and grey literature. Nonetheless, this study offers valuable insights into the decision-making processes that shape employers' support for or rejection of LW and their pursuit of fair decision.

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