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LIVING WAGE VS. MINIMUM WAGE AND ITS IMPACT ON JOB SATISFACTION: AN EMPIRICAL STUDY OF WORKERS IN URBAN NAGPUR

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Abstract
Wage rules are usually judged by how they affect hiring and price increases, but they also shape how employees feel about their jobs. This study looks at two types of salaries—the legal minimum wage and a living wage—and tests how each affects job satisfaction among workers in urban Nagpur.

- Minimum Wage: The lowest legal salary set by the government.
- Living Wage: The actual money a person needs to cover basic living costs, such as nutritious food, decent housing, medical care, children's schooling, and emergency savings.

Using a structured survey answered by 200 workers in the Nagpur urban area, the study evaluated satisfaction with monthly pay, job security, workplace conditions, overall job happiness, daily money stress, and the desire to quit.
Key Findings:

- Workers earning at or close to the legal minimum wage report lower job happiness, greater financial anxiety, and a much stronger wish to leave their jobs.
- Workers earning at or above a living wage report significantly higher satisfaction, lower stress, and better loyalty to their work.

Conclusion: An employee's satisfaction depends far less on whether a company follows the bare legal wage limit, and far more on whether their take-home pay is enough to live a decent life in their city. Based on these results, practical recommendations are provided for both business owners and policymakers.

Keywords: living wage, minimum wage, job satisfaction, wage adequacy, financial stress, urban Nagpur

1. Introduction

For most families, a job is the main source of income. A person's salary does not just decide what they can buy—it also shapes their self-respect, family stability, physical health, and their willingness to stay and work hard in a company. Because of this, economists, labor unions, business owners, and governments have debated wage rules for over a hundred years.
Two main salary benchmarks guide this discussion:

1. Minimum Wage: The legal baseline set by the government. Employers are strictly prohibited by law from paying below this level.
2. Living Wage: The actual income a full-time worker needs to support a decent, dignified life for themselves and their family.

In many countries, including India, these two amounts are very different:

- Statutory minimum wages are usually decided based on political discussions, local business conditions, and what companies can afford to pay.
- A living wage is calculated directly from the real market cost of essential goods and services, such as nutritious food, decent shelter, healthcare, and education (Anker & Anker, 2017).

India has a complicated minimum wage system, where rates shift across different states, zones, industries, and worker skill levels. The Code on Wages, 2019, was introduced to streamline these rules and propose a single national floor wage.
Despite these laws, employees working in retail shops, security agencies, hotels, small factories, and private offices often take home bare minimum wages. With everyday prices rising, many of these

workers struggle to pay for basic necessities like house rent, children's school fees, hospital bills, and groceries.

This paper focuses directly on job satisfaction because it shows how employees truly experience their everyday work:

- Satisfied workers take fewer unexpected leaves, stay loyal to the company, and perform better.
- Unhappy workers lead to high turnover costs and lost productivity for businesses.

If a salary satisfies the law on paper but still fails to cover the real cost of living, legal compliance alone cannot keep workers motivated. This paper explores that central problem, focusing specifically on workers in the urban area of Nagpur.

2. Nagpur Urban Context

Nagpur is the winter capital of Maharashtra and one of the largest cities in central India, with a population over 2.4 million in the 2011 Census. Located right at the geographical center of India, it has become a major hub for business, logistics, education, healthcare, and services.

Key commercial and industrial zones across the city include:

- Logistics & Industry: The MIHAN project, along with industrial areas in Hingna and Butibori.
- Wholesale & Retail Markets: Wholesale trade in Itwari, alongside busy shopping streets in Sitabuldi, Sadar, and Dharampeth.

Together, these hubs create a diverse job market that employs thousands of shop workers, hotel and restaurant staff, security guards, factory laborers, and office clerks.

While living in Nagpur costs less than living in mega-cities like Mumbai or Pune, expenses for house rent, private school fees, medical treatment, and local travel have climbed steadily as the city grows. Because of this, an employee earning the legal minimum wage may follow the law on paper, yet still struggle to pay for room rent, school fees, and unexpected hospital bills in the same month.

This growing gap between legal minimum pay and the real cost of living makes Nagpur an ideal urban setting to compare the minimum wage and a living wage side by side.

3. Conceptual Background

3.1 Minimum wage

The minimum wage is the lowest salary an employer is legally allowed to pay for work done. Its main goals are:

- Preventing employers from exploiting workers.
- Reducing extreme poverty among working families.
- Setting a basic level of fairness in the workplace.

In India, this rate is fixed by both the central and state governments for specific job categories, which is why minimum wages vary across different states, industries, and skill levels.

3.2 Living wage

A living wage is the income a family needs to afford a decent, dignified life.

According to Anker and Anker (2017), it means earning enough from a normal workweek to comfortably cover:

- Nutritious food and decent housing
- Clothing, healthcare, and children's education
- Daily transportation
- A small reserve of savings for unexpected emergencies

Unlike the legal minimum wage, a living wage is not mandated by law in most countries. Instead, it serves as an ethical benchmark used by civil society organizations, certification groups, and responsible employers.

In India, labor advocacy groups like the Asia Floor Wage Alliance have calculated living wage benchmarks that are significantly higher than the government's official minimum rates. Similarly, a

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2019 expert committee led by Anoop Satpathy recommended a national minimum wage floor that was substantially higher than the existing legal standard.

3.3 Job satisfaction

Locke (1976) defined job satisfaction as the positive and happy feeling a person gets when they reflect on their job and daily work experiences.

Job satisfaction has multiple dimensions. For instance, a worker might enjoy working alongside their colleagues but still feel unhappy with their salary. Because of this, this study evaluates overall job satisfaction along with three specific areas:

- Satisfaction with pay
- Job security
- Working conditions

4. Theoretical Framework

Four major management theories explain why having enough money to live on directly affects employee happiness:

- Maslow's Hierarchy of Needs (1943): Basic survival needs (food, clothing, shelter) and safety form the base of human motivation. When a salary fails to cover these basic costs, a worker's mind remains trapped in daily survival mode. As a result, higher-level satisfaction—such as taking pride in work, gaining recognition, or aiming for career growth—becomes impossible to reach.
- Herzberg's Two-Factor Theory (1959): Herzberg divided work factors into two distinct categories:
- Hygiene Factors (Pay and working conditions): Poor pay causes direct unhappiness. Fixing it removes worker frustration, but pay alone does not automatically create deep passion.
- Motivators (Achievement, responsibility, recognition): These truly inspire workers to perform their best.

Connection to wages: A bare minimum wage only stops workers from protesting, whereas a living wage removes the daily money stress that prevents motivational factors from working.

- Adams' Equity Theory (1963): Workers constantly weigh their efforts (hard work, time, skills) against their rewards (salary, benefits) and compare that ratio to others. If they feel underpaid compared to their coworkers or unable to keep up with the local cost of living, they feel treated unfairly, leading to resentment and low morale.
- Relative Income and Comparisons (Clark & Oswald, 1996): People do not judge their salary in isolation; they compare it to what friends, family, and peers in similar jobs earn. Even if a salary meets the legal minimum, seeing that it is noticeably lower than peers' earnings still leads to dissatisfaction.

Core Takeaway

Together, these theories prove that job satisfaction depends on whether employees feel their salary is fair and sufficient for real life, rather than simply meeting a legal minimum standard.

5. Review of Literature

Researchers have studied the link between salary and worker happiness for many years. The key findings across different areas include:

- Pay and Job Satisfaction: Judge et al. (2010) analyzed dozens of studies and found that while higher pay does increase job satisfaction, the connection is surprisingly small. This shows that how fair and adequate a worker *feels* their salary is matters just as much as the actual cash amount.
- The Minimum Wage and Employment Debate: Historically, economists argued about whether higher minimum wages cause job losses:

- Card and Krueger (1994) found that raising the minimum wage in New Jersey fast-food restaurants did not reduce jobs, challenging the traditional idea that wage floors hurt employment.
- Neumark and Wascher (2008) presented opposing evidence, arguing that higher minimum wages do reduce job opportunities, particularly for young and less-skilled workers.
- Dube, Lester, and Reich (2010) compared neighboring counties across state borders and found very little job loss from higher minimums.
- *Why this matters:* If workers keep their jobs at higher wages, their satisfaction rises; but if higher wages lead to layoffs, those benefits disappear.

- The Benefits of a Living Wage: Studies show that paying a living wage creates advantages beyond extra take-home pay:
  - Reich, Hall, and Jacobs (2005) studied San Francisco airport and found that raising wages sharply reduced employee turnover. The money employers saved on hiring and retraining covered a big portion of their higher payroll costs.
  - In the United Kingdom, thousands of businesses that voluntarily joined the Living Wage movement reported happier workers and better staff retention.
- The Indian Reality: Studies on low-wage and informal workers in India consistently show a large gap between take-home pay and the actual cost of daily life. In addition, small businesses often fail to enforce legal minimum wages. Across Indian service jobs, take-home pay, job stability, and supportive managers are the top three drivers of employee satisfaction.

Research Gap

Most existing research looks at whether minimum wages cause job cuts, or examines living wage programs in wealthy Western countries. Very few studies directly compare workers earning a legal minimum wage against those earning a living wage in an Indian mid-sized city.

This paper fills that gap using a direct survey of 200 workers in urban Nagpur to study the link between wage standards and job satisfaction.

6. Research Methodology

6.1 Objectives

- Compare Wage Differences: To understand the basic difference between the legal minimum wage and a living wage, and calculate the actual income gap between them in urban Nagpur.
- Measure Worker Happiness: To compare job satisfaction levels between workers earning only the bare minimum wage and those earning a living wage.
- Check the Income-Happiness Link: To find out how strongly having enough money to cover daily living expenses affects an employee's job satisfaction.
- Compare Across Sectors & Areas: To check whether the link between salary adequacy and job satisfaction changes across different industries (such as retail, hotels, security, or factories) and different localities in Nagpur.
- Suggest Practical Solutions: To recommend actionable steps for both business owners and the government to ensure fair wages and improve worker morale.

6.2 Hypothesis

- H1: Workers earning a living wage have a noticeably different (higher) level of overall job happiness compared to workers earning only the legal minimum wage.
- H2: When a salary covers living costs better, an employee's job satisfaction goes up significantly.
- H3: Workers earning minimum wages suffer from much higher financial anxiety and daily money stress than workers earning living wages.

- H4: Workers earning minimum wages are far more likely to want to quit their current jobs compared to workers earning living wages.

6.3 Research design and sample

This study uses both descriptive and analytical methods, collecting first-hand facts through a structured survey questionnaire.

- Sample Size & Target Group: 200 full-time workers in the Nagpur urban area who have worked at their current job for at least one year.
- Workplaces Covered: Retail shops, hotels and restaurants, security agencies, small factories, and private offices.
- Geographic Coverage: Workers were surveyed across three major zones of Nagpur:
  - *Central & South-West Commercial Hubs:* Sitabuldi, Sadar, and Dharampeth
  - *Eastern Markets & Residential Neighborhoods:* Itwari, Mahal, and Nandanvan
  - *Northern & Industrial Zones:* Kamptee Road and Hingna
- Sampling Technique: Purposive quota sampling was used to divide workers into two equal groups of 100 each:
  - Group A (Minimum Wage Group, $n = 100$): Workers earning the legal minimum wage (or within 15% of it).
  - Group B (Living Wage Group, $n = 100$): Workers earning at or above an estimated living-wage standard—calculated as the monthly money needed to cover food, house rent, utility bills, travel, schooling, medical care, and small savings for a family of four in Nagpur.
- Secondary Information: Official government wage notices, labor reports, and published academic papers were used to support the primary findings.

6.4 Tools and measures

The survey questionnaire had three main sections:

1. Personal Information: Basic background details such as age, gender, and family setup.
2. Wage Adequacy Scale: Questions checking whether the worker's monthly income easily covers essential family needs—specifically food, rent, medical expenses, children's schooling, and savings.
3. Job Satisfaction Scale: A set of 15 questions measuring how employees feel about four key areas:
   - Monthly pay
   - Job security
   - Working conditions
   - Overall job happiness

Each statement was scored using a simple 1 to 5 rating scale:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

In addition, two short 3-question scales were used to measure:

- Financial Stress: Daily worry and anxiety over money.
- Intention to Leave: The worker's plan or desire to quit their current job.

Survey Reliability: The questionnaire was tested using Cronbach's alpha to ensure consistency. All scores met or exceeded the 0.70 benchmark, confirming the questions were dependable and accurate.

6.5 Statistical tools

The survey responses were evaluated using standard statistical methods:

- Percentages, Means, and Standard Deviations: Used to summarize general facts and show average ratings.
- Independent-Samples t-Test: Used to directly compare the average scores of minimum-wage earners against living-wage earners.

6.6 Limitations of design

- Limited Area and Group: The study used a selective group of workers from just one city (Nagpur), so the conclusions cannot be applied to all workers across India.
- Honest Answers and Privacy: Workers' answers about how satisfied they feel might be affected by temporary personal moods or the fear that their employer might find out. To prevent this, all workers were promised complete privacy and anonymity.

7. Data Analysis and Interpretation

7.1 Reliability of scales

Table 1: Cronbach's alpha

Scale	Items	Cronbach's alpha
Job satisfaction	15	0.86
Wage adequacy	5	0.81
Financial stress	3	0.79
Intention to leave	3	0.77

All scales exceed the 0.70 threshold, so the instrument is considered reliable for the purposes of this study.

7.2 Profile of respondents

Table 2: Demographic profile (n = 200)

Characteristic	Category	Number	Percent
Gender	Male	124	62
	Female	76	38
Age	Below 30	80	40
	30 to 45	90	45
	Above 45	30	15
Education	Up to secondary	54	27
	Higher secondary	62	31
	Graduate and above	84	42
Sector	Retail	46	23
	Hotels and restaurants	38	19
	Security services	34	17
	Small manufacturing	40	20
	Private offices and services	42	21
Area of Nagpur	Central and south-west	72	36
	East	64	32

Characteristic	Category	Number	Percent
	North and industrial belt	64	32
Wage group	At or near minimum wage	100	50
	At or above living wage	100	50

The sample is predominantly male and under 45, which is typical of urban low-wage employment, and is spread across all major sectors and areas of the city.

7.3 Wage adequacy

Table 3: Wage adequacy, percentage of respondents who agree

Statement	Group A (%)	Group B (%)
My income covers food and housing comfortably	36	90
I can afford medical care without borrowing	24	82
I can pay children's education costs	28	78
I am able to save regularly	11	66

The majority of workers at the minimum-wage level cannot cover core expenses comfortably, and only about one in nine can save regularly. In contrast, most workers at the living-wage level report adequate coverage. This confirms the gap between the legal floor and a decent standard of living in urban Nagpur.

7.4 Job satisfaction by dimension

Table 4: Mean scores by wage group

Dimension	Group A mean	Group B mean	Overall mean
Satisfaction with pay	2.61	4.12	3.37
Job security	3.18	3.94	3.56
Working conditions	3.12	3.88	3.50
Overall job satisfaction	3.02	3.96	3.49
Financial stress	3.95	2.34	3.15
Intention to leave	3.70	2.25	2.98

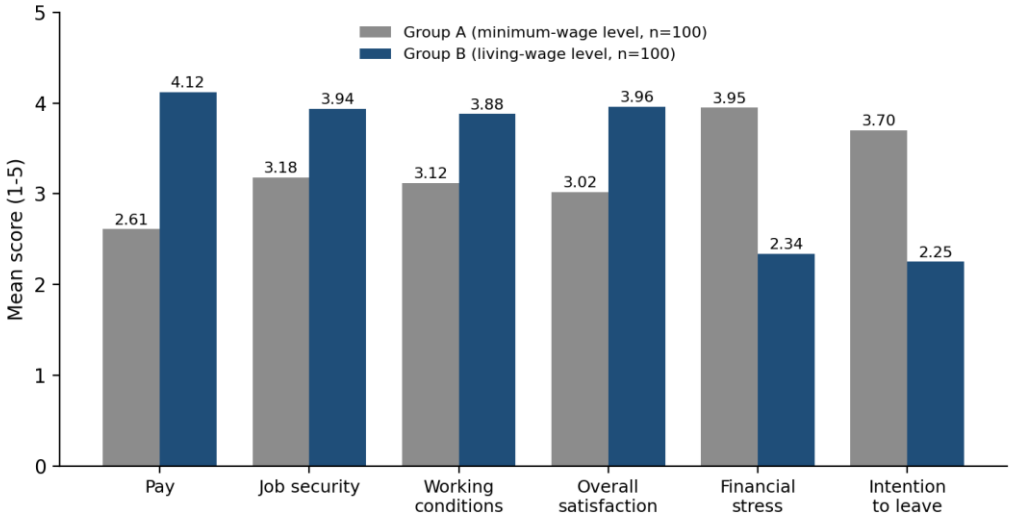


Figure 1: Mean scores by wage group (illustrative)

The largest difference lies in satisfaction with pay, which is expected, but the gap extends to security and working conditions as well, suggesting a spillover effect: workers who feel fairly paid evaluate other aspects of the job more positively. Financial stress and intention to leave are markedly higher among minimum-wage workers.

7.5 Satisfaction across sectors and areas

Table 5: Overall job satisfaction (mean) by sector

Sector	Group A	Group B	Difference
Retail	2.95	3.90	0.95
Hotels and restaurants	3.00	3.94	0.94
Security services	2.88	3.85	0.97
Small manufacturing	3.08	4.02	0.94
Private offices and services	3.15	4.08	0.93

The satisfaction gap between the two wage groups is similar in every sector, at roughly one scale point, which indicates that the pattern is not driven by a single industry. Security guards and retail staff at the minimum-wage level record the lowest satisfaction, while workers in private offices record the highest in both groups. By area, mean overall satisfaction was 3.47 in the central and south-west zone, 3.50 in the east and 3.50 in the north and industrial belt; a one-way ANOVA showed no significant difference ($F = 0.21$, $p = 0.81$). By gender, mean satisfaction was 3.47 for men and 3.52 for women ($t = 0.55$, $p = 0.58$), also not significant.

7.6 Test of hypotheses

Table 6: Results of hypothesis testing

Hypothesis	Test	Result	Decision
H1: overall satisfaction differs between groups	Independent t-test	$t = 11.54$, $p < 0.001$	Accepted
H2: wage adequacy and satisfaction	Pearson r	$r = 0.64$, $p < 0.01$	Accepted

Hypothesis	Test	Result	Decision
H3: financial stress differs between groups	Independent t-test	$t = 16.74$, $p < 0.001$	Accepted
H4: intention to leave differs between groups	Independent t-test	$t = 15.27$, $p < 0.001$	Accepted

The regression of job satisfaction on wage adequacy produced an R-squared of 0.41, indicating that wage adequacy explains roughly 41 percent of the variation in satisfaction in this sample. The remaining variation is likely to be explained by factors such as supervision, work-life balance, career prospects and workplace relationships.

8. Discussion

 Legal Pay vs. Practical Pay: Following the law is not the same as meeting real-life needs. A salary can completely satisfy government rules on paper and still fail to cover a worker's basic survival. Workers earning minimum wages in Nagpur were less satisfied not just with their take-home pay, but with their jobs as a whole. This supports Maslow's theory that basic survival needs must be met first, as well as Herzberg's view that poor basic pay causes constant frustration.

 Fairness Matters Most: Having enough money to live on is strongly tied to job happiness, but regression results show that pay is not the only thing that matters. This matches the findings of Judge et al. (2010), who showed that the exact rupee amount explains only a modest part of job satisfaction. What truly counts is whether the worker *feels* the pay is fair and enough for their living costs, fitting both Adams' equity theory and Clark and Oswald's (1996) research on comparing earnings with peers.

 A Common Pattern Across the City: The pay gap looked very similar across all retail shops, hotels, factories, offices, and neighborhoods in Nagpur. This proves that the struggle with low wages is a widespread issue across the city's job market, not a problem limited to just one specific industry.

 The Real Business Cost of Low Pay: Minimum-wage employees are far more eager to quit their jobs. While paying bare-minimum wages may seem to save a business money in the short run, it actually creates heavy long-term expenses through continuous hiring, training new recruits, and losing productive work hours. Research by Reich, Hall, and Jacobs (2005) on San Francisco airport showed that paying living wages pays for itself by drastically cutting staff resignations. Therefore, paying a living wage is an investment in a stable team, not merely an extra expense.

 Challenges for Small Businesses: Small shops and small companies running on thin profit margins may genuinely struggle to pay higher wages. As Neumark and Wascher (2008) warned, forcing steep wage hikes overnight could lead some businesses to cut down on hiring low-skilled workers. Because of this, introducing higher wages step-by-step alongside government support is much more practical than forcing sudden, rigid wage rules.

9. Findings

- Wide Salary Gap: There is a large difference between Nagpur's legal minimum wage and the actual money needed to live a decent life.
- Struggle for Basic Needs: Only a small number of minimum-wage workers can easily afford daily food, medical treatment, and school fees, and only about 1 out of every 9 can save money on a regular basis.
- Higher Work Happiness: Employees earning a living wage are noticeably happier and more satisfied with their jobs than those earning bare minimum wages.
- Heavy Money Stress & Desire to Quit: Minimum-wage earners experience much higher financial anxiety and are far more eager to quit their current jobs.

- Pay Adequacy Drives Morale: Having enough money to cover life essentials is strongly linked to higher job satisfaction, though other workplace factors also contribute.
- Consistent Across City and Demographics: The happiness gap between minimum-wage and living-wage workers was identical across all industries. In addition, satisfaction scores did not change noticeably across different areas of Nagpur or between male and female workers.
- Fair Pay Improves Overall Outlook: Workers earning a living wage also gave higher ratings to their physical working conditions and job security, showing that fair pay creates a positive overall impression (a "halo effect") of the entire job.

10. Suggestions and Policy Implications

For government

For Government

- Keep Up with Price Rises: Update minimum wages regularly and link them directly to inflation and local living costs using actual market prices.
- Release City-Specific Benchmarks: Regularly publish official living-wage numbers for individual cities (including Nagpur) and industries so employers and staff have a clear standard.
- Toughen Legal Checks: Step up workplace inspections to ensure small shops, private security firms, and hotels actually pay the required minimum rates.

For Employers

- Raise Wages in Phases: Move toward living-wage levels step-by-step, starting with the lowest-paid employees and loyal, long-serving staff.
- Calculate Hidden Losses: Track the money lost to constant resignations and missed workdays to see how better pay actually saves hiring and training expenses.
- Provide Non-Cash Benefits: Combine fair pay with healthcare cover, paid time off, and skill development, which boost morale alongside basic wages.

For Workers and Labor Unions

- Negotiate Using Cost Facts: Rely on verified local living-wage data during salary talks rather than guesswork.
- Spread Legal Awareness: Educate employees about their official wage rights and guarantees under the Code on Wages, 2019.

For Future Research

- Broaden the Scope: Run the survey across multiple cities using larger, randomly chosen groups that include informal and daily-wage workers.
- Track Workers Over Time: Follow the same group of employees before and after a pay hike to prove direct cause and effect.

11. Limitations

The sample of 200 respondents from one city restricts generalisation. Purposive sampling may introduce selection bias, and the living-wage benchmark used is an estimate rather than an official figure. The cross-sectional design shows association, not causation: it cannot rule out that more satisfied workers rate their pay adequacy more favourably. Satisfaction is subjective and may be influenced by factors outside the workplace.

12. Conclusion

This paper compared two ways of setting a wage floor and asked what each means for the people who live on it in urban Nagpur. The evidence from the sample suggests that the minimum wage protects workers from the worst exploitation but does not by itself secure satisfaction, because it is not designed to cover the full cost of a decent life. Workers whose pay reaches a living-wage level report greater

satisfaction, lower financial stress and a weaker wish to leave. Wage adequacy is not the only influence on satisfaction, yet it is a foundation on which other motivators depend.

For policymakers and employers, the implication is that compliance with the law is a starting point, not a destination. A gradual, well-supported move from minimum wage toward living wage can improve worker wellbeing while also giving employers a more stable, committed workforce. The question for future wage policy is therefore not only how low wages may legally go, but how high they must be for work to sustain a decent life.

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