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Corporate Social Responsibility and a Living Wage

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In 2004, based on recommendations from Canadian industry, he was selected by the Standards Council of Canada to be the Canadian industry member of the international Working Group responsible for writing ISO 26000:2010 Social Responsibility.

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Corporate Social Responsibility and a Living Wage

Executive Summary

The living wage is defined as the minimum hourly wage necessary for each of two workers in a family of four to meet basic needs and to participate in the civic/social life of their community. This means that this 'reference family', with both persons working full time, all year, with no additional income, should be able to afford a specified quality or quantity of housing, food, utilities, transport, health care, and recreation.

In spite of the unprecedented economic growth and improvement in the quality of life of many of the world's people that has occurred over the last 20 years an ever-increasing proportion of the human population earns less than a living wage and they and their families consequently carry the burden of poverty and hunger. This contrast creates one of the most pressing challenges for the 21st century and makes our goal of sustainable development more remote.

This rapid growth in CSR reporting, however, is not likely on its own to significantly increase the number of people that receive a living wage because, with some exceptions, the reporting organizations are unaware of the concept of a living wage, and hire their lowest-paid employees based solely on the market, using the legal minimum wage as their reference point. This conclusion was confirmed by reviewing sustainability reports and interviews with the people responsible for writing them.

The review of sustainability reports also identified additional issues that should be addressed as part of a broader strategy to enhance the profile of compensation and inequality issues within the broader CSR community. These include the need to change the international sustainability reporting guidelines published by the Global Reporting Initiative because they use the minimum wage as the reference point for employee compensation rather than the living wage.

The review of these sustainability reports also identified issues that should be addressed. These include the need to change the international sustainability reporting guidelines published by the Global Reporting Initiative because they use the minimum wage as the reference point for employee compensation rather than the living wage.

In order to have organizations adopt the living wage principles, anti-poverty and community stakeholders groups should collaborate with employers to identify and address the issues that must be overcome to get employers to accept responsibility for identifying and addressing the needs of their employees for a reasonable quality of life as defined in the living wage movement.

Some of the solutions that should result from a collaborative approach include:

- Encouraging organizations to engage employees to determine their needs
- Enhancing the GRI Guidance on Sustainability Reporting:
- Creating awareness of guidance in international norms on employee rights

1. Introduction

The objective of this paper is to consider the possible connections and avenues for cooperation between the living wage movement and the broader corporate social responsibility community, by:

- Providing information on what international best practice norms on corporate social responsibility (CSR) recommend organizations do to compensate their employees, and how paying employees a living wage can help them address that recommendation; and

- Identifying people from various stakeholder groups that would be interested in engaging with anti-poverty or community stakeholders groups to address the living wage issue.

The information in this paper was obtained from a review of documents on the living wage and international best practice instruments on CSR and sustainable development, as well as interviews with organizations that issue sustainability reports, labour organizations, industry associations and non-governmental organizations (NGOs) that have a commitment to social justice.

2. Why a Living Wage

The living wage is defined as the minimum hourly rate of pay necessary for each of two workers in a family of four to meet basic needs and to participate in the civic/social life of their community. This means that this 'reference family', with both persons working full time, all year, with no additional income, should be able to afford a specified quality or quantity of housing, food, utilities, transport, health care, and recreation.

In their paper *A Living Wage for Toronto*, Hugh Mackenzie and Jim Stanford write that a living wage is a wage that allows employees not just to survive (in minimal physiological terms) but to have a decent quality of life, to raise children to be healthy and successful citizens, to enjoy recreation, culture, and entertainment, and to participate fully in social life[1]. Their analysis considered the nine general categories of expenditures: Food, clothing and footwear, shelter, transportation, other family expenditures, child care, medical costs not covered by the government health care plan, adult education/ training and contingencies.

As summarized in Appendix A, they estimated the living wage for Toronto in 2008 as CDN$16.60 per hour for each of two parents employed full-time and year-round, with two children, to meet a basic standard of living that allows for food health, education and entertainment opportunities, and full participation in modern life. This is equivalent (based on tax and transfer payments prevailing at that time) to a total after-tax disposable income of around $57,000 per year, in order to attain the standards defined in their study. They recognize that the diversity of family types including those with more or fewer children or other dependents, and recognize that those with one working parent will require a different solution.

The living wage initiative is different from the minimum wage, which is the legislated minimum hourly wages of an individual, currently $10.25 in Ontario, Canada.

Community activists in the United States, addressing increasing poverty faced by employed workers and their families, launched the first living wage campaigns in 1990. They argued that the employee, the employer, and the community all benefit with a living wage. Employees would be more willing to work, the employer would benefit from reduced worker turnover, and the community will be strengthened when the citizens have the material means to enjoy a decent, healthy life.

Tim Richards, Marcy Cohen, Seth Klein, and Deborah Littman, in their paper, *Working for A Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria*, argue there is increasing support for a living wage in Britain, the United States and now in Canada. In Britain, for example, many leading companies and public sector employers have signed living wage agreements that cover both their direct and contract employees. In the United States over 125 municipalities have passed living wage ordinances. [2]

They further state that while the living wage has the potential to improve the fortunes of low-income individuals and families with children, the benefits are much broader still. Most poor children have parents in the paid labour force. If parents do not receive a wage that, in combination with government benefits, allows them to escape poverty and financial stress, even when working full time, then child poverty will not be eliminated.

Paying employees a living wage is not only good for society; it is good for the organization that employs them. There are a number of benefits an organization receives by paying their employees enough to allow him or her and their family to enjoy a reasonable quality of life.

Stress is the most significant cause of employees being sick. The Buffet National Wellness Survey of 2011[3] showed that 56% of employers stated that "work-related stress" was the top "health concern" affecting organizations. The report further stated that the concern presents an opportunity for organizations to make a large impact on employee health with associated bottom line outcomes. It stated that stressed employees are more likely to rate their health as poor and spend more on prescription medications, in addition to elevating absence costs by up to 19%, disability costs by up to 30% and turnover costs by up to 40%. The stress on an employee who is not earning enough to care for his or her family must be among the most significant they face.

Increased productivity is another benefit directly related to paying an employee a living wage. Enterprising employees that cannot make enough working in one job will often have another job to make ends meet. This additional work can have a negative impact on the employee's ability to perform efficiently and effectively.

Innovation allows organizations to continually create and introduce new and better products and services to remain competitive. Every employee in an organization, even the lowest paid can be part of the enterprises creative force, contributing to innovation. An organization that engages with all of its employees to understand and contribute to meeting their needs, including the need for a living wage and basic economic security, will have more loyal and creative employees.

For example, Wall Street analysts have long chastised Costco's management for paying high wages and keeping employees around for a long time, resulting in higher cost of benefits. Costco CEO Jim Sinegal has responded by saying that retaining good employees is strategic for the long-term success and growth of Costco. To date, he has backed up this assertion with per-employee sales that are considerably higher than those found at key rivals such as Target and Wal-Mart[4].

Finally, employees paid less than the living wage will be constantly looking for another job with higher wages. The cost of replacing employees is significant in terms of administration and retraining, and could impose a much higher cost on employers than paying a living wage.

3. Corporate Social Responsibility

In spite of the current economic downturn, the world has experienced an era of unprecedented economic growth as a result of trade, knowledge sharing, and access to technology, thus providing more opportunities to generate prosperity and improve the quality of life of many of its people. However, these opportunities are not always available for many in the population. Positive improvements in the lives of many people are offset by the continuing burden of poverty and hunger on millions of people. This contrast creates one of the most pressing challenges for the 21st century and makes the goal of sustainable development, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' more remote.

These challenges have resulted in a growing demand from society for all organizations, both private and public, to be socially responsible: 'to identify and accept responsibility for the impacts of their decisions and activities on society and the environment trough transparent and ethical behaviour that contributes to sustainable development' (from ISO 26000:2010 Social Responsibility).

This societal demand is even being reflected in a number of major stock exchanges encouraging and in some cases requiring that organizations listed on their exchanges issue a regular sustainability report. Stock exchanges have overwhelmingly reaffirmed that they have a responsibility to encourage greater corporate responsibility on sustainability issues. This strong conviction is reflected in the advances made by exchanges in including provisions of guidance or encouragement of sustainability disclosure by issuers, the proliferation of sustainability indices and the transition of voluntary disclosure requirements to a stricter "comply or explain" basis in some markets. Finally, in one of the most significant and convincing responses to a recent survey, 86 percent of the exchanges surveyed said that they either already had or were planning to launch sustainability indices of their own.[5]

The Canadian Securities Administrators issued a Staff Notice on October 27, 2010 to provide guidance to reporting issuers (other than investment funds) on existing continuous disclosure requirements relating to the disclosure of environmental matters under securities legislation.[6] The group is currently working on enhancing this notice to align with other exchanges requiring continuous disclosure of Environmental, Social and Governance (ESG) issues, risks and governance structures.

Evidence that organizations are responding to this demand is shown in the rapid growth in the number of organizations that are issuing CSR or sustainability reports. The Global Reporting Initiative (GRI), the international benchmark of best practice in sustainability reporting, recorded a 22% increase of GRI-type sustainability reporting globally between 2009 and 2010 alone. This included increases of 30% in the U.S. and 50% in Canada. In 2011, 95% of the largest 250 companies in the world issued CSR or Sustainability reports, including 79% of Canada's top 100 companies. This represents a 12% increase over 2010.[7]

Unfortunately, this significant CSR movement has not, so far, paid much attention to the issue of compensation of workers. There is no evidence that this rapid growth in the number of organizations claiming to be ethical and socially responsible is having a positive impact on the poor, and on the people earning the lowest wages within their organizations. This may indicate a lack of understanding of what CSR means and how to be ethical and socially responsible.

Corporate Social Responsibility (CSR) is defined by the international standard *ISO 26000:2010 Social Responsibility*[8] as:

> Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:
>
> • contributes to sustainable development, including health and the welfare of society;
>
> • takes into account the expectations of stakeholders;
>
> • is in compliance with applicable law and consistent with international norms of behaviour; and
>
> • is integrated throughout the organization and practiced in its relationships.

Let us consider the components of that definition in more detail. Organizations that claim to be ethical and socially responsible should understand their responsibilities to their employees as well as all of society, including in the following dimensions:

- 'the impacts of its decisions and activities on society' including employees for a wage that also has a positive impact on the vulnerable and the poor related to the employee;
- 'contributes to sustainable development, including health and the welfare of society
  - the goal of sustainable development as defined by the Bruntland Commission, is to "meet the needs of the present without compromising the ability of future generations to meet their own needs," including employees;
  - health and welfare of employees and the poor.
- 'takes into account the expectations of stakeholder's' including employees for a wage that provides them and their family with an opportunity to have a reasonable quality of life;
- 'is in compliance with applicable law and consistent with international norms of behaviour' including employees who as recommended in

numerous declarations by the United Nations and the International Labour Organization should have their rights for food, shelter, education and health care addressed; and

- 'is integrated throughout the organization and practiced in its relationships' with employees.

Organizations that publish sustainability reports should take into account the expectations of their employees and the poor in society in determining the negative and positive impacts they have or could have on them and in meeting their 'present needs'. One of the basic expectations of their employees is for fair and equitable compensation as recommended in the two most significant international guidelines on CSR and sustainable development, the Global Reporting Initiative and ISO 26000:2010 Social Responsibility.

Global Reporting Initiative Sustainability Reporting Guidelines Version 3.1

The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world[9].

GRI's Sustainability Reporting Framework enables all organizations to measure and report their sustainability performance. By reporting transparently and with accountability, organizations can increase the trust that stakeholders have in them, and in the global economy.

GRI's global network of some 30,000 individuals, many of them sustainability experts, contributes to its work. GRI's governance bodies and Secretariat act as a hub, coordinating the activity of its network partners.

The Global Reporting Initiative is responsible for publishing the GRI Reporting Framework, which is intended to provide a generally accepted framework for reporting on an organization's economic, environmental, and social performance. The Framework consists of the Sustainability Reporting Guidelines, the Indicator Protocols, Technical Protocols, and the Sector Supplements.

Sustainability reporting is the practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.

The GRI sustainability Performance Indicators is organized by economic, environmental, and social categories, which are further categorized by Labor, Human Rights, Society, and Product Responsibility. Each category includes a Disclosure on Management Approach ('Management Approach') and a corresponding set of Core and Additional Performance Indicators.

GRI's Indicator Protocols provide definitions, compilation guidance, and other information to assist report preparers, and to ensure consistency in the interpretation of the Performance Indicators. An Indicator Protocol exists for each of the Performance Indicators contained in the Guidelines.

The current version of GRI, G3.1, states that the economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It states that the "Economic Indicators illustrate the flow of capital among different stakeholders; and the main economic impacts of the organization throughout society."

The GRI guidelines address the issue of compensation of employees in a number of specific locations, summarized as follows:

One of the GRI Economic Indicators, EC1 states an organization should report:

> Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

Under the Indicator Protocols Set, GRI states:

> The 'Performance data generated in response to the Indicators in this section are expected to illustrate the flow of capital among different stakeholders and the major economic impact of the organization throughout society.

Under Relevance GRI states that:

> Data on the creation and distribution of economic value provide a basic indication of how the organization has created wealth for stakeholders. If presented in country-level detail, Economic Value Generated and Distributed (EVG&D) can provide a useful picture of the direct monetary value added to local economies.

Under Direct Economic Value Generated, GRI states:

> Organizations should report employee wages and benefits by showing total monthly outflows for employees (current payment not future commitments).
>
> Under employee wages and benefits total payroll means all employee salaries including amounts paid to government institutions (employee taxes, levies, and unemployment funds) on behalf of employees.
>
> Total benefits include regular contributions (e.g., to pensions, insurance, company vehicles, and private health), as well as other employee support such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments.

Another GRI Economic Indicator, EC5, states that an organization should report the:

> Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation.

Under the Indicator Protocols Set, Relevance of that indicator, the GRI states:

> Economic well-being is one of the ways in which an organization invests in its employees. This indicator helps demonstrate how an organization contributes to the economic well being of employees in significant locations of operations. The indicator also provides an indication of the competitiveness of the organization's wages and information relevant for assessing the effect of wages on the local labour market. Offering wages above the minimum can be one factor in building strong community relations, employee loyalty, and strengthening an organization's social license to operate. This indicator is most relevant to organizations in which a substantial portion of their workforce is compensated in a manner or scale that is closely linked to laws or regulations on minimum wage.

Under the heading of Compilation, GRI states that an organization should:

> • Identify whether a significant proportion of the workforce is compensated based on wages subject to minimum wage rules.
>
> • In percentage terms, compare local minimum wage to the reporting organization's entry level wage by gender at significant locations of operation.
>
> • Identify the variation in the ratios across significant locations of operation.
>
> • Report the distribution of the ratio of the entry level wage by gender to the minimum wage

- Indicate whether a local minimum wage is absent or variable in significant locations of operation, by gender. In circumstances in which different minimums could be used as a reference, explain which minimum wage is being used.

In defining minimum wage GRI states:

> The local minimum wage refers to compensation per hour or other unit of time for employment allowed under law. Since some countries have numerous minimum wages (e.g., by state/province or by employment category), identify which minimum wage is being used.

In summary, the GRI guidelines clearly indicate that a key part of social responsibility reporting should indeed provide a basic indication of how the organization has created wealth for stakeholders. If presented, the Economic Value Generated and Distributed (EVG&D) indicators can provide a useful picture of the direct monetary value added to local economies. However, none of the organizations reviewed in this study reported on how their organization has created wealth for employees, a significant stakeholder.

Further, while GRI recommends that organizations report total benefits including regular contributions (eg. to pensions, insurance, company vehicles, and private health) as well as other employee support such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments, none of the CSR professionals interviewed or sustainability reports reviewed for this report provided specific information related to the these benefits.

Although GRI states, "Economic well-being is one of the ways in which an organization invests in its employees," it only asks organizations to "compare the local minimum wage to the reporting organization's entry level wage by gender at significant locations of operation." Paying an employee the minimum wage will make only a small contribution to his or her economic well-being.

A review of some of the Canadian organizations issuing GRI Sustainability Reports showed how the organizations are addressing the above recommendations in GRI.

GRI's EC1 says an organization should report:

> Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

GRI's EC5, says an organization should report:

> Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.

As shown in *Table 1*, with a couple of exceptions, most organizations using the GRI guidelines do not take into consideration the needs of their employees for a living wage in determining employee wages. One of the surveyed organizations (VanCity Credit Union) mentions its institutional commitment to the Living Wage concept. Another firm (Horizon Utilities) indicates that its entry level wage is 214% of the current minimum wage level.

Organizations reporting on EC1 with regard to employee compensation focus on overall compensation, but do not indicate if these organizations have any formal mechanisms for determining the needs of their employees for a reasonable quality of life, and therefore no way to judge their contribution (through compensation practices) to sustainable development. This GRI indicator would be of more value if it recommended that when organizations report on "employee wages and benefits which include regular contributions (e.g., to pensions, insurance, company vehicles, and private health), as well as other employee support such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments" they showed the levels of compensation for the lowest paid employees in each of these categories. Stakeholders would then be able to determine if the lowest paid were being paid at least a living wage.

GRI's EC5, with regard to entry level wages compared to local minimum wage, has resulted in organizations simply stating that their wage rates exceed the legal minimum. Organizations are using their payment above the minimum wage as a type of endorsement by GRI that they are socially responsible — without addressing whether or not that legal minimum wage is adequate to meet the needs of employees for adequate living conditions. The challenge here is to get GRI to use something other than the minimum wage as the benchmark or reference for comparison.

ISO 26000:2010 Guidelines on Social Responsibility

The other international best practice standard on CSR and Sustainable Development is ISO 26000: 2010 Guidance on Social Responsibility.

The International Standards Organization (ISO) was asked to develop a new standard on Social Responsibility and Sustainable Development that is market- and globally-relevant and geared towards creation of a sustain-

TABLE 1 Treatment of Compensation and Living Wage Issues In Selected Canadian Sustainability Reports

	Organization	Response in EC 1 in the Sustainability Report	Response in EC 5 in the Sustainability Report
1.	Bell Canada's 2011 Corporate Responsibility Report (GRI Self Declared Report)	By maintaining its strong financial performance, even while providing a steady stream of technological innovations, Bell is one of Canada's leading companies in the generation of wealth across the country through the creation of thousands of high-value jobs, the stimulation of business and commerce, and its contribution to the general state of the economy.	'This Indicator is not relevant for Bell, as there is no substantial portion of our workforce that is compensated in a manner or scale that is closely linked to laws or regulations on minimum wage.'
2.	Greater Toronto Airport Authority GTAA Corporate Responsibility Report 2010	Annual total for: • Salaries, wages and benefits • Donations (charitable, scholarships, staff donations)	'The GTAA embraces its obligations under federal employment equity and human rights legislation. Employee salaries are determined based on the value of work performed, regardless of the gender of employees. All starting salaries exceed the local minimum wage rate specified under labour legislation.'
3.	Horizon Utilities Corporation and Horizon Energy Solutions Inc. Global Reporting Initiative ("GRI") Filing: Horizon Holdings Inc. 2011	'Employee payroll and benefits are included in both capital and operating expense.'	'Horizon Utilities' entry level wages exceed minimum wages. The entry level wage that would apply is 214% of the current minimum wage level in Ontario, Canada.' Building on our leadership in sustainability, Horizon Utilities Corporation is the first Canadian local distribution company (LDC) to adopt ISO 26000, the International Organization for Standardization's guideline on social responsibility.'
4.	TD Banks Corporate Responsibility Report and Accountability Statement	'TD helped support a total of 113,667 full-time equivalent jobs and generated $10.4 billion in economic activity within Canada, both directly and indirectly. Direct 62,230 Indirect: 51,437'	(The GRI Economic Indicator EC 5 is not included in the report and there is no explanation for its absence.)
5.	Vancity's 2011 Annual Report – Complete Accountability Statements	'In 2011 our expense for salaries benefits and profit share totaled $166.8 million.'	Entry-level employee compensation (hourly wage) compared to British Columbia Living Wage. 'In 2011, we were certified as a Living Wage Employer. Becoming a Living Wage Employer requires that we do our best to ensure our employees are all paid the living wage rate of $18.17 (minimum wage is $9.50/hr. in British Columbia), which was the effective rate at the time we agreed to become a Living Wage Employer. In 2011, we paid approximately 98 per cent of employees a living wage, including the value of the benefits we provide. Two per cent of employees (non-permanent) were not being paid a living wage as a result of those employees not being eligible for benefits. We'll continue to work toward our goal of meeting Living Wage requirements by May 2013.'

Source Author's research as described in text.

able world. To ensure acceptance and relevance, ISO developed a memorandum of understanding with the International Labour Organization (ILO), the United Nations Global Compact, and the Organization for Economic Cooperation and Development (OECD).

The ISO agreement with the ILO, giving ILO a role in developing the standard, was conceived in order to obtain an agreement from labour organizations to participate in the development of the standard. Labour had not been active in writing other similar standards such as the ISO 14001 Environment Management System and ISO 9001 Quality Management System standards. Representatives from management were responsible for writing these standards.

This International Standard was developed using a multi-stakeholder approach involving experts from more than 90 countries and 40 international or broadly-based regional organizations involved in different aspects of social responsibility. Their national standards body or the international organization they belonged to designated these experts as their representative for a specific stakeholder group. The experts represented six different stakeholder groups: consumers; government; industry; labour; non-governmental organizations (NGOs); and service, support, research, academics and others. In addition, specific provision was made to achieve a balance between developing and developed countries as well as a gender balance in drafting groups.

In the early meetings of the multi-stakeholder working group it was evident that representatives from some stakeholder groups including, labour, industry and government were not in favour of the standard and created obstacles to stop or delay the process. Confusion over the type of standard, whether it should be a guidance or management system standard, whether another CSR standard was needed given those already available, and how such a standard was to be used, including the possibility of it being used as another trade barrier, were among the reasons cited for this opposition.

These concerns resulted in the CSR labour expert for Canada not being appointed until two years after the development of the standard was started because organized labour in Canada was not interested in writing a standard that would allow industry to whitewash unethical behaviour.

However, as a result of the consensus approach used in decision making and almost seven years of dialogue and collaboration, virtually all of these concerns were dealt with, and participation from the full range of stakeholder organizations was eventually attained. In the final international meeting of the ISO 26000 working group in Copenhagen in May 2010, the Canadian labour expert, as well as all of the labour representatives on the ISO 26000 international working group, demonstrated support for the standard by voting in favour of the publication of the standard.

Funding was made available to representatives from labour, NGO's and the developing countries to ensure balanced representation at the meetings and the development of the standard.

ISO 26000 provides guidance on the underlying principles of social responsibility, recognizing social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into the organization. It is intended to be useful to all types of organizations in the private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries.

The guidance from fundamental U.N. documents that informs the ISO 26000 approach to this discussion is summarized in the following excerpts from ISO 26000:

> Human rights are the basic rights to which all human beings are entitled and they include the right to work, the right to food, the right to the highest attainable standard of health, the right to education and the right to social security. While most human rights law relates to relationships between the state and individuals, it is widely acknowledged that non-state organizations can affect individuals' human rights, and hence have a responsibility to respect them.[10]

> Every person, as a member of society, has economic, social and cultural rights necessary for his or her dignity and personal development. These include the right to: education; work in just and favourable conditions; freedom of association; an adequate standard of health; a standard of living adequate for the physical and mental health and well-being of himself or herself and his or her family; food, clothing, housing, medical care and necessary social protection, such as security in the event of unemployment, sickness, disability, death of spouse, old age or other lack of livelihood in circumstances beyond his or her control.[11]

> The creation of jobs, as well as wages and other compensation paid for work performed are among an organization's most important economic and social contributions. Meaningful and productive work is an essential element in human development; standards of living are improved through full and secure employment. Its absence is a primary cause of social problems. Labour

practices have a major impact on respect for the rule of law and on the sense of fairness present in society: socially responsible labour practices are essential to social justice, stability and peace.[12]

A fundamental principle in the ILO's 1944 Declaration of Philadelphia[13] is that labour is not a commodity. This means that workers should not be treated as a factor of production and subjected to the same market forces that apply to commodities. The inherent vulnerability of workers and the need to protect their basic rights is reflected in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights.[14,15] The principles involved include the right of everyone to earn a living by freely chosen work, and the right to just and favourable conditions of work.

The relationship between employees being paid a living wage as a right and as a way to combat poverty is further addressed in the recent report of the United Nations' Human Rights Council Twenty-first Session Agenda Item 3: Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development. This report states that the norms and principles of human rights law should play a major part in tackling poverty and guiding all public policies affecting persons living in poverty.[16]

The report goes on to argue that poverty is not solely an economic issue, but rather a multidimensional phenomenon that encompasses a lack of both income and the basic capabilities to live in dignity. Poverty is an urgent human rights concern in itself. It is both a cause and a consequence of human rights violations and an enabling condition for other violations

As mentioned above, a human rights approach provides a framework for the long-term eradication of extreme poverty based on the recognition of persons living in extreme poverty as rights holders and agents of change.

The Human Rights Council's report further states that while states are responsible for realizing human rights, other actors, including business enterprises, also have responsibilities regarding the rights of those living in poverty. The report, under the heading, *Role of Non-State Actors, Including Business Enterprises* recommends that non-State actors, including business enterprises, have, at the very minimum, the responsibility to respect human rights, which means to avoid causing or contributing to adverse human rights impacts through their activities, products or services, and to deal with such impacts when they occur.

It says that businesses should adopt a clear policy commitment to respect human rights, including those of persons living in poverty, and to undertake a human rights due diligence process to identify and assess any actual or potential impacts on human rights posed by the company's own activities and by business partners associated with those activities. They should prevent and mitigate the adverse effects of their actions on the rights of persons living in poverty, including by establishing or participating in operational-level grievance mechanisms for individuals or communities that face such impacts.

The guidance in ISO 26000 clearly recommends that organizations accept responsibility to respect an individual's human rights. This is fully consistent with the life opportunities implied in the nine general categories of expenditures identified in the living wage formula summarized above.

However, none of the sustainability reports reviewed above mentioned that they had a "human rights due diligence process" which included consulting with their employees to determine their needs for and their right to food, the right to the highest attainable standard of health, the right to education and the right to social security.

Further, the above principle that labour is not a commodity would imply that paying an employee as little as possible based on market conditions or even on conforming with minimum wage laws does not conform to ISO 26000 recommendations for a socially responsible organization.

An organization that claims to have followed the guidelines in ISO 26000 would know that their decisions and activities have an impact an individuals' human rights, and hence they have a responsibility to respect them. They would identify the basic rights to which their employees are entitled and ensure they are meeting those required by law and have a plan to contribute to their employees other rights such as the right to: education; adequate standard of health; a standard of living adequate for the physical and mental health and well-being of himself or herself and his or her family; food, clothing, housing, medical care and necessary social protection, such as security in the event of unemployment, sickness, disability, death of spouse, old age or other lack of livelihood in circumstances beyond his or her control. This goes well beyond making a broad statement such as that "a*ll starting salaries exceed the local minimum wage rate specified under labour legislation.*"

4. The Living Wage and CSR Organizations

An introduction to the living wage concept and its relationship to CSR, together with the following questions, was sent to more than two hundred people, primarily Canadians, that were members of the ISO 26000 Canadian stakeholder group throughout the seven years it was in development. In addition, many of these individuals represent organizations that publish sustainability reports and or have claims about being socially responsible or sustainable on their web sites.

> With regard to compensation for employees earning the lowest hourly rate in your organization do you:
>
> 1. Consider the needs/rights for a 'Living Wage' based on:
>
>   • The Living Wage as defined
>
>   • Your calculation of what employees earning the lowest hourly rate in your organization need to earn?
>
> 2. Consult with your employees on what they should be paid, taking into consideration their needs/rights?
>
> 3. Pay what the market dictates to recruit and keep employees?
>
> 4. Pay the minimum wage you can?

Of those who responded,[17] none said that they new of or had used the living wage in determining employee compensation.

In addition to the email survey, twenty five graduate students in a Master of Environment and Business program in Canada, where most are employed by organizations that issue or plan to issue sustainability reports, were asked the same questions. Only one person said they had heard of the living wage, and indicated that their organization had taken the concept into consideration in determining employee compensation.

The overwhelming result of the survey and interviews was that almost all of the individuals responding said their organizations pay what the market dictates to recruit and keep employees. They also indicated their organization paid above the minimum wage. It was interesting to note that the CSR leader in the organization often had to consult with the human resources department to learn how compensation for the lowest paid employees was determined. Human resources personnel may not be as aware of international norms related to meeting the needs and rights of employees.

While some of the individuals interviewed indicated that their organizations consult with their employees on what they should be paid, except for the one person whose organization uses the living wage benchmark, none said that their organization took into consideration the employee's needs for the items covered by the living wage.

5. Issues to be Addressed

The review of documents and discussions with representatives of organizations claiming to be socially responsible resulted in the identification of a number of issues that should be addressed to obtain support for the adoption of the principles of the living wage in determining the wages of employees. The issues include:

1. Needs of employees not known
While employees have a need for and right to a living wage, there is little evidence that CSR organizations have a due diligence process to engage their employees to determine and address their specific needs and rights other than those covered by legislation such as the minimum wage and formal labour rights.

2. The minimum wage is the reference point in sustainability reporting
The people in organizations that are responsible for their CSR and sustainability reports are overwhelmed by the volume and complexity of the guidance provided in the over 100 international instruments related to CSR. Because their focus and measure of success is often to publish a sustainability report based on the GRI Sustainability Reporting Guidelines they do as suggested and reference their employee wages to the legislated minimum wage. Further, because they tend to be large and sophisticated organizations, with few of their people earning near the minimum wage, they can opt out of reporting information on employee compensation based on the GRI statement that they only have to report if 'a substantial portion of their workforce is compensated in a manner or scale that is closely linked to laws or regulations on minimum wage'.

3. International norms of behaviour not known
Because ISO 26000 is only recently published, only one organization was found that had used the standard in its approach to being ethical and socially responsible. Unfortunately their sustainability report was based on the GRI

guidelines and included no reference to the additional recommendations on employee compensation in ISO 26000 taken from the UN and ILO norms.

6. Recommendations on Linking the Living Wage to CSR

The final objective of this paper is to identify approaches that could be used to engage employers to accept responsibility for some of the impacts they have or could have on their employees by identifying and addressing their needs for a reasonable quality of life as defined in the living wage. This includes identifying people from various stakeholder groups that would be interested in engaging with anti-poverty or community stakeholders groups to address the living wage issue.

The following are some recommendations to address the issues identified above:

1. Encourage organizations to engage employees to determine their needs
As demonstrated in the following excerpts from the GRI and ISO 26000 guidance standards as well as the UN and ILO norms mentioned above 'the creation of jobs, as well as wages and other compensation paid for work performed are among an organization's most important economic and social contributions'. Organizations should therefore engage their employees to determine their specific needs, and have a plan to address those needs, where possible to make that economic and social contribution.

For instance, while the need for a living wage will be one of the outcomes of this engagement, another may be in providing employees with special assistance because they or a member of their family has special needs that impose an additional economic burden on the employee. Organizations could use funds from their philanthropic donations to address the special needs of their employees.

2. Enhance the GRI Guidance on Sustainability Reporting
The GRI are in the process of engaging with stakeholders, worldwide, to obtain feedback on the current version, GRI 3.1 for the new version GRI 4. The GRI are open to and would welcome a suggestion that the guidelines include recommendations that sustainability performance indicators for employee compensation reference a living wage in their location as opposed to the current recommendation that they reference the legislated minimum wage in their location.[18]

3. Create awareness of guidance in international norms on employee rights
Many of the organizations interviewed and evaluated based on their sustainability reports have Ethics and Compliance Officers to ensure compliance with laws and regulations, including those involving human rights issues. Their focus is not on the needs of employees beyond those required by law. To get these organizations to know and focus on ensuring that the rights of their employees to have their non-legal rights met including the need and rights to the items covered in the living wage will require making the decision makers aware of guidance in existing UN declarations and international best practice standards such as ISO 26000:2010 Guidance on Social Responsibility. This will require that an educational campaign be developed and promoted to all associations and organizations that have responsibility for keeping their members abreast of current issues related to CSR and sustainable development.

Organizations involved in the living wage campaign should develop a complementary educational and implementation program, which includes the promotion of the use of CSR instruments to enhance the GRI Guidelines.

4. Provide guidance for organizations on how to adopt the living wage
To avoid internal conflict with existing employees, especially those already earning a wage at or just above the living wage, when lower paid employees get a raise to align with the living wage, organizations should engage with their employees to develop a plan to adopt the living wage policy.

The proponents of the living wage campaign should work with those organizations that have already adopted the living wage principle to learn how it was done and develop guidelines for its adoption.

The voluntary approach as opposed to passing living wage ordinances or laws as others have done, will, in the long term, result in more organizations paying their employees a living wage. Promoting awareness of and the business case for the living wage, especially with leading organizations will set a new standard and will expand as others follow the leaders and those that adopt the living wage encourage its use in their value chains.

Appendix A

Summary of Expenses and Income, from *A Living Wage for Toronto*, by Hugh Mackenzie and Jim Stanford (Canadian Centre for Policy Alternatives, 2008)

Expenses	**Annual**
Food	6,557
Clothing and Footwear	2,504
Shelter	
Rent & utilities	14,751
Telephone	656
Insurance	213
Internet	447
Cable TV	840
Transportation	
Vehicle	6,573
Transit	1,248
Other	
Family vacation 1/yr. 2 weeks	2,000
Monthly family dinner & movie	1,800
Household & furniture	1,063
Personal care	618
Recreation	1,475
Communication not telephone	169
Reading and entertainment supplies	517
Other services	1,120
Education (adults)	1,000
Child care	9,140
Non OHIP medical	2,461
Contingency amount	2,206
Total Cost of Living (Rounded to Nearest 100)	**57,400**

Income	
Household employment income	64,783
PLUS Universal Child Care Benefit	1,200
Household Income	65,983
MINUS Tax after credits	6,092
Income after tax	59,891
MINUS CPP and EI Contributions	3,981
PLUS Child Tax Benefit	1,490
Income after tax and transfers	57,400
Living wage	**16.60**

Notes

1 *A Living Wage for Toronto*, by Hugh Mackenzie and Jim Stanford, Canadian Centre for Policy Alternatives, 2008

2 *Working for A Living Wage: Making Paid Work Meet Basic Family Needs in Vancouver and Victoria*, by Tim Richards, Marcy Cohen, Seth Klein, and Deborah Littman (Canadian Centre for Policy Alternatives, 2008).

3 2011 Buffett National Wellness Survey - Sun Life Financial A comprehensive analysis of work-site wellness in Canada www.sunlife.ca/.../Sun%20Life%20Wellness%20Institute/.../...

4 Why Be an Ethical Company? By Vivek Wadhwa Business Week August 17, 2009

5 Sustainable Stock Exchanges, A Report on Progress, A Paper Prepared for the Sustainable Stock Exchanges 2012 Global Dialogue

6 *CSA Staff Notice 51-333 Environmental Reporting Guidance*, Canadian Securities Administrators, October 27, 2010

7 GRI G4 Workshop, Toronto by Marjella Alma, Manager GRI USA, September 12, 2012

8 *International Standard ISO 26000:2010 Guidance on Social Responsibility First edition 2010-11-01 Reference number ISO 26000:2010(E)* www.iso.org/iso/catalogue_detail?csnumber=42546

9 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 3.1 2011 https://www.globalreporting.org/reporting/latest-guidelines/g3-1-guidelines/Pages/default.aspx

10 A/HRC/8/5 United Nations, 7 April 2008, "Protect, Respect and Remedy: A Framework for Business and Human Rights; Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises," John Ruggie,

11 United Nations (UN): International Covenant on Economic, Social and Cultural Rights (1966).

12 International Labour Organization (ILO): Social Justice Declaration (2008).

13 International Labour Organization (ILO): ILO Constitution (including Declaration of Philadelphia). 1944

14 United Nations (UN): International Covenant on Economic, Social and Cultural Rights. 1966

15 United Nations (UN): Universal Declaration of Human Rights. 1948

16 A/HRC/21/39 United Nations, 18 July 2012, "Final Draft of the Guiding Principles on Extreme Poverty and Human Rights," submitted by the Special Rapporteur on Extreme Poverty and Human Rights, Magdalena Sepúlveda Carmona.

17 Less than 10 individuals responded to the survey, so it cannot be taken as scientifically representative, although its findings are indicative.

18 The deadline for formal submission of comments to GRI was September 25, 2012, however the author of this report submitted the above background and recommendations for consideration by the GRI G4 working group.

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