

# ACCOUNTING FOR A LIVING WAGE: CONTEXTUAL INDICATORS



**Shift**



**CAPITALS  
COALITION**

## ACCOUNTING FOR A LIVING WAGE | CONTEXTUAL INDICATORS

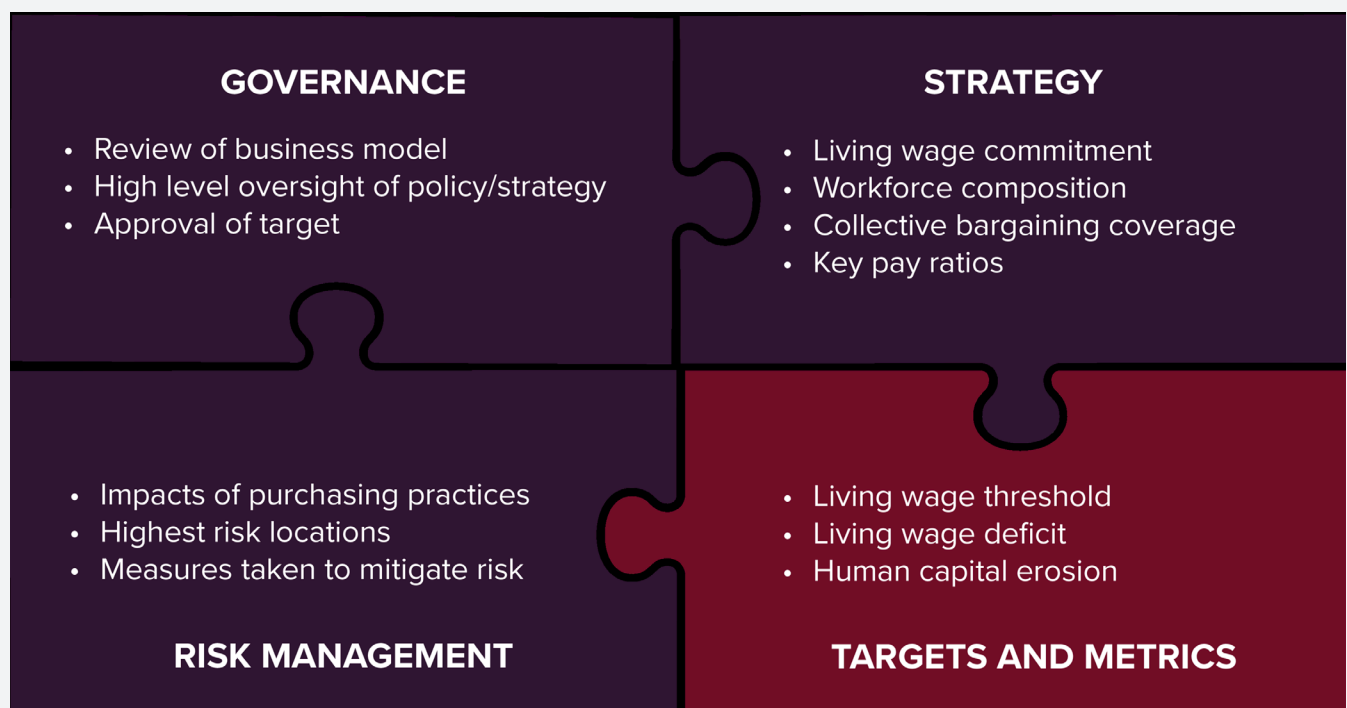
The indicators in this paper are designed to be used in conjunction with the Accounting for Living Wage Model, developed by Shift and the Capital Coalition. The Model can be found [here](#).

Together, these disclosures provide the means for companies to make a full accounting and report of their progress towards living wages in their workforce and first tier supply chain.

The Model and the contextual indicators follow the ISSB four-part framework of Governance, Strategy, Risk Management and Targets and Metrics (see below). The targets and metrics are covered by the Model itself, while the contextual indicators presented here enable companies to report on their Governance, Strategy and Risk Management in relation to living wages.

In order to promote compatibility and consistency, these indicators draw on heavily on existing disclosures available through other frameworks or standards, notably the Workforce Disclosure Initiative, the Dow Jones Sustainability Indices, and the Global Reporting Initiative.

### SINGLE REPORTING FRAMEWORK



## THE CONTEXTUAL INDICATORS

GOVERNANCE	
OVERSIGHT OF PROGRESS TOWARDS LIVING WAGES	Disclose whether the reporting entity's highest governance body, or a committee or member of that body, has oversight of the reporting entity's living wage policy and strategy.
	Disclose whether the reporting entity's highest governance body has reviewed the entity's business model to assess whether it may play a role in keeping wages in the workforce or supply chain below the level of living wages, and where this is the case, any mitigation strategies it as agreed should be put in place to address this.
	Disclose whether the reporting entity's highest governance body has approved and/or oversees any targets set with regard to living wages and any role it takes in monitoring progress.

STRATEGY	
LIVING WAGE POLICY	A. Disclose any public commitment made by the reporting entity with regard to achieving the payment of living wages in (a) its own operations and/or (b) its supply chain.
	B. Disclose any requirements related to payment of living wages that the reporting entity sets for (a) third party employers of its contractors and/or (b) suppliers.
LIVING WAGE RISK DRIVERS IN THE WORKFORCE	A. Disclose the percentage of the workforce (total number of direct employees and core contractors) that are: (i) Employees (disaggregated by gender) (ii) core contractors (disaggregated by gender)
	B. Disclose the percentage of the reporting entity's (a) employees and (b) core contractors that are parttime.
	C. If the proportion of either (a) employees on fixedterm/temporary or non-guaranteed hours contracts or (b) core contractors has increased or decreased significantly as a proportion of the total workforce over the last reporting period, explain why, and whether the company expects this trend to continue in the future.  Note: In most situations, an increase or decrease of 10% would be significant. A lesser percentage could be significant in a large company where the absolute numbers of workers are higher.
	D. Disclose the percentage of (a) direct employees, (b) core contractors, (c) non-core contractors and (d) workers in the reporting entity's first tier supply chain that are covered by collective bargaining agreements.
WAGE EQUITY CONTEXT	A. Disclose the ratio of: (i) CEO (or highest-paid individual) to median worker compensation (ii) CEO (or highest-paid individual) to lowest-wage employee compensation (iii) CEO (or highest-paid individual) to lowest-wage core contractor compensation  Note: Compensation calculations for the purposes of this disclosure should include all salary and fees, taxable benefits (gross value), any relevant performance-related pay or other assets, pensionrelated benefits, bonuses or other economic benefits, including equity such as stocks and shares and benefit payments.
	B. Disclose the mean gender pay gap for: (i) Employees (ii) Core contractors  $\text{Mean pay for men} - \text{mean pay for women} \times 100 \text{ Mean pay for men}$ Where mean pay may be calculated on an hourly, monthly or annual basis.  Note: if national or other regulations applicable to the reporting company provide for an alternative method of calculating the gender pay gap, the reporting company may use that method and should indicate the regulation concerned.

RISK MANAGEMENT	
LIVING WAGE RISK IDENTIFICATION	A. Describe any feedback mechanisms in place to enable (a) third party employers of contractors and (b) suppliers to report to the reporting entity the impacts of contracting, sourcing and buying practices on their ability to pay a living wage.
	B. Identify any points in the company's extended value chain (that is, beyond the first tier supply chain) where the payment of wages below a living wage has been identified as a severe risk to workers and their families.  Note: Such areas of the value chain may be defined by location or by a particular product, commodity or service where the risk is particularly severe.
LIVING WAGE RISK MITIGATION	A. Describe any steps taken to ensure that the reporting entity's contracting, sourcing, purchasing and/or payment practices are not contributing to keeping wages below the living wage for (a) core and non-core contractors and (b) first tier supply chain workers
	B. Describe any significant measures, processes or initiatives being implemented by the company, unilaterally or in collaboration with others, to reduce the living wage deficit in relation to the categories of worker covered in the company's reporting, including:  (i) How the company considers these measures, processes or initiatives will help close the living wage deficit  (ii) Any results achieved and their connection with the company's actions
	C. Describe any plans, actions or achievements in reducing living wage risks affecting workers in the company's extended <i>value chain</i> (that is, beyond the categories of workers covered under these disclosures).

## ***Accounting for a Living Wage***

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### **ABOUT SHIFT**

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team of experts works across all continents and sectors to challenge assumptions, push boundaries and redefine corporate practice in order to build a world where business gets done with respect for people's dignity. We are a non-profit, mission-driven organization headquartered in New York City.



### **ABOUT CAPITALS COALITION**

Capitals Coalition is a global collaboration redefining value to transform decision making. It sits at the heart of an extensive global network which has united to advance the capitals approach to decision-making. The ambition of the Coalition is that by 2030 the majority of businesses, financial institutions and governments will include the value of natural capital, social capital and human capital in their decision making and that this will deliver a fairer, just and more sustainable world.

### **ABOUT THE LIVING WAGE PROJECT**

The Living Wage Accounting Model provides organizations with the means to measure and articulate progress towards payment of a living wage for their own employees, contractors, and workers in the first tier of their supply chain, by demonstrating the year-on-year movement of workers towards living wages.