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When ESG risks become compliance risks: Paying a living wage

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Certain environmental, social, and governance (ESG) issues galvanize consumers and shareholders alike to demand both changes in how companies behave and new regulatory requirements to ensure those changes remain permanent. Those ESG issues include data privacy, the environment and labor. Climate change, for instance, was once only in the realm of corporate social responsibility, but the number of regulations requiring organizations to consider climate change when doing business have increased dramatically since the late 1990s.

An issue that is currently gaining more traction is the idea of a living wage. A living wage is hard to define, because living costs vary from region to region and from country to country, but according to Sanket Mehta, corporate social responsibility analyst at Assent Compliance, a living wage is “an informal benchmark that reflects the minimum income people must earn to cover the actual costs of living in their communities.”

A few standards do exist to guide companies in how to fairly compensate their employees. For example, the International Labour Organization, the Ethical Trading Initiative and Social Accountability International speak to a living wage in their codes and disclosures.