



INVESTOR SUPPORT FOR A LIVING WAGE FOR U.S. WORKERS

The undersigned investors, representing \$4.5 trillion in assets under management and advisement, call on U.S. companies to take steps towards the payment of a living wage to direct and contract workers, in line with international human rights standards. Long-term investments in the workforce are good for business, helping companies attract and retain talented employees, increase job satisfaction, and improve worker performance. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and racial disparities in the U.S. labor market that can have long-term societal and economic impacts.

What is a Living Wage and Why is it Important?

The Global Living Wage Coalition defines a living wage as:

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.¹

The concept of a living wage as a human right is recognized in multiple international treaties and frameworks such as the Universal Declaration of Human Rights, the Preamble of the International Labour Organization (ILO) Constitution, and the UN Sustainable Development Goals (SDGs).²

According to polls, “84% of Americans believe large companies have a responsibility to pay full-time adult workers in frontline jobs enough to make ends meet.”³ 63% of voters believe workers need to earn more than \$20 an hour to have a decent quality of life, including 71% of Democrats, 56% of Republicans, and 63% of independent/third-party voters.⁴

¹ <https://www.globallivingwage.org/about/what-is-a-living-wage/>

² <https://www.ohchr.org/en/human-rights/universal-declaration/translations/english> ;
https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:55:0::NO::P55_TYPE,P55_LANG,P55_DOCUMENT,P55_NODE:KEY,en,ILOC,/Document ; <https://sdgs.un.org/goals>

³ <https://justcapital.com/reports/across-political-divides-americans-agree-companies-should-prioritize-workers-economic-security-driving-competitive-advantage/>

⁴ <https://www.dataforprogress.org/blog/2023/5/24/725-isnt-cutting-it-in-this-economy-voters-support-raising-the-minimum-wage-to-20-per-hour>

CEOs of leading U.S. companies identified their employees as a priority stakeholder and voiced their commitment to fair compensation and benefits in the Business Roundtable's 2019 Statement on the Purpose of a Corporation, and publicly support increasing the federal minimum wage.⁵

The Gap between the Minimum Wage and a Living Wage

The U.S. federal minimum wage has remained stagnant at \$7.25 an hour since 2009. Given cost of living increases, a worker earning the federal minimum wage today has effectively received a 28% pay cut.⁶

Addressing the issue of living wages is even more necessary today after the highest period of inflation in four decades caused a substantial reduction in real wages for American workers.⁷ Despite claims that rising wages are a main cause of inflation, wages can continue to grow while inflation declines.⁸

Estimates show that in 2022, 51% of all the workers at Russell 1000 companies, who in total made up about 15% of the employed population in the U.S. in 2021, are not earning a family-sustaining living wage.⁹ MIT's Living Wage Calculator estimates that "a single mother with two children earning the federal minimum wage of \$7.25 per hour needs to work 252 hours per week, the equivalent of almost six full-time minimum-wage jobs, to make a living wage."¹⁰ Even in the 30 states where minimum wages are above the federal minimum wage,¹¹ ranging between \$8.75 per hour in West Virginia to \$15.74 per hour in Washington, these state minimum wages are still not living wages. 90% of Americans live in a place where the living wage is \$20/hr or more.¹²

Direct employees and contract workers in traditionally low-wage retail, restaurant, hospitality, and gig sectors are most likely to earn below the living wage.¹³ According to EPI, 21 million workers make less than \$15 per hour.¹⁴ Shift reports that "56% of hourly service sector workers make less than \$15 per hour and 25% make less than \$12 per hour across 66 large companies."¹⁵ While workers at these companies earn sub-living wages, the CEOs take home extremely high pay, averaging \$24.5 million in 2021, further

⁵ https://system.businessroundtable.org/app/uploads/sites/5/2023/02/WSJ_BRT_POC_Ad.pdf | Excerpt: "INVESTING IN OUR EMPLOYEES. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect."; <https://www.businessroundtable.org/policy-perspectives/building-americas-tomorrow-ready-workforce/federal-minimum-wage-policy-2>

⁶ <https://justcapital.com/news/3-charts-show-why-companies-should-regularly-raise-wages-to-match-inflation/>

⁷ https://fred.stlouisfed.org/graph/?g=Qzbt&utm_source=newsletter&utm_medium=email&utm_campaign=newletter_axiosmarkets&stream=business

⁸ <https://fortune.com/2022/12/01/americans-wages-inflation-price-spiral-myth-matthew-nestler/>

⁹ <https://justcapital.com/news/just-capital-and-new-data-partner-revelio-labs-find-about-half-of-russell-1000-employees-do-not-make-family-sustaining-wage-in-2022/>

¹⁰ <https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator>

¹¹ <https://www.dol.gov/agencies/whd/mw-consolidated>

¹² <https://www.fastcompany.com/90872566/fight-for-15-hour-not-living-wage-time-20#:~:text=By%20this%20yardstick%2C%2090%25%20of,short%20of%20the%20%2420%20threshold.>

¹³ <https://www.kff.org/report-section/double-jeopardy-low-wage-workers-at-risk-for-health-and-financial-implications-of-covid-19-issue-brief/>

¹⁴ <https://www.epi.org/blog/workers-are-46-more-likely-to-make-below-15-an-hour-in-states-paying-only-the-federal-minimum-wage/>

¹⁵ <https://shift.hks.harvard.edu/the-company-wage-tracker/>

exacerbating wage disparities.¹⁶ The AFL-CIO's Executive PayWatch analysis of 2022 executive pay at S&P 500 companies found an average CEO-to-median worker pay ratio of 272-to-1.¹⁷ Studies also point to the rise of stock buybacks as a contributor to income inequality, as buybacks benefit top executives and shareholders at the expense of investments in the workforce and innovation.¹⁸

By contrast, in the United Kingdom, significant progress has been made in raising the minimum wage closer to a real Living Wage rate (as determined by the UK Living Wage Foundation). A major factor in driving this change has been the adoption of the voluntary real Living Wage rate by businesses and the public sector, demonstrating the feasibility of implementing a higher base rate of pay. There is currently a gap of £1.58 between the UK Government's "National Living Wage" for all workers over 23 years old (£10.42 across UK), and the "Real Living Wage" as determined by the UK Living Wage Foundation (£12 across UK), and the gap is wider for London.¹⁹

The Business Case for Paying a Living Wage

From a business perspective, companies have a lot to gain from ensuring a living wage for their employees. While the assumption that paying a living wage will hurt a firm's bottom line prevails, research suggests that paying a living wage is a long-term investment that can yield significant business benefits. Productivity increases when employees are motivated and incentivized. In *The Case for Good Jobs*, Zeynep Ton finds that making meaningful investments in the workforce as part of a "Good Jobs Strategy" benefits companies, their shareholders, and customers, while "paying workers low wages is actually very expensive for companies."²⁰

- London employers who implemented a living wage experienced improved worker morale, motivation, and productivity, better recruitment and retention, and reputational benefits beyond their workforces.²¹
- When comparing employer/employee performance in living wage and non-living wage workplaces in Canada, living wage workers are more loyal to their employers, more engaged at work, and have lower turnover.²²
- In the U.S., despite raising the wages of its hourly and entry-level employees and dramatically lowering their healthcare costs, PayPal's profits grew 28%.²³

¹⁶ https://shift.hks.harvard.edu/wp-content/uploads/2022/04/Company_Wage_Tracker_4_16.pdf | See table on page 3 of the Research Brief

¹⁷ <https://aflcio.org/paywatch/company-pay-ratios>

¹⁸ <https://corpgov.law.harvard.edu/2020/10/23/the-dangers-of-buybacks-mitigating-common-pitfalls/>

¹⁹ <https://www.livingwage.org.uk/what-real-living-wage> | Note: The UK *minimum* wage, applicable to workers between 18-23 years old, is lower than the "National Living Wage", so there would be a larger gap between the minimum wage and the real living wage for younger workers.

²⁰ <https://justcapital.com/news/zeynep-ton-case-for-good-jobs-worker-investments-higher-returns-2023/#:~:text=But%20the%20reality%20is%2C%20human,actually%20very%20expensive%20for%20companies>

²¹ https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/archives/mayor-economic-unit-docs-living-wage-benefits-summary.pdf

²² <https://www.randstad.ca/employers/workplace-insights/talent-management/the-benefits-of-paying-your-employees-well/#:~:text=higher%20wages%20mean%20staff%20turnover%20decreases&text=Employees%20are%20now%20forced%20to,to%20stay%20with%20their%20employers.>

²³ <https://www.inc.com/minda-zetlin/paypal-wages-ndi-profits-growth-dan-schulman.html>

- Lower turnover following wage increases can also lead to cost savings; an increase in wages at the San Francisco airport led to a turnover decline of 34%, or a savings of \$6.6 million per year.²⁴

On the other hand, failing to create workplaces where all workers are engaged and their basic needs are met may expose companies to significant reputational and financial risk. This includes operational disruptions and costs incurred from high turnover, employee unrest, and labor shortages; reputational erosion and loss of consumer confidence and trust; worsening product and/or service quality; and even litigation and regulatory action.

How Living Wages Address Systemic Inequality

The social and economic benefits of living wages are consequential, and those benefits reverberate throughout society, the economy and by extension, diversified portfolios. Living wages reduce working poverty, which in turn helps tackle systemic inequality. These benefits are well-documented:

- “Closing the living wage gap worldwide could generate an additional \$4.56 trillion every year through increased productivity and spending,” increasing annual GDP by more than 4%.²⁵
- Income inequality slows U.S. economic growth by reducing demand by 2 to 4%.²⁶
- A 1% increase in inequality leads to a 1.1% per capita GDP loss over a 5-year period.²⁷
- Gender and racial gaps created \$2.6 trillion in losses to U.S. GDP in 2019.²⁸ Eliminating racial disparity would add \$5 trillion to the U.S. economy over five years.²⁹

Particularly within the U.S. context, where deeply ingrained inequalities based on race and gender continue to persist, living wages are a practical solution to issues of systemic inequality. For low-wage sector workers, raising wages can create a more level playing field and improve the livelihoods of women and people of color, who make up the majority of this workforce.³⁰ Some studies also suggest a correlation between wage increases for low-income workers and improved health outcomes for workers and their families.³¹ For companies that make commitments to racial justice, gender equity, and human rights, following through on these pledges requires investment in the wages of workers.

Steps for Companies

To generate the benefits outlined above and demonstrate a commitment to ensuring that direct employees and other workers who participate in the company's business operations are paid living wages in accordance with international human rights standards, we implore each company to work constructively with all workers as well as labor unions, and franchisee, and subcontracted operations, to

²⁴ <https://laborcenter.berkeley.edu/living-wages-and-economic-performance-the-san-francisco-airport-model/#:~:text=Following%20implementation%20of%20the%20QSP,of%2010%20percent%20or%20more>

²⁵ <https://tacklinginequality.org/files/introduction.pdf> ; <https://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/>

²⁶ <https://www.epi.org/publication/secular-stagnation/>

²⁷ <https://www.pionline.com/sponsored-content/facing-hard-truths-material-risk-rising-inequality>

²⁸ <https://www.frbsf.org/our-district/about/commitment-to-equity/#:~:text=Racial%20and%20ethnic%20inequities%20cost,inequity%20will%20continue%20to%20grow>

²⁹ <http://citi.us/3olxWHO>

³⁰ <https://www.oxfamamerica.org/explore/countries/united-states/poverty-in-the-us/low-wage-map-2022/>

³¹ <https://www.urban.org/sites/default/files/2022-07/How%20the%20Minimum%20Wage%20Affects%20Low-Wage%20Workers%20and%20Their%20Families%20v2.pdf>

increase wages to a living wage. We also encourage individual companies to prioritize the following short- and long-term steps to increase investors' understanding of company wage practices and progress toward paying living wages to their direct employees and contract workers:

1. Adopt and disclose a policy and strategy that makes clear the company's commitment to take steps towards paying its workers a living wage, as differentiated from a fair, market, minimum, or legally compliant wage, and inclusive of lobbying alignment. Periodically disclose progress toward meaningful implementation of the policy;
2. End the payment of subminimum wages;³²
3. Disclose wage-setting strategies and compensation metrics, including;
 - Wage gap analysis detailing the number of workers (full-time, part-time, and contract workers) below a living wage, how far these workers are below a living wage, and the living wage benchmark/methodology used to determine this and related living wage metrics.³³
 - Median employee wage, with a detailed explanation of which employees are covered.
 - Lowest starting wage and how many workers earn this amount.
 - Percent of third-party contracted workers.
 - Quantitative adjusted and unadjusted median racial and gender pay ratios across all employees including all components of compensation.
 - Benefits (e.g. healthcare, childcare, commuting subsidies) workers receive as part of their total remuneration.
 - Employee turnover data broken down by worker type.
 - Data on collective bargaining coverage.
4. Perform and disclose cost-benefit analyses of wage increases, focusing on both the short-term and long-term costs/benefits;
5. Expand the scope of the board's compensation committee to include oversight of compensation practices for all levels of employees and contract workers, not just executives, and amend the board committee charter to formalize this responsibility and disclose how the company is addressing the gap between CEO pay and median worker pay;

We understand that, given the substantial gaps between current company wages and living wages, meeting a living wage benchmark will take time. However, with earnest commitment, recognition of the long-term benefits, and leadership on the issue, companies can lead and spur change. We encourage all companies to consider these disclosure requests and expect that companies will act within a reasonable but expeditious timeframe, demonstrating their progress routinely and transparently.

³² A "subminimum wage" is a wage paid that is less than the federal or state-mandated minimum wage. Federal law allows companies to pay less than the legally mandated minimum wage to certain groups of workers.

³³ For example, Living Wage for US provides freely available living wage data by commuting zone at <https://livingwageforus.org/>

Achmea
Achmea Investment Management
Adasina Social Capital
Adrian Dominican Sisters, Portfolio Advisory Board
Æquo Shareholder Engagement Services
AFL-CIO
AJF Capital Services, Inc.
AkademikerPension
Amalgamated Bank
American Baptist Home Mission Society
American Nonsmokers' Rights Foundation
AP Pension
AP2
Aquinas associates
Arjuna Capital
As You Sow
Atkinson Foundation
Auburn Theological Seminary
Augustine Asset Management
Aviva Investors
Azzad Asset Management
Bell Asset Management
Boston Common Asset Management
Boston Impact Initiative
Cardano
CCLA Investment Management
CCOO, FP.
Change Finance, PBC
ClearBridge Investments
Committee on Mission Responsibility Through Investment of the Presbyterian Church (U.S.A.)
Communications Workers of America
Community Capital Management
Congregation of Divine Providence, Melbourne, KY
Congregation of Sisters of St. Agnes
Congregation of St. Joseph
CorpGov.net
Province of Saint Joseph of the Capuchin Order - Corporate Responsibility Office
Dana Investment Advisors
Daughters of Charity of Province of St. Louise
Domini Impact Investments LLC
Dominican Sisters of Grand Rapids
DPAM
Ethos Engagement Pool International
Ethos Foundation
Etica Funds – Responsible Investments
Everence and the Praxis Mutual Funds
Figure 8 Investment Strategies
Folksam
Fondo de Pensiones Empleados de Telefonica
Fondo Scuola Espero
Franciscan Sisters of Allegany NY
Franciscan Sisters of Perpetual Adoration
Friends Fiduciary Corporation
Future Super
Green America

Heartland Initiative	Pension Fund of the Christian Church (Disciples of Christ)
Hill-Snowdon Foundation	PIRC Ltd
Horizons Sustainable Financial Services	Promethos Capital
Impax Asset Management	Raiffeisen Schweiz
Investor Advocates for Social Justice	Region VI Coalition for Responsible Investment
Jesuit Committee on Investment Responsibility	Responsible Alpha, Inc.
JLens	Robert F. Kennedy Human Rights
Lady Lawyer Foundation	Sarasin & Partners LLP
Legal & General Investment Management	School Sisters of Notre Dame Cooperative Investment Fund
LGPS Central	School Sisters of Notre Dame, Central Pacific JPIC Office
Marguerite Casey Foundation	School Sisters of St. Francis
Maryknoll Fathers and Brothers	SDG Invest
Maryknoll Sisters	Service Employees International Union
Mercy Investment Services, Inc.	Seva Foundation
Miller/Howard Investments, Inc.	Seventh Generation Interfaith Coalition for Responsible Investment
Mirova	SHARE
Missionary Oblates/OIP TRUST	ShareAction
MN	SharePower Responsible Investing
Nathan Cummings Foundation	Sisters of Bon Secours USA
Natural Investments	Sisters of Charity of Nazareth Congregational Leadership
NEI Investments	Sisters of Charity of Nazareth Western Province Leadership
Nest (National Employment Savings Trust)	Sisters of Charity of New York
Nomura Asset Management Co., Ltd.	Sisters of Charity of Saint Elizabeth
NorthStar Asset Management, Inc.	Sisters of Charity of the Blessed Virgin Mary
Northwest Coalition for Responsible Investment	Sisters of Mary Reparatrix
Öhman Fonder	
Oxfam America	
P+, Pension Fund for Academics	

Sisters of St. Dominic - Socially Responsible
Investment Committee

Sisters of St. Dominic of Blauvelt, New York

Sisters of St. Francis of Dubuque, IA

Sisters of St. Francis of Philadelphia

Sisters of St. Joseph of Springfield, MA

Sisters of the Holy Cross

Sisters of the Holy Names of Jesus and Mary,
General Administration

Sisters of the Humility of Mary

SOC Investment Group

Social Justice Committee of the UU
Congregation at Shelter Rock

Socially Responsible Investment Coalition

Sonen Capital

Stardust

Storebrand Asset Management

Sustainable Advisors Alliance, LLC

The Shareholder Commons

The Sustainability Group of Loring, Wolcott &
Coolidge

Trillium Asset Management

Tulipshare, Sustainable Investment Fund

U Ethical Investors

Unitarian Universalist Association

United Church Funds

United for Respect Education Fund

Ursuline Sisters

Vancity Investment Management

Veris Wealth Partners

William Caspar Graustein Memorial Fund

Zevin Asset Management