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Center for Sustainable Business

What We Measure Today Does Not Matter When It Comes to Jobs

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April 2023

A BETTER WORLD THROUGH BETTER BUSINESS

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ABOUT NYU STERN CENTER FOR SUSTAINABLE BUSINESS

The NYU Stern Center for Sustainable Business (CSB) was founded on the principle that sustainable business is good business. We provide education, conduct research, and influence industry practice by proving the financial value of sustainability for business management and performance. At CSB, we aim to equip future and current corporate leaders with updated business frameworks that embrace proactive and innovative mainstreaming of sustainability, resulting in competitive advantage and resiliency for their companies as well as a positive impact for society.

What We Measure Today Does Not Matter When It Comes to Jobs

Companies have an easy way to boost their financial performance. How? Hire the best at all levels of the company and invest in them.

Sounds easy. But more than 51% of the Russell 1000 are not paying their employees a living wage.[1] Why not? Because companies are pressured to reduce costs in order to return more money to shareholders and labor is the biggest source of "cost" for most companies. Unfortunately, this approach may actually depress returns to shareholders in the medium and long term.

Our research has found that we are not measuring decision-useful metrics when it comes to corporate employees in the U.S., which means we are not properly assessing human capital's role in corporate financial performance. Neither our accounting methods nor our reporting metrics are up to the task. Current financial accounting assesses investments in employees as labor costs (despite those investments potentially leading to higher productivity and retention). Those costs are not detailed on financial statements in the US (and only about 15% of firms disclose them), even though employee-related spending is responsible for typically more than half of a company's operating costs.[2]

In addition, current ESG metrics do not capture what is needed to measure human capital, such as share of employees making living wage, cost of turnover, or value of benefits. Even when relevant metrics are encouraged by standard setters, e.g., the International Sustainability Standards Board (ISSB) following the Sustainability Accounting Standards Board (SASB), they are mostly not available. In our review of current "S" data, we find very limited jobs-related reporting (except for executive compensation). Yet, investors, regulators, and the managers themselves rely on that incomplete data to make decisions that have a significant impact on employees, society and the bottom line.

Amazon is a case in point. Leaked internal documents[3] reportedly found regretted attrition (people leaving whom Amazon did not want to leave) of 69.5% to a high of 81.3% across all 10 levels of employees, with a cost to Amazon of $8B – about 25% of its total annual profit. Clearly, there is significant employee dissatisfaction with Amazon, with a material financial impact. Yet, Amazon is highly ranked by ESG rating providers (Refinitiv gives Amazon an A for the "S") as well as by LinkedIn (listed as one of the top three companies to work for) and the American Opportunity Index (listed in the top 50 for career growth).Why did Refinitiv give Amazon an A in social metrics for the last four years? HR policy disclosures, gender pay gap, and diversity metrics are outstanding, and the rest (e.g. living wage, benefits, inclusion, career development) is not requested or reported.

1 'JUST Capital and New Partner Revelio Labs Find About Half of Russell 1000 Employees Do Not Make a Family-Sustaining Wage'. JUST Capital, 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/. Accessed 11 Jan. 2023.

2 Colleen Honigsberg & Shivaram Rajgopal, Wage Wars: The Battle Over Human Capital Accounting, 12 Harv. Bus. L. Rev. 275-314 (2022).

3 Exclusive: Amazon's attrition costs $8 billion annually according to leaked documents. And it gets worse. Oct 17, 2022. Engadget. https://www.engadget.com/amazon-attrition-leadership-ctsmd-201800110.html (accessed 2023-04-01).

Refinitiv did give Amazon a D- for the last four years on its separate ESG controversies score – seemingly driven by third party reports on employee-related issues which is separate from the A score for social metrics as above.

Turnover was notably not reported even though investors (according to the ISSB) might find it material.[4] Interestingly, after the reports were compiled, Amazon announced $1B in salary increases for hourly workers.

To gain insight into how employees are treated and the impact on the bottom line, we first surveyed existing frameworks for good, decent, just, quality, or sustainable jobs. We also reviewed the jobs-related metrics asked for by reporting standards and collected by the major ratings agencies. Unfortunately, there is no consistent definition of what constitutes a "good or sustainable" job,[5] which may be why companies and rating agencies are inconsistent in what they track.

The International Labor Organization (ILO) has "developed an agenda for the community of work looking at job creation, rights at work, social protection and social dialogue, with gender equality as a crosscutting objective." But very few investors or corporates appear to rely on the (voluntary) ILO indicators [6] – though they do sometimes inform standards such as IRIS+, an impact management system. For example, Schroders, an asset management firm, uses its own jobs framework measuring financial security, employee wellbeing, engagement & satisfaction, and career development for its private equity investments.[7] Its framework is inspired by MIT's Good Jobs Institute,[8] which has designed a good jobs framework that focuses on basic needs, moving to include areas such as inclusion and career development once those basic needs are met. This approach is particularly important when considering alternative employment (e.g. temporary, part-time, or contingent workers) who often struggle to meet basic needs.

In Table 1 we mapped representative reporting frameworks across three general dimensions: the business model or basic characteristics of a firm, the financial security afforded to workers, and the quality or excellence of the job. The mappings are approximate as each label can cover a wide range of issues and metrics. For example, SASB's labor practices refer to "*ensuring basic human rights related to child labor, forced or bonded labor, exploitative labor, fair wages and overtime pay, and other basic workers' rights. It also includes minimum wage policies and provision of benefits. This category also addresses a company's relationship with organized labor and freedom of association.*"

4 For e-commerce the SASB metric is: CG-EC-330a.2. (1) Voluntary and (2) involuntary turnover rate for all employees.

5 Howell, David R., and Arne L. Kalleberg. 'Declining Job Quality in the United States: Explanations and Evidence'. RSF: The Russell Sage Foundation Journal of the Social Sciences, vol. 5, no. 4, Sept. 2019, pp. 1–53. https://doi.org/10.7758/RSF.2019.5.4.01.

6 Even when the indicators refer to data applicable to individual companies instead of the market-level such as the unemployment rate.

7 Schroder Investment Management. 'Case Studies: Quality Jobs in Action'. Quality Jobs. The multi-faceted value creation initiative, https://www.schroders.com/en/us/insurance/sustainability/quality-jobs/case-studies-quality-jobs-in-action/. Accessed 10 Jan. 2023.

8 Osterman, Paul, editor. Creating Good Jobs: An Industry-Based Strategy. The MIT Press, 2019. Ton, Zeynep. The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits. New Harvest, Houghton Mifflin Harcourt, 2014

Table 1. Sustainable Jobs Dimensions

	Sustainable Jobs dimensions		
	Business basics The firm does not violate the law as part of the business model, e.g., through wage theft or by relying on contingent workers. Turnover, safety violations, and labor controversies are possible indicators. The market does not price the cost of sub-minimum wages or unemployment.	**Financial security** The firm provides workers with financial stability through a living wage and health benefits. Lowest pay threshold, the share of employees making living wage, and appraised benefits are possible indicators. The market does not price the cost of sub-living wages or health issues.	**Job excellence** The firm provides workers with more than basic financial needs and creates an inclusive workplace. Benefits beyond healthcare, diversity statistics, and pay equity are possible indicators. The market does not price the cost of mental health issues or inequality.
SASB (standard setter)	Employee health and safety; Labor practices	Labor practices	Employee diversity, inclusion, and engagement
Schroders (private equity)	Workforce profile	Financial security	Employee wellbeing; Engagement & satisfaction; Career development
IRIS+ / PVC (impact investing)[9]	A fair and engaging workplace	Living wage; Basic benefits	Career-building opportunities; Wealth-building opportunities
MIT Goods Jobs Institute (academia)	Schedules; Security & Safety	Pay & benefits; Career Path	Meaningfulness; Personal Growth; Belonging; Achievement; Recognition
JUST Capital (nonprofit)	Protects worker health and safety	Pays a fair, living wage; Provides benefits and work-life balance	Supports workforce retention, advancement, and training; Cultivates a diverse, inclusive workplace

What matters most to workers? According to Just Capital, a non-profit group which surveys Americans on what defines "just" corporate behavior (and assesses corporate performance accordingly), providing a fair, living wage ranks the highest.[10] More surprising was that three other worker issues were also among the top five: protecting worker health and safety; supporting workforce retention, advancement, and training; and providing benefits and work-life balance. The survey ranking suggests that living wages are three times more important than any other single issue.

9 In their definition a "quality job provides at least three (3) of the following five (5) key elements".

10 ANNUAL SURVEY: In an Unstable Economic Environment, Workers and Wages Are More Important Than Ever to the American Public. JUST Capital, https://justcapital.com/reports/2022-survey-workers-and-wages-are-more-important-than-ever-to-the-american-public/. Accessed 10 Jan. 2023.

In sum, we understand *sustainable jobs* as a strategy and set of practices that enables a firm to be profitable while creating value for its employees at all levels, beginning with basic needs (such as living wage), and including higher order needs such as equity, retirement benefits, and career development.

With this definition in mind, we explored which material jobs metrics are tracked and publicly available through six ESG data providers (MSCI, Refinitiv, Sustainalytics, Bloomberg, ESG Book, and DiversIQ). We categorized more than 1,000 metrics or indicators from the social category, although on average less than 20% of "S" metrics were relevant for assessing sustainable jobs. In Table 2 are five of the key metrics across the three dimensions. Those that are italicized are rarely if ever tracked by ESG raters. The rest are available when companies report them.

Table 2. Select Job Metrics (Italicized metrics are rarely self-reported or tracked)

Business basics	Financial security	Job excellence
• Share of full-time employees (vs alternative employments) • Turnover (voluntary; involuntary) • Accidents, injury, and lost time injury rates (where material) • Labor and safety controversies • *Fines and legal fees for labor and safety violations*	• *Starting hourly wage (by full-time; alternative employments)* • *Average hourly wage (by full-time; alternative employments)* • *Share of employees earning minimum wage (including alternative employments)* • *Share of employees earning living wage (including alternative employments)* • *Health care benefits (starting costs of medical plan; quality of plan)*	• Additional benefits (pension; paid time off; family leave; etc.) • *Internal promotion rate* • Diversity statistics • Pay equity (adjusted; unadjusted; by gender and race) • *Subjective job quality rating (e.g. crowdsourced)*

The lack of measures to track wages is the glaring omission. This gap is complicated by the fact that accounting standards in the US do not require reporting on wages, and thus the data cannot be found in accounting reports.[11] However, even those metrics that are collected (e.g. not italicized) are generally poorly reported (e.g., reporting on the existence of a DEI policy instead of reporting on DEI representation) or not reported at all (e.g., only half of S&P 500 companies report turnover and and generally do not distinguish regretted vs non-regretted).[12] Our review of six ESG raters on these metrics, where available, found the following:

11 It is sometimes possible to estimate firm-level wages based on industry statistics from the US Bureau of Labor Statistics, from crowdsourced salary data, and from laws that mandate salary ranges in job postings. However, in our analysis we are mostly concerned by data that is reported by the companies themselves because they ought to be more reliable, cheaper to acquire, and in principle could be assured the same way financial statements are.

12 'What's ESG Got To Do With It? The Current State of U.S. Sustainability Reporting'. Teneo, 26 Sept. 2022, https://www.teneo.com/whats-esg-got-to-do-with-it-the-current-state-of-us-sustainability-reporting/.
Moreover, for executives existing securities regulation already requires reporting the dollar value of pension benefits, insurance plans, and all other compensation in table format.

- Most “S” metrics are binary (e.g. yes/no answers such as do you have a workplace safety policy) for 40-80% of data (the range is due to different ESG raters). They tend to contain little useful information. For example, we considered an indicator for business disruption from strikes, but it provides a signal in less than 2% of firms.
- When the raw metrics are continuous, e.g. percentage of diverse individuals in leadership, and more useful, companies are unlikely to report on them (they are missing in 70-90% of firms, on average).
- For key metrics we found: Turnover is available for 12-50% of firms but varies in sample and detail (e.g. may not distinguish between voluntary and involuntary). Pay levels are sometimes disclosed (e.g. a lowest pay threshold) but are not available from the ESG raters we analyzed. Finally, ESG raters offer no metrics for the costs or value of pensions or health benefits (e.g. starting cost of medical plan) even though some companies disclose such data.[13]

Funders and private equity investors can sometimes use the power of the purse to solicit jobs data from companies. Public investors are much more restricted. To illustrate, imagine a public markets investor who wants to compare 100 US public companies on how sustainable/high quality their jobs are. Based on rough estimates of existing practices and available ESG data, perhaps 60-80 companies are set up to collect enough data internally in the first place (e.g. the share of employees making a living wage). The investor can only proceed if enough metrics are disclosed publicly (e.g. pay levels), which might end up being around 15-40 companies. In some cases, these metrics are not standardized (e.g. the costs of health care benefits), so our imagined investor can only compare 10-32 companies. If the investor does not want to hand-collect the metrics herself, her chosen ESG rater only provides salient metrics for say 7-26 companies. Finally, the metrics may not be decision-useful if they don’t vary across firms (all firms score the same on a metric), so that our investor is left with a set of 6-24 companies. This funnel, more directional than factual, depends on many factors. However, even with an extremely restricted set of sustainable jobs metrics, it would be difficult to find sufficient data for more than half of the companies. The challenge worsens for smaller firms and companies in developing markets. The response has been to turn to third party reports (news, violations, statistical estimates of pay levels, and so forth), but such metrics are generally outside robust reporting practices.

On the other hand, not all is negative. We estimate that the data volume of jobs-related S metrics increased 10-fold from 2015 to 2021 based on an analysis of missing data for one ESG rater. The trend is promising and speaks to the relevance of ESG data.

What does the main ESG reporting framework suggest? The Sustainability Standards Accounting Board, now part of the IFRS International Sustainability Standards Board, and thus one of the major global reporting standards, has three Human Capital categories: Labor practices, Employee health and safety, and Employee engagement, diversity and inclusion.Specific metrics are assigned by industry. Human capital disclosure topics are suggested in 50 out of 77 industries. Only climate risk is more salient.

13 Moreover, for executives existing securities regulation already requires reporting the dollar value of pension benefits, insurance plans, and all other compensation in table format.

Let's take a look at what Amazon should have been reporting as per SASB:

SASB E-commerce human capital metrics are:

- CG-EC-330a.1. Employee engagement as a percentage
- CG-EC-330a.2. (1) Voluntary and (2) involuntary turnover rate for all employees
- CG-EC-330a.3. Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees
- CG-EC-330a.4. Percentage of technical employees who are H-1B visa holders

Amazon reports all of those above, except turnover (CG-EC-330a.2). It is unclear if that omission affects the company's "S" score. Oddly, SASB does not include wages or health and safety in this category.

SASB Food retailers & distributors human capital metrics would also apply to Amazon and the company should report these metrics as well, but it does not. In addition, note that while minimum wage is included in the metric, a living wage is not:

- FB-FR-310a.1. (1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region
- FB-FR-310a.2. Percentage of active workforce covered under collective bargaining agreements

Unfortunately, even when a metric such as average hourly wage is reported, it may be incomplete, with no penalty. For example, Burlington's 2021 CSR report claims it reports the metric, but simply states 100% minimum wage compliance and "increased hourly wages."[14] Kohl's 2021 ESG report, on the other hand, does provide information on hourly pay, but it is difficult to find.[15]

Costco, which is well-known for is exemplary labor practices and the resulting benefits in terms of higher retention and sales productivity as well as low shrinkage rates, reports fully on the metrics (Table 3).

14 Burlington's CSR Report 2021. Accessed 10 Jan. 2023 https://www.burlingtoninvestors.com/static-files/8a1f65a3-56f4-44e5-8285-330b99df6a11

15 Kohl's ESG report. 2021. Page 44. Accessed 10 Jan. 2023 https://corporate.kohls.com/content/dam/kohlscorp/corporate-responsibility/landing-page/Kohls-ESG%20Report.pdf

Table 3. Excerpt from Costco's SASB report 2022[16]

Labor Practices		
FB-FR-310a.1 (1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region	(1) $26 average hourly wage for US employees[5] (2) All employees earn more than the regional minimum wage	(1) $24 average hourly wage (2) All EEs earn more than the regional minimum wage
FB-FR-310a.2 Percentage of active workforce covered under collective bargaining agreements	Less than 10% of employees are represented by unions[6]	8.2% of employees are covered under collective bargaining agreements
CG-MR-310a.2 (1) Voluntary and (2) involuntary turnover rate for in-store employees	Global: / US: Voluntary turnover 10.9% / 11.6% Involuntary turnover 12.7% / 10.9% Involuntary turnover of regular workforce 3.0% / 3.5%	US:[7] 9.6% 11.8% 3.5%

There is increasing regulatory scrutiny of corporate reporting on human capital in the European Union and the United States. In the U.S., current mandatory human capital disclosures, such as found in Regulation S-K, are principle-based and qualitative (e.g., a description of human capital resources). There are some exceptions, for example, the CEO pay and median employee pay ratio in the annual proxy statement or fatalities and violations of mine-safety operations. Some US agencies require recordkeeping, e.g. for injury and illness incidents, but these records may not be publicly available. While there are new proposals on how to modernize human capital reporting,[17] the most recent development is the laws on salary transparency in job posting by some states, most recently New York and California.

However, disclosure and reporting, while useful, do not necessarily drive better performance. For example, companies are disclosing CEO/median worker pay multiples and that disclosure has not changed the upward trajectory of CEO pay.[18] In addition, the human capital metrics do not currently tie back to financial metrics either in reporting or in corporate management practice. How much does involuntary turnover of more than 100% cost a company (the lower end of turnover in retail and fast food)? How much does lower productivity and higher theft from dissatisfied contingent workers affect the bottom line? How much does a company's poor workplace reputation affect customer loyalty and purchasing? How much does a company's best-in-class treatment of its workers positively affect its valuation? Nobody can answer these questions currently, except for on a case by case basis.

The quick-service restaurant industry has the highest turnover rates of any industry – 144% in 2021. Domino's lists labor shortages as major risk in its 10K filing with the SEC, citing increased turnover, but does not disclose their actual turnover rate or the turnover amongst the franchise operations.In-store workers and delivery workers make between $6-10 on average, with pizza delivery drivers often making less than minimum wage because they receive tips. Cornell University has estimated that employee turnover in the restaurant industry costs approximately $5,864 per person. Domino's pegged the cost at $2,500 per hourly worker and 20K per manager back in 2005. The Domino's franchise system employs 350,000 in total.

16 Costco SASB Report 2022. Accessed Mar 8, 2023 https://mobilecontent.costco.com/live/resource/img/static-us-landing-pages/6bSASB.pdf

17 For example, the Working Group on Human Capital Accounting Disclosure submitted a petition for rulemaking on June 7, 2022. https://www.sec.gov/rules/petitions/2022/petn4-787.pdf. Accessed Jan 10, 2023.

18 Chang, Wonjae, et al. 'Does Sensationalism Affect Executive Compensation? Evidence from Pay Ratio Disclosure Reform'. Journal of Accounting Research, Aug. 2022, pp. 1475-679X.12458. https://doi.org/10.1111/1475-679X.12458.

If they have turnover of 144%, they have to hire approximately 525,000 people annually at a cost of $2,500-6,000 each for a total of approximately $1-3 billion annually against total revenue in 2021 of approximately $4.5 billion.Because the data is not available, we are working with gross numbers here and they should be seen as directional. But clearly, this is financially material and problematic that it is not tracked or reported.

CONCLUSION

How to Create Good, Sustainable Jobs in the Organization

Based on this research, we have a few suggestions for corporate leaders and other stakeholders such as investors, standard-setting bodies and regulators. As a fundamental principle, we should invest in retention as much or more than recruitment. Robust training, supportive managers, fair wages and benefits, work-life balance, corporate purpose and equity should be prioritized. Taking a more holistic approach to assessing the returns on employee investments and educating investors and other stakeholders about the benefits of better human capital management for a company's financial returns will be critical.

Recommendations for Corporate Leaders

1. **Track and disclose performance across the material dimensions of good, sustainable jobs.** Sustainable job KPIs that are embedded into the business strategy and are tied to performance evaluations and compensation will help hold managers accountable for making needed changes. They are also important to investors, civil society and regulators.Table 2 provides a list of the most material areas to track.
    a. Benchmark wages, benefits (including monetary value), health and safety stats and set KPIs to be at the top of your industry (or exceed it). Assess the "share of employees making a living wage", even if only internally. Assuming the pay levels within a company are well documented, this calculation requires a reference living wage benchmark (typically based on household and regional characteristics). The gap (the cumulative amount underpaid), if it exists, represents a social liability or enterprise risk (e.g. complying with a raised minimum wage law) that should play a role in strategic planning. Just Capital and PayPal have created a Worker Financial Wellness Initiative to provide companies with the tools necessary to assess and improve worker financial wellness.[19] While PayPal pays its workers at or above market, it found that many of its employees were struggling to make ends meet in expensive markets. It has therefore implemented a program, "net disposable income," to ensure fair worker pay and pays stock grants to employees.[20]
    b. Assess and then set targets to ensure pay equity across gender, race, etc., appropriate representation at leadership levels, talent pipeline diversity, and inclusion as measured by employee surveys. Just Capital ranked JPMorgan Chase #4 on its worker well-being analysis as the company "discloses its non-white to

19 'The Worker Financial Wellness Initiative – Making Workers' Financial Security and Health a C-Suite Priority'. JUST Capital, https://justcapital.com/reports/worker-financial-wellness-initiative/. Accessed 11 Jan. 2023.

20 Peterson, Matt. Why PayPal and Chobani Believe Financially Healthy Workers Are Key to a 'Strong Democracy'. https://www.barrons.com/articles/why-paypal-and-chobani-believe-a-15-minimum-wage-isnt-nearly-enough-51619808482. Accessed 11 Jan. 2023.

white pay ratio, and its latest pay equity analysis reveals that the company has almost entirely closed the pay gap between white and non-white employees, with minority employees earning, on average, $0.99 for every dollar earned by their white peers."

c. Set work-life balance targets, career development and training KPIs, and flexible work environment KPIs. These are challenging because they are "softer," but matter to employees. However, they should not be used as a substitute for decent wages. Just Capital ranked company, #92, Etsy, "leads the retail industry on parental leave, offering 26 weeks of fully paid leave for primary caregivers, secondary caregivers, and adoptive parents – the most among retail companies JUST Capital ranks." Etsy also pays above average wages.

d. Capture the financial impact of the most material jobs related metrics such as assessing the costs of *employee turnover* (and associated loss of productivity, absenteeism, and reputational risks), even if only internally. This calculation should include the direct (e.g. job advertisements and training) and indirect costs (e.g. lost productivity) of hiring new employees across different levels.

e. Embed and track commitment to corporate purpose (beyond profits). Set societal KPIs (perhaps linked to the UN Sustainable Development Goals) that your employees can get behind.

2. **Engage employees in the process**

Create an employee sustainable jobs committee: It may be helpful to create an employee committee of employees across levels and units to provide oversight and input. Provide an executive sponsor, not necessarily from HR; it could be someone more embedded in the business.

Survey employees: Through employee survey instruments, ask them for their assessment of your current performance and where they would like to see investment in the key dimensions of good jobs. It will be important to distinguish between frontline, hourly paid employees versus those on a professional, high-salary career track.Contingent and sub-contracted workers should be included.

Be transparent: Issue a report to your employees on where you stand on sustainable jobs with a plan and targets for improvement.

3. **Develop an improvement plan to tackle weak areas.**

Financial Security: If you are weak in security (e.g. pay below living wage or poor medical benefits), chances are it is because executive leadership is worried about cost eating into margins. However, conventional accounting does not factor in all the costs of low performance in this area. In order to make the business case for investment in security, understand how much your turnover is costing you (replacement costs, training, low productivity, poor customer service) and demonstrate how much money you could save by improving retention by a few points. A host of companies such as Target, Chipotle, McDonalds and UnderArmour have announced frontline worker pay increases, and Costco, who pays it employees more than most other retailers, says that it cuts down on turnover, with their average employee staying with the company for nine years.[21]

Reputation/Culture: If you are seen as having a bad reputation and/or lacking corporate purpose and meaning, you are not an employer of choice. You can change that with commitment from executive leadership to build and integrate corporate purpose (beyond profits) into the workplace as well as address reputational challenges. If the company has significant issues, this is not a short or easy road, but it will be essential for the company and its workers.

DEI: If you are weak in DEI, there are a growing number of tools to track and improve performance. The first task is to ensure that women and people of color are equitably paid. If they are not, develop a 1-2 year plan to redress that. For diversity and inclusion, you will want to set specific goals and incentivize managers to meet those goals. In addition, HR should be tasked and compensated for improving the outreach and hiring of non-conventional candidates. Finally, ensuring an inclusive culture will have to come from the tone set from the top! Just Capital rates Comcast well in part because "Comcast has set goals of reaching 50% representation for women and 33% for people of color at each level of the company, and reports out annually on the demographics of its workforce and board to show progress toward these targets."

Employee well-being: An employee survey to identify which investments would be most useful to them in terms of training, career development, scheduling, safety, physical security and work-life balance would be a good place to start (hopefully with input from an employee quality jobs committee as mentioned earlier). Just Capital has given Nvidia (semi-conductors and equipment) a high ranking in its analysis of corporate performance on worker welfare due to Nvidia's investment in its "employees' work-life balance and benefits includes back-up dependent care, subsidized child care, and over 12 weeks of paid parental leave for new parents."

Recommendations for Other Stakeholders

The Securities and Exchange Commission should require reporting on basic labor costs and turnover rates in 10-K disclosures:

Labor costs: Require assured labor costs and investments as line items in 10-K disclosures split by full-time and alternative employment (e.g. outsourced workers). This should readily integrate into existing accounting standards and align with reporting under International Financial Reporting Standards.

21 Winck, Dominick Reuter, Ben. 'Under Armour Is the Latest Company to Raise Wages during the Pandemic. Here Are the Major Firms That Hiked Pay over the Past Year.' Business Insider, https://www.businessinsider.com/companies-raising-wages-workers-pandemic-hiring-chipotle-costco-target-walmart-2021-5. Accessed 16 Feb. 2023.

Turnover: Require assured voluntary and involuntary turnover rates in 10-K disclosures split by full-time and alternative employment. This would augment the principle-based human capital disclosures in Regulation S-K. In most cases this information is financially material.

Living wage: Develop a "comply-or-explain" regulation that outlines a "share of employees making living wage" disclosure considering regional living standards and costs of benefits. This would avoid a mandatory disclosure rule while giving investors more reasons to engage on the topic.

Investors should understand the current shortcomings of aggregate "S" data and require additional reporting on more material metrics.

Rankings: Market-level 'sustainable jobs' rankings are currently unreliable because the underlying data do not exist in sufficient quality. There exist exceptional individual companies, which can sometimes be identified in a case-by-case basis. Some rankings rely heavily on third-party data (e.g. job postings) or proprietary questionnaires, which mitigates the problem of missing data. They are only useful if one agrees with the implied definition of sustainable job and the level of methodological transparency.

Internal vs external data: If sustainable jobs metrics are available from the company, they should in general be less noisy than alternatives. If sustainable jobs metrics are unavailable (the norm), rely on the labor risk rating or "S" controversy rating that most ESG raters provide. If sustainable jobs metrics are in conflict with the risk/controversy rating, the latter are likely closer to the truth based on anecdotal evidence.

ESG intermediaries such as rating agencies should start to single out the SASB/ISSB metrics.

SASB/ISSB metrics: In 2022, more than 80% of corporate sustainability reports were aligned with SASB, more than any other framework (Teneo, 2022). ESG raters should make all SASB/ISSB metrics (those under labor practices, employee health & safety, and employee engagement, diversity & inclusion) available "as-is" – as individual indicators based on their unique identifier (e.g. CG-MR-310a.1. (1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region).

SASB/ISSB standardization: Despite the SASB/ISSB standardization, in practice the metrics are often reported only partially or in ways that make them not comparable across peers. Engage with companies that provide idiosyncratic calculations or when the reports are merely "aligned" (claiming to report according to SASB only where convenient). Penalize companies for not disclosing a metric with the worst feasible score.

Box 1. The most important S metrics to prioritize and why

Voluntary and involuntary turnover

- Turnover is a relatively easy to track, half of the S&P 500 already report it, and it is one of the most robust financially relevant metrics.

Share of employees making a living wage

- Wages are the single most important issue for employees, part of SASB, and research demonstrates that high wages can work as a competitive strategy.

Business basics

- Depending on the industry this may be the ratio of full-time to alternative employments, the injury rate, or investments in employees.
- Accounting for personnel expenses not only as costs but also as investments may relax some of the pressure to minimize labor costs in capital markets.