

**Labor Day 2021:**

# PRIVATE EQUITY'S RESPONSIBILITY TO ITS WORKERS

This Labor Day, the private equity industry must correct its course on how it treats American workers. Focused on growing cash flows at the companies they buy, private equity firms have often taken a low road approach and sought to reduce wages, benefits, and staffing at firms they acquire – with devastating consequences to millions of workers, their families and their entire communities. The industry manages nearly \$7.4 trillion in assets<sup>1</sup> and owns companies that employ more than 11.7 million American workers, plus millions more around the world.<sup>2</sup>

**On this Labor Day, we call on private equity firms to institute a set of standards to improve working conditions at the portfolio companies they own:**



**1) A Sustainable Minimum Wage** – Increasingly large employers are committing to pay all workers, including tipped workers, at least \$15/hour.<sup>3</sup> The private equity industry directly employs more than 11.7 million workers,<sup>4</sup> and is large enough to dominate wage markets. As such, PE firms should commit to pay the equivalent of US prevailing wages (as set by the SCA or the DBA) with a \$15 floor, plus the accompanying fringe benefit rate. Studies have shown that prevailing wages help close racial wealth gaps, raise standards for women workers, lift families out of poverty, and increase productivity while reducing injury rates.<sup>5</sup>



**2) Paid Sick Leave and Affordable Health Care** – Private equity-owned companies employ millions of workers in food service and retail, industries in which the majority of workers lack paid sick leave. This is especially disturbing considering that these are also frontline workers who have worked through the pandemic. Private equity firms should ensure that the companies they own protect American workers and the public's health by providing paid sick leave and health care coverage for their employees.



**3) A Commitment to End Occupational Segregation** – More than half of Fortune 500 companies now disclose data on the racial and ethnic composition of their workforces, recognizing this is a critical step to ending systemic bias in US employment.<sup>6</sup> Given the size and diversity of the private equity economic footprint, PE firms should develop recruitment and retention plans for their portfolio companies that lay out concrete goals for hiring BIPOC, LGTBQ+, women, and workers with disabilities, and in the interest of transparency and accountability they should make those plans publicly available.<sup>7</sup>



**4) Safe Working Conditions** – Private equity firms should ensure that all direct and contracted employees of their portfolio companies have safe working conditions and the training and protective equipment they need to do their jobs safely.



**5) Protections in the Event of Layoffs** – Since private equity-owned companies are prone to bankruptcies and layoffs, private equity firms should commit to provide severance of at least one week’s pay per year of employment to laid-off workers.



**6) A Voice at Work** – Workers at private equity-owned companies deserve a voice on the job and the ability to organize free from intimidation and harassment. Nonunion workers make only 84 percent of earnings compared to union members (\$958 versus \$1,144)<sup>8</sup>. Unionized workforces help level the playing field, particularly for workers of color<sup>9</sup> and during times of unexpected crisis such as during the pandemic.

## BACKGROUND ON PRIVATE EQUITY’S IMPACT ON WORKERS AND JOBS:

Private equity-owned companies employ millions of workers in the United States, and the number continues to grow as private equity firms are acquiring additional companies at a record pace.<sup>10</sup>

The largest number of workers employed by private equity-owned companies are concentrated in industries where employers often pay low wages - at least 1.5 million workers in Food Service, 1.1 million workers in Retail, and almost 1 million in both Security and Health Care.<sup>11</sup>

For example, in December 2020, Roark Capital acquired Dunkin’ Donuts, bringing the total number of workers at its companies or franchisees to almost 1 million.<sup>12</sup>

Earlier this year, the Warburg Pincus-owned Allied Universal Security acquired G4S and now has over 800,000 workers globally.<sup>13</sup>

In the last year and a half, Apollo Global Management has almost doubled the number of employees at its companies to over 550,000 through acquisitions such as its buyout of Alorica, a call center operator with 100,000 workers, and Michael’s craft stores with 45,000 workers.<sup>14</sup>

Private equity takeovers often result in significant job losses and decreases in average worker wages at the companies they buy.<sup>15</sup> Private equity-owned retail companies have laid off hundreds of thousands of workers due to store closures and bankruptcies.<sup>16</sup>

1 <https://www.pionline.com/alternatives/assets-alternative-investments-set-record-2020>

2 <https://www.investmentcouncil.org/wp-content/uploads/ey-aic-pe-economic-contribution-report-final-05-13-2021.pdf>

3 “Why the US needs a \$15 minimum wage,” Economic Policy Institute Fact Sheet, January 26, 2021. <https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/>

4 American Investment Council, “Economic Contribution of the US Private Equity Sector in 2018,” October 2019. <https://thisisprivateequity.com/wp-content/uploads/2019/10/EY-AIC-PE-economic-contribution-report-10-16-2019.pdf>

5 Malike Wall, David Madland, and Karla Walter, “Prevailing Wages: Frequently Asked Questions,” Center for American Progress, December 22, 2020. <https://www.americanprogress.org/issues/economy/reports/2020/12/22/494144/prevailing-wages-frequently-asked-questions/>

6 Results of a Fortune Magazine and Refinitiv study, reported in David Craig, “Companies will need courage to keep their promises on race,” Fortune Magazine, June 2, 2021. <https://fortune.com/2021/06/02/racial-equity-diversity-inclusion-data-fortune-500-measure-up/>

7 McKinsey & Company, “Diversity Wins: How Inclusion Matters,” May 19, 2020. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

8 <https://www.bls.gov/news.release/union2.nr0.htm>

9 <https://www.epi.org/press/union-workers-are-paid-11-2-more-and-have-greater-access-to-health-insurance-and-paid-sick-days-than-their-nonunion-counterparts-policy-makers-must-strengthen-workers-ability-to-form-unions/>

10 <https://taxnews.ey.com/news/2021-1061-american-investment-council-releases-ey-report-on-the-economic-footprint-of-the-us-private-equity-sector>, <https://www.ft.com/content/cd9571a3-726c-4995-9954-23a8dcf12b19>

11 <https://pestakeholder.org/largest-private-equity-owned-employers-concentrated-in-low-wage-industries/>

12 <https://www.bloomberg.com/news/articles/2020-11-01/inspire-becomes-restaurant-giant-in-11-3-billion-dunkin-deal>

13 <https://pestakeholder.org/warburg-pincus-and-allied-universals-pending-acquisition-of-g4s-will-create-largest-private-equity-owned-employer-globally-with-more-than-800000-workers-add-4-6-billion-in-debt/>

14 <https://pestakeholder.org/following-recent-acquisitions-private-equity-firm-apollo-ranks-among-largest-us-employers/>

15 <https://www.axios.com/private-equity-employment-job-losses-40bbf941-0815-4046-b777-e95a29e925d8.html>

16 <https://pestakeholder.org/wp-content/uploads/2019/08/Pirate-Equity-How-Wall-Street-Firms-are-Pillaging-American-Retail-July-2019.pdf>

