

PRIVATE EQUITY LABOR POLICY COMPARISON

OVERVIEW

As more public pension funds and investors identify the need for labor standards within their private equity portfolios due to risks associated with these investments, this document gives some examples of model policy to help provide investors with frameworks to mitigate and address such risks by comparing existing policies adopted by investors as well as policy proposals and concepts from advocates.

INVESTOR POLICIES EXAMINED*



NY State Common Retirement Fund Responsible Workforce Management Policy and Principles (NYS CRF): Adopted April 18, 2024 for the private equity asset class

[NY State Common Retirement Fund Responsible Workforce Management Policy and Principles](#)



CalPERS: Adopted portfolio-wide labor principles in 2023

[Total Fund Investment Policy, Governance and Sustainability Principles - Human Capital Management](#) (amended Nov 2023)



The Principles of Responsible Workforce Management (NABTU): Designed to ensure that private equity investments protect long-term growth and investment return

[Principles of Responsible Workforce Management in Private Equity](#)



Private Equity Stakeholder Project: Platform that details policies for investors to hold private equity firm investments accountable for implementing portfolio-wide labor policies; includes broader working conditions improvements beyond setting the floor

[Private Equity Labor Rights Platform](#)

*Table contains excerpts from each of the listed policies, please review full documents for additional details

GENERAL

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>The New York State Common Retirement Fund (“CRF”) believes that workforce management best practices prioritize the protection of health, safety, fair compensation, reasonable benefits and rights of companies’ workers. Implementing workforce management best practices can create an engaged and stable workforce that in turn can provide a competitive advantage for companies and their investors.</p> <p>CRF’s PE Managers should, subject to the investment objectives of the relevant investment funds and the duties of the PE GPs to the relevant funds and their limited partners, encourage the management of their Portfolio Companies to:</p>	<p>As reflected in our Investment Beliefs, CalPERS considers that long-term value creation requires the effective management of three forms of capital – Financial, Physical, and Human.</p>	<p>A diverse, adequately compensated, and trained workforce delivers a higher quality product and service, thereby providing the System with a better opportunity for long-term security of its investments, along with a better opportunity for long-term growth and investment return.</p> <p>GPs will seek to maximize the value of their portfolio companies’ human capital by investing in employee skills, safe workplaces, fair compensation, and adequate health and retirement benefits.</p>	<p>The private equity industry must correct its course and improve its treatment of 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 entire communities.</p>

RIGHT TO ORGANIZE

Workers' right to organize and bargain collectively

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Adopt policies and practices to protect their workers' international human rights as defined by the Core Conventions of the International Labor Organization (ILO), the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Universal Declaration of Human Rights, including, but not limited to ... freedom of association, including non-interference, the right to collective bargaining ...</p>	<p>Freedom of association and the effective recognition of the right to collective bargaining</p> <p>Seek to support and improve the well-being of employees as part of human capital management strategy and in compliance with applicable laws</p>	<p>GPs will adopt policies covering all portfolio companies and their supply chains to guarantee respect for the ILO Core Conventions on freedom of association and effective recognition of the right to collective bargaining, elimination of all forms of forced or obligatory labor, the effective abolition of child labor, and the elimination of discrimination in employment and occupation.</p>	<p>Workers at private equity-owned companies deserve the ability to organize free from intimidation and harassment. Unionized workforces help level the playing field and improve legal compliance, particularly for workers of color and during times of unexpected crisis such as during the pandemic.</p>

NEUTRALITY

Remaining neutral in workers' decision to bargain collectively

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Adopt a position of neutrality and commit to non-interference in the event there is an attempt by a labor organization to organize workers at a portfolio company. While expressing their views on unions, portfolio companies should not make any direct or indirect threats, create an atmosphere of intimidation or fear, or retaliate against employees exercising their right to freedom of association.</p>	<p>—</p>	<p>GPs will require portfolio companies to treat their workforces with dignity and respect, to remain neutral when workers seek to exercise their freedom to join together in a union, and to negotiate in good faith with unionized workers.</p>	<p>Private equity companies should ensure all portfolio companies remain neutral towards concerted activity and do not engage in union avoidance.</p>

WORKER VOICE

Providing opportunities for workers to have input in decision-making

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
—	—	—	Private equity firms should increase worker’s voice by experimenting with practices like employees voting on board members and serving on the board. A study of 15 European countries over a decade showed that firms with workers on the board have more profitable acquisitions and are 30 percent less likely to have layoffs after a merger.

COMPULSORY LABOR

Avoiding employment of workers against their will through force, fraud or coercion

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
Based on ILO	<p>The elimination of all forms of forced or compulsory labor</p> <p>Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize forced labor</p>	GPs will adopt policies covering all portfolio companies and their supply chains to guarantee respect for the ILO Core Conventions on freedom of association and effective recognition of the right to collective bargaining, elimination of all forms of forced or obligatory labor, the effective abolition of child labor, and the elimination of discrimination in employment and occupation.	—

CHILD LABOR

Avoiding illegal employment of minors

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
Based on ILO	<p>The effective abolition of child labor</p> <p>Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child labor</p>	Based on ILO (see above)	—

DISCRIMINATION & HARASSMENT

Ensuring workers are not subject to an environment of discrimination or harassment

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Implement policies and practices that ensure portfolio companies' workers can safely report, without fear of retaliation, violations of these Principles to PE Managers and relevant regulatory agencies. To facilitate worker safety, PE Managers should encourage Portfolio Company management to:</p> <ul style="list-style-type: none"> a. share these Principles with Portfolio Company workers; and b. establish an open line of communication with any labor union representing workers at a Portfolio Company. 	<p>The elimination of discrimination in respect of employment and occupation</p> <p>Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that maintain discriminatory policies.</p>	Based on ILO (see above)	Private equity firms must commit to the elimination of discrimination in employment and occupation at all of their companies, ensure equal pay, thoroughly investigate and resolve cases of workplace harassment. These policies should include a clear and equitable path to promotion.

WAGES & BENEFITS

Workers are fairly compensated and provided with affordable healthcare

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Comply with all national, state, and local laws, including, but not limited to, those pertaining to wages, health, occupational safety, labor relations, withholding taxes, and insurance.</p> <p>Support the payment of industry standard wages for all portfolio company employees and contracted workers defined by federal and state prevailing wage regulations and local living wage ordinances...</p> <p>Encourage retention by providing workers with reasonable and industry-customary benefits, such as retirement benefits, comprehensive health care, unemployment insurance, workers compensation benefits, and adequate sick leave.</p>	<p>—</p>	<p>GPs shall support the payment of industry standard wages for all portfolio company employees and contracted workers defined by federal/ state prevailing wage/living wage ordinances.</p> <p>Provide minimum of work hours and predictable schedules, overtime pay, progressive discipline.</p> <p>Support the provision of employee benefits that provide retirement security, family health care, unemployment insurance.</p> <p>Support the provision of adequate sick leave, compassionate care leave, disability, and workers compensation benefits for all portfolio company employees.</p>	<p>A sustainable living wage - US prevailing wages (as set by the SCA or the DBA) with a \$25 floor, plus the accompanying fringe benefit rate.</p> <p>Paid sick leave, paid family leave, and affordable healthcare.</p>

LAYOFFS

Providing severance pay for employees in the event of layoffs

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Minimize adverse impacts on portfolio company workers and existing collective bargaining agreements resulting from mergers, acquisitions, restructurings, reorganizations or bankruptcies.</p>	<p>—</p>	<p>—</p>	<p>Since private equity-owned companies are prone to bankruptcies and layoffs, firms should commit to provide severance of at least one week's pay per year of employment.</p>

BAN THE BOX

Job opportunities are offered based on qualifications without stigmatizing a conviction or arrest record

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
—	—	—	No requirement for employees to disclose criminal history as a condition of employment.

DIVERSITY, EQUITY, AND INCLUSION

Increasing the inclusion of historically marginalized groups in workforce and management

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Adopt policies that encourage workforce diversity, equity and inclusion; prohibit discrimination and harassment in the workplace; and disclose pay rates by job category, disaggregated by race, ethnicity and gender (such disclosures can be made using widely used standards like EEO-1).</p>	<p>Seek to improve diversity, equity, and inclusion in portfolio investments to address recruitment, retention, and compensation.</p>	<p>Encourage diversity and inclusion and policies that prohibit discrimination and harassment in the workplace.</p> <p>Do not use non-disclosure agreements and forced arbitration at portfolio companies.</p> <p>Prioritize diversity on portfolio company boards, including ensuring board member representation of historically underrepresented groups.</p> <p>Ensure portfolio companies conduct civil rights audits.</p>	<p>A commitment to end occupational segregation - develop recruitment and retention plans for portfolio companies with concrete goals for hiring BIPOC, LGTBQ+, women, and workers with disabilities, and make those plans publicly available.</p>

HEALTH & SAFETY

Providing a safe working environment for employees

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Make occupational safety and health a top priority and maintain and disclose relevant safety and health metrics.</p>	<p>A safe and healthy working environment.</p> <p>Seek to support and improve the well-being of employees as part of human capital management strategy that includes providing a safe, harassment-free and healthy workplace.</p>	<p>GPs will require that their portfolio companies make occupational safety and health a top management priority and will provide interested LPs with disclosure of relevant safety and health records.</p>	<p>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.</p>

WORKING CONDITIONS

Employees experience equitable scheduling

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
<p>Adopt policies that provide for reasonable work hours and reliable work schedules for portfolio company workers and discourage labor policies that result in impractical work schedules for workers...</p> <p>Reject the use of non-disclosure and forced arbitration provisions in employment contracts.</p>	<p>—</p>	<p>—</p>	<p>Equitable scheduling and hours of work - minimum amount of work hours and reliable work schedules</p> <p>Inform stakeholders when portfolio companies adopt new technologies and include an assessment process with public findings on how it will impact job quality, employee well-being, the right to organize, and job totals.</p>

APPLICABILITY

The portfolio companies and investments in which the GP will guarantee compliance with these principles

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
This Policy applies to private equity asset class investments, other than funds of funds, secondary funds, and funds that don't have a strategy of independently making equity investments.	Portfolio-wide	The Principles apply to majority stake companies entered into after the date these principles are adopted. In minority stake companies, the System will encourage GPs to use their best efforts to apply the Principles.	—

DISCLOSURE/REPORTING

How the GP reports workplace issues to investors

NYS CRF	CALPERS	NABTU/LIUNA	PRIVATE EQUITY STAKEHOLDER PROJECT
—	See Corporate Reporting KPIs	<p>GPs will adopt policies covering all portfolio companies to disclose pay rates by job category, disaggregated by race, ethnicity, and gender.</p> <p>GPs will require that their portfolio companies make occupational safety and health a top management priority and will provide interested LPs with disclosure of relevant safety and health records.</p> <p>Annually and prior to exiting a fund investment, GPs will provide a report to LPs on how wages and benefits have changed since the beginning of the fund's investment, total company headcount, and any other material changes in conditions of employment since the commencement of the Fund's investment.</p>	—