UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR SUSTAINABILITY LEADERSHIP

Investment Leaders Group

Investing in quality jobs for a just transition

Enhancing disclosure for better measurement of investment impact on decent work

The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership partners with business and governments to develop leadership and solutions for a sustainable economy. We aim to achieve net zero, protect and restore nature, and build inclusive and resilient societies. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

The Investment Leaders Group (ILG) is a global network of pension funds, insurers and asset managers, with over £6 trillion under management and advice. The ILG's vision is an investment chain in which economic, social and environmental sustainability are delivered as an outcome of the investment process as investors go about generating robust, long-term returns. It is convened by CISL.

Authors

The authors of the paper were Lucy Auden and Jason Teo at the CISL Centre for Sustainable Finance. They were supported at CISL by Dr Anna Barford, Marina Zorila, Dr Sanna Markkanen, Eliot Whittington, Nick Villiers, Dr Jake Reynolds, Dr Mohsen Gul and Colette Bassford.

Citing this report

Please refer to this report as: University of Cambridge Institute for Sustainability Leadership (CISL). (2022). *Investing in quality jobs for a just transition: Enhancing disclosure for better measurement of investment impact on decent work*. Cambridge, UK: Cambridge Institute for Sustainability Leadership.

Acknowledgements

This research would not have been possible without members of the Investment Leaders Group. Thanks also go to Cardano, ShareAction, UNRISD, UNPRI, UNPRI, the World Benchmarking Alliance, CCLA, LSE and the University of Michigan for their valuable insights.

Contents

What is this report and who is it for?

This report provides guidance for **institutional investors** on how they can start to measure portfolio impact on quality jobs. It includes recommendations for **policy makers, ESG data providers and companies** that drive better disclosure facilitating improved measurement and assessment by investors.

Executive Summary

Research from CISL in collaboration with Unilever, BSP and Shift shows a **clear financial and moral case for investing in quality jobs,** which maximises corporate profitability, reduces litigation risk and ensures long term economic stability thereby contributing to positive financial returns for investors.

Investing in decent work is **also key to supporting a just transition**, as divestment or transition from carbon-heavy industries changes workforce requirements. Investors therefore need ways to assess how invested capital contributes to quality jobs, alongside metrics that show portfolio emissions.

Previous work by the Investment Leaders Group purports that investors can **assess their contribution to decent work** by measuring the *total number of secure employment contracts*[1]*, excluding jobs below 60 per cent median wage (living wage)*[2] *and excluding jobs in poor working conditions (unhealthy and unsafe, lack of protection against discrimination, lacking rights of association), adjusted by national employment rate,* per US$ 1 million of capital invested.

The number of jobs supported by investee companies is commonly disclosed. Some data also exists to help investors assess the quality of those jobs. But at present, **data coverage is too low, data is unverified, or it is not disaggregated** enabling investors a clear view of the impact of invested capital, on decent jobs.

Analysis of currently available data indicates the **following improvements to disclosed data** are needed to give investors a clear view of their funds' impact on quality jobs:

- Disaggregate wage data on a country-by-country basis, according to investee operating locations
- Disaggregate wage data to show the medium wage and the number of individuals paid a living and minimum wage, as well as just total wage paid by a company
- Detail the proportion of different contract types supported by companies (permanent, fixed term, agency, contractor, zero-hours etc.)
- The number of workplace accidents, in addition to health and safety policies and training on those policies
- Instances of discrimination and harassment, and corporate policies that support workers facing discrimination to safely self-report their experiences

[1] Our definition of secure employment contracts are those which are open-ended; in most instances such contracts indicate job security, but it should be noted that some organisations ensure security of employment through other mechanisms, for example accessible grievance processes or union representation.

[2] Whilst there currently a debate amongst researchers on how to calculate a living wage (for example using the ANKER method), the method proposed here has utility for financiers to measure impact due to its simplicity.

- Information on the proportion of workers represented by independent trade union organisations or covered by collective bargaining agreements – largely self-reported by companies - needs to be independently verified
- Data on the average length of employee service can act as a proxy for job security and may provide a less subjective indicator for employee satisfaction than employee feedback surveys. This data currently exists but coverage is very low (0.67 per cent of companies in MSCI ACWI), therefore significantly greater disclosure is of average employee service length is needed

Multisector stakeholders must work together to drive better disclosure and collection of decision-useful data, for investors to assess and report the social impact of invested capital on decent work. Doing so requires **companies** to focus on gathering and reporting the right data, **ESG data providers** to request, capture and present this data in transparent, accessible formats, and **policymakers** to consult with investment actors to standardize approaches, and support better disclosure by encouraging, incentivizing and mandating disclosure where sensible, for example in low carbon new transition plans.

Despite ongoing data challenges, financing quality jobs, such as those that pay workers a living wage can drive business and investment performance. **Enlightened investment firms are starting to integrate decent work considerations into their financial decision-making**. In a sister publication, we explore current approaches and challenges to investors in ensuring investment decisions support quality jobs, concluding with an action plan for investors to enhance positive impact. Read the accompanying guide.

Introduction

Investing in companies that support quality jobs makes moral and financial sense for investors. Recent research by CISL, in collaboration with Shift, Unilever, BFP[i] shows that decent jobs can contribute to a stable economy, mitigating systemic risks for investors. Companies that provide quality jobs see reduced staff turnover. This leads to lower onboarding and recruitment costs as happier employees remain in post longer, enabling retention of institutional knowledge and enhancing profitability (and returns for investors). These companies may also maximise profits through access to a new, more socially conscious consumer base, and by safeguarding brand value. Paying employees a living wage, a vital component of what constitutes 'decent work', helps address societal inequalities and poverty. Investing in companies that pay their employees a living wage therefore aligns them with the United Nations Guiding Principles (UNGPs) or furthers impact-focused investment strategies such as those with objectives to support UN Sustainable Development Goal 8: Decent Work and Economic Growth (including SDG 8.7 on modern slavery), or Goal 5: Gender Equality.

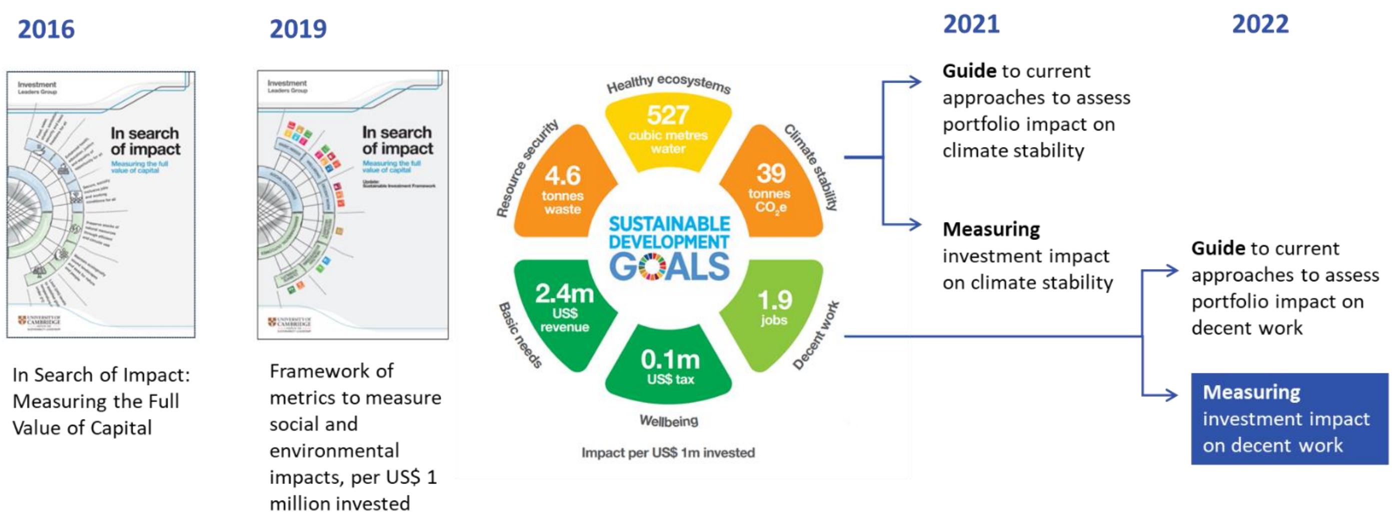
Investing in decent work also plays a crucial role in ensuring the transition to a low carbon economy is just. As global economies decarbonise in the race to net zero, investors face increasing pressure to divest from emission-heavy sectors and invest in green solutions, answering to client demand and regulatory drivers to reduce portfolio emissions. As heavy emitting industries become obsolete as investors turn to green solutions, they, and the investors that support them, have a role to play in equipping their current workforce for future employment through retraining. Secondly, investing in low carbon jobs does not guarantee job quality upon job creation. Whilst evidence suggests the number of jobs created in low carbon and renewable industries will be larger than those lost as emissions-heavy industries close or transition[ii], many emerging jobs could be low skilled, poorly paid, unsafe or insecure; for example jobs mining key materials for battery technology such as lithium and cobalt that are often concentrated in a limited number of, often politically unstable, countries.[iii] Lastly, jobs in many emissions-heavy sectors may be highly decent. For example, in the UK, workers' rights in the automotive manufacturing for example are protected due to being highly unionised and relatively well paid.

Alongside metrics that help investors understand portfolio emissions, investors also need tools to assess whether invested jobs are not just plentiful, but decent, to support a socially just transition to a low carbon economy.

As part of a larger programme of work on measuring investment impacts, this report builds on work by the Investment Leaders Group (ILG), a group of leading institutions in the investment industry coordinated by CISL, exploring how to quantify the social and environmental performance of funds.

The *Sustainable Investment Framework*[iv] published in 2019 proposes a framework of six metrics (decent work, wellbeing, basic needs, climate stability, resource security, healthy ecosystems), mapped on to the United Nations Sustainable Development Goals (UN SDGs), that investors can use to measure and communicate the impact of holdings to beneficiaries, so that investors, savers, and members of the public may understand whether their money helps or harms society and the planet. For each theme, the framework includes a basic metric - using data available to investors - and a bold, aspirational measurement approach that investors could use, were data available.

In 2021, the ILG proposed a simple, transparent metric for investors to communicate portfolio emissions as a degree C figure - making it easy for non-experts to understand whether their investment helps or harms **climate stability**. To support the above recommendation, this report explores how investors can measure the degree to which their portfolios support **quality jobs**, for investors to measure both environmental and social impacts.



This report reviews what data is currently available to a range of investors to assess the number and quality of invested jobs, and makes targeted recommendations for policy makers, ESG data providers and corporate to fill in the gaps and support investors to better measure their invested impact on quality jobs. We look at data provided by companies in the MSCI All Country World Index (ACWI) in relation to the number of jobs supported by portfolios, and the meaningful characteristics of those jobs; for example pay, job security and working conditions.

Findings:

Whilst there have been marginal improvements in the availability of job-related data to inform socially responsible investment decisions, driven for example by initiatives such as the World Benchmark Alliance (WBA)'s social benchmarking criteria and the EU's Social Taxonomy, information on the meaningful characteristics of jobs at present continues to be relatively patchy and low. Fewer than half of the companies in the MSCI ACWI, for example, currently disclose the percentage of employees represented by independent trade union organisations or covered by collective bargaining agreements, indicating how protected workers' rights are.

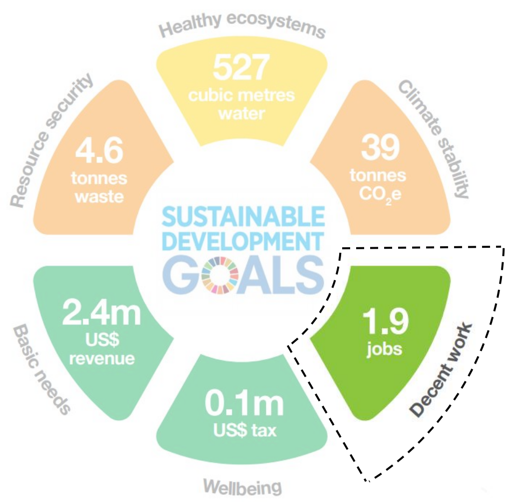
We therefore suggest a series of recommendations for ESG data providers, corporate and regulatory stakeholders to drive better investor data that facilitates socially responsible investment decisions.

Despite low levels of necessary disclosure, enlightened asset managers and owners are starting to incorporate consideration of the quality of jobs supported, through asset allocation and engagement decisions. In the second report in the series: What can investors do to improve portfolio impact on decent work, we explore the current approaches and challenges to investors in ensuring investment decisions support quality jobs, concluding with an action plan for investors to enhance their impact the labour market, through financial decision-making.

Measuring investment impact on quality jobs

What data is available to investors, today?

The Sustainable Investment Framework was proposed in 2019 by CISL and the ILG, to support investors to understand and report the social and environmental impact of funds. It offers a base metric for investors to measure fund impact on decent work (based on data available to investors at the time) and an ideal version - providing a research-led roadmap for how investors could measure impact as investment data improves.



Theme	Ideal measure	Base metric
Decent work	Total number of secure employment contracts[3] excluding jobs below 60 per cent median wage (living wage)[4] and excluding jobs in poor working conditions (unhealthy and unsafe, lack of protection against discrimination, lacking rights of association), adjusted by national employment rate	Total number of employees based on full time equivalent (FTE) workers
	Unit: number of jobs	Unit: number of FTEs

Figure 1: Dashboard of six impact themes and the ideal and base metrics for decent work from the Sustainable investment Framework.[v]

This report aims to provides an update to the 2019 report, assessing presently available data items denoting the quality of invested jobs, as well as their coverage against companies in the MSCI All Companies World Index, and their usability.

[3] Our definition of secure employment contracts are those which are open-ended; in most instances such contracts indicate job security, but it should be noted that some organisations ensure security of employment through other mechanisms, for example accessible grievance processes or union representation.

[4] Whilst there currently a debate amongst researchers on how to calculate a living wage (for example using the ANKER method), the method proposed here has utility for financiers to measure impact due to its simplicity.

Whilst disclosure of data on some topics has improved and data sets unavailable in 2019 are now increasingly being reported by companies in the index (such as the number of workplace injuries and fatalities), identifying appropriate numerical indicators to depict qualitative information that helps investors assess the meaningful characteristics of jobs, remains challenging.

Not all indicators in the ideal decent work metric, as defined by the ILG's initial framework, are currently measurable. This report therefore seeks to raise the bar of the base metric, highlighting what investors can now measure in order to show progress made and, crucially, the remaining data gaps, to indicate where further focus by corporate and policy actors is required.

To determine whether a company will improve its societal and environmental impacts, investors typically use current proxies including the level of capital expenditure, Research and Development expenditure dedicated to the provision of sustainability products or services, or their long-term targets. There is clear value to this approach, however it is not amenable to aggregation across large numbers of assets and, unfortunately, corporate announcements do not always translate into tangible impact results. Formal policy commitments to, for example, human and workers' rights and due diligence are important tools to ensure the company abides by its stated policies. However, they may prove to be ineffectual or fail to reflect actual practices. For investment decisions to ensure people can make a living, provide for their families and are kept out of poverty, investors need the ability to evaluate the social (and environmental) performance of companies based on proven impact, rather than stated intent. Inevitably, this means that the assessment of impact in this approach is based on reported results centred upon the operational footprint of the company, rather than forward insight.[vi] It is also worth appreciating the different types of companies like small and medium enterprises have varied starting points and require investors to assess their performance keeping that in view.

		Data items (unit)	Definition	2019 Coverage in MSCI WI (%)	2022 Coverage in MSCI ACWI (%)
What can be measured today and is closer to an ideal measurement? <10% MSCI ACWI coverage indicates performance data rather than policies	**Featured in 2019 metric**	Total number of jobs	Number of people employed by the company, based on the number of FTE's	93.1	91.9
	Updated, 2022	Trade union represent-ation (%)	Percentage of employees represented by independent trade union organisations or covered by collective bargaining agreements	N/A	44.24
	Updated, 2022	Workplace injuries and accidents (by employees and contractors)	Number of injuries and fatalities reported by employees and contractors whilst working for the company	N/A	31.19

What data exists today, but is not yet usable? <10% MSCI ACWI coverage but is not usable since framework measures performance data but not policies	**Featured in 2019 metric**	Policy on child labour	Indication of whether the company has implemented any initiatives to ensure the prevention of child labour in all parts of its business	91.8	96.61
	Featured in 2019 metric	Health and safety policy	Indication of whether the company has recognised its health and safety risks and responsibilities and is making any effort to improve the management of employee health and/or safety.	91.9	96.61
	Featured in 2019 metric	Human rights policy	Indication of whether the company has implemented any initiatives to ensure the protection of the rights of all its stakeholders, e.g., complaint redressal/ reporting mechanism and monitoring systems/ processes for policy implementation	91.9	96.61
	Featured in 2019 metric	Social supply chain manage-ment	Indication of whether the company has implemented any initiatives to reduce social risks in its supply chain. Social risks might include poor working conditions, the use of child or forced labour, lack of a living and fair or minimum wage etc.	91.8	The related data units provided by Refinitiv Eikon are *supply chain health and safety improvements* (96.55%) and *supply chain health and safety training* (96.88%).
What data exists today but requires greater coverage and/or disaggregation?	**Updated, 2022**	Wage data	Total salaries and wages	N/A	85.16
	Updated, 2022	Freedom of association policy	Indication of whether the company describes, claims to have processes in place to ensure the freedom of association of its employees	N/A	95.20
	Updated, 2022	Average Length of service of employees	Average Length of service of employees in years.	N/A	0.67

Table 1: Data items to assess decent work, adapted from In Search of Impact, 2019 and updated in 2022

What does the data show?

To apply the *Sustainable Investment Framework's* ideal metric, investors need access to data on:

- The number of **secure employment contracts**[5]
- **Wage data**; specifically whether employers pay a living wage. The amount that constitutes a living differs from country to country, therefore investors also need wage data disaggregated by investee company operating locations, to determine whether employees are paid a wage that supports a decent standard of living
- The **health and safety** of working conditions
- Whether employees **face discrimination**, and are adequately **protected against discrimination by regulation and policies**
- Worker **rights of association**

Our analysis of the available data indicates how data has progressed since 2019, and remaining gaps in relation to each topic:

1. Lack of country-level employment data

As was the case in 2019, most companies still report total number of jobs by country, but information on operating locations, or the number of employees in each of these locations, is not included. Gender based disaggregation which calls out for gender inclusive decent work policies and systems to be in place and reported against is often not provided. Figures on national employment levels are key to contextualising investment impact on decent work, given standards are heavily influenced by regional labour policies and conditions. It is therefore key that investors have information on the number of jobs in each country that investee companies have operations. Providing nationally disaggregated jobs data could allow companies easier access to funding from investors wishing to support decent jobs and provide broader reputational benefits. The data would allow investors to examine how companies disclose operating locations and disaggregate the total number of jobs on a country-by-country basis, according to where they operate.

[5] Our definition of secure employment contracts are those which are open-ended; in most instances such contracts indicate job security, but it should be noted that some organisations ensure security of employment through other mechanisms, for example accessible grievance processes or union representation.

2. Contract type

Voluntary disclosure frameworks such as Global Reporting Initiative (GRI) require companies to report the total number of employees (including permanent, temporary, non-guaranteed hours, full-time and part-time) by gender and region[vii]. However, data provided by Environmental, Social, and Governance (ESG) data providers is not disaggregated by contract type, making it difficult for investors to determine job security or whether workers have access to benefits such as pension schemes or insurance.

3. Wages

Disclosure frameworks, including the Sustainability Accounting Standards Board (SASB), require data on average wages and numbers of employees on minimum wage. However, such disclosures are voluntary and the data, assessed in Table 1, shows only the total wages paid to all employees and the compensation of senior management. At present, very few reporting frameworks require companies to disclose whether they pay a living wage. The information supplied by ESG data providers, and disclosed by companies, leaves investors ill-informed of wage inequalities and the pay of those who may be working under poor conditions.

4. Health and safety

Although disclosure on supply chain health and safety training and improvement is high, just 21 per cent of companies train executives or key employees on worker health and safety in the supply chain. Fewer than five per cent of companies have initiatives to improve health and safety measures within their supply chains (see Annex A). Furthermore, information on health and safety outcomes, rather than just policies or statements of intent, is sparse. While major disclosure frameworks such as the Global Reporting Initiative (GRI), SASB, NASDAQ ESG Reporting Guide and the Non-Financial Reporting Directive (NFRD) require companies to disclose whether they have a health and safety policy in place, less than one third of companies report the actual number of workplace accidents making it difficult for investors to determine worker wellbeing. There is also an absence of clearly identified disability friendly health and safety measures.

5. Rights of association and unionisation

Unlike in 2019, the percentage of employees represented by independent trade union organisations, or covered by collective bargaining agreements, is now provided by ESG data showing progress in the disclosure of impact data over the past three years. Despite the Organisation for Economic Co-operation and Development's (OECD) recognition that collective bargaining is a key determinant of delivering better work[viii], the assessment shows that at fewer than half of companies covered by the index currently disclose the percentage of employees represented by independent trade union organisations or those covered by collective bargaining agreements. It is worth noting that this does not indicate how many workers are able to join trade unions, only those who do.

Furthermore, information is provided by companies themselves, and often not verified by an independent party. This is one of the few data sets available (with <10 per cent coverage) that shows performance data, rather than theoretical statements of intent, thus allowing investors to understand how many workers are actually unionised, rather than their theoretical ability to be protected.

6. Workplace discrimination

While some voluntary initiatives do mandate disclosure of performance data, such as the Workforce Disclosure Initiative (WDI), requiring companies to report and resolve discrimination and harassment issues within their operations, at present, ESG data providers do not provide data for investors to determine whether a company has undertaken discriminatory practices.

Furthermore, identifying data that indicates levels and types of discrimination faced by workers remains uniquely challenging for investors. Even if ESG data providers provide data, at scale, denoting the number of opportunities and equal treatment of workers, effective complaints mechanisms would be needed to ensure workers facing discrimination could self-report their experience and be protected throughout the process.

Although the 2019 framework proposed the exclusion of policies in favour of data on performance outcomes, corporate policies are an important signal from senior management that discrimination and harassment are unacceptable. This is a powerful tool in influencing company culture. A combination of data on whistle-blower policies, self-reporting mechanisms and employee satisfaction surveys could be used to better inform investors decision making.

Alongside additional research on what proxy data could be used to indicate levels and types of discrimination faced by workers, investors would also benefit from greater engagement from regulators mandating disclosure of instances of discrimination and harassment, and the policies companies have in place for workers facing discrimination to safely report their experiences.

Notes on Table 1:
Data items in the 2019 report were provided by Bloomberg, whereas Table 1 includes those provided by Refinitiv Eikon. This was due to limited access to the data provider platform. Although the providers are different, data for each item are retrieved from the same source. This includes exchanges, brokers, data vendors and regulatory filings. Data items provided by Refinitiv Eikon are, therefore, assumed to be indicative of the level of data available within the industry.

The 2019 report analysed the MSCI World Index (WI), representing large and mid-cap stocks across 23 developed markets, using the data available at the time. This update uses MSCI All Country World Index (ACWI)[ix] which represents stocks across 23 developed and 27 emerging markets in order to provide a clearer picture of the significant differences that exist in labour standards and the number of jobs supported by companies across developed and emerging markets.

How do disclosure frameworks deal with decent work indicators?

A wide range of constituencies (investors, companies, policy makers, regulators, Non-Governmental Organisations (NGOs), and civil society) use corporate sustainability reporting to make informed decisions. For investors these are key to understanding how assets and portfolios positively, or negatively, impact the planet and society. As such, standards and frameworks have been established to facilitate the disclosure of comparable, consistent, and reliable sustainability information.[x]

Whilst performance data on the meaningful characteristics of jobs continues to be patchy and relatively low, the report contains a landscape review of the indicators within corporate disclosure frameworks to assess how and where, they currently align with the ideal decent work metric and indicate the direction of travel for improvement in disclosure of decent work-related data.

The corporate disclosure frameworks reviewed were: Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), UN Guiding Principles Reporting Framework (UNGP), NASDAQ ESG Reporting Guide and Non-Financial Reporting Directive (NFRD), which provides the basis of the upcoming Corporate Sustainability Reporting Directive. Full analysis can be found in in Annex 1, with findings summarised below:

- Human rights, rights of association and employee health and safety are largely addressed by the frameworks assessed. However, disclosing framework requirements does not necessitate actual compliance. For example, all frameworks assessed required disclosure of whether companies had, or did not have, a health and safety policy, and Refinitiv Eikon data showed 96.61 per cent of companies in the MSCI AWI did. However, only 26.14 per cent of these companies actually had a human rights policy in place.
- None of the frameworks required disclosure of employees being paid a living wage, and few included guidance on how companies might calculate and disclose the number of employees on minimum or living wages.
- A number of the frameworks assessed did not require companies to disclose how social issues, such as modern slavery, are managed throughout supply chains. This is particularly pertinent to modern slavery and other forms of indecent employment commonly taking place outside direct company operations.
- The NFRD framework is not currently mandatory, although the European Commission has adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), with plans to build on reporting requirements within the NFRD to include mandatory EU sustainability reporting standards.

In line with the increasing prevalence of social topics in corporate disclosure frameworks, investment disclosure frameworks, such as the longstanding UN Principles for Responsible Investment (PRI) and more recently developed EU Sustainable Finance Discourse Regulation (SFDR) criteria, are also starting to define how investors should disclose investment performance against social topics and where they are able to obtain information on business performance. Yet even where fund managers are mandated to disclose social impacts, the vast majority of indicators are voluntary or, in the case of SFDR, “additional” to disclosure, these include those on worker Health and Safety and Rights of Association and Discrimination. Similarly, while the UN PRI Transparency questionnaire requires signatory asset managers or owners to describe social investment policies, no disclosure on specific social issues impacting the quality of work supported through investment activities is yet required. For example, current disclosure frameworks do not focus on all aspects of just transition towards net zero like the skills/ capacity gaps for re-appropriation or alternative sources of livelihoods for vulnerable workers in grey sectors which call for a need for better disclosure on these lines as well.

Recommendations to drive better disclosure

Based on the gaps identified from ESG data currently available for investors, to make decisions that support decent work, the following action plan aims to support investment in decent work in direct investee operations.

Greater corporate disclosure on the meaningful characteristics of jobs

- Adjusting the number of jobs by national employment levels is key to providing contextualised information on investment impact on decent work, especially as labour standards are heavily influenced by regional labour policies and conditions. Companies should disclose operating locations and the disaggregated total number of jobs on a country-by-country basis and other disaggregating factors like age and gender, according to where they operate in order to facilitate adjustment of employee data by national employment levels.
- Investors would benefit from disaggregated data on contract type being disclosed by companies at scale, facilitating ESG data providers to supply this data to investors to determine job security or whether workers have access to benefits including pension schemes and insurance.
- At present, the data available to investors only shows the total wages paid to all employees and the compensation of senior managers, but no information on wage inequalities and the remuneration of workers in the most precarious working conditions. Investors would benefit from companies disclosing information on the medium wage and the number of individuals paid a living and minimum wage. This would allow them to assess the remuneration of workers in the most precarious working conditions and wage inequalities within investee companies.
- Investors would benefit from companies disclosing the number of workplace accidents as an indicator of worker wellbeing, in addition to whether staff have been given training on health and safety policies.
- Data on the **average length of employee service** can act as a proxy for job security and may provide a less subjective indicator for employee satisfaction than employee feedback surveys. This data currently exists but coverage is very low (0.67 per cent of companies in MSCI ACWI), therefore significantly greater disclosure is of average employee service length is needed.

Recommendations for regulators and policymakers:

- To drive better disclosure, investors would benefit from stronger regulation driving corporate **disclosure on a medium wage and the number of individuals paid a living and minimum wage**. At present, disclosure frameworks only require disclosure of such wage data on a voluntary basis, if at all.
- Investors would benefit from regulatory drivers to allow for greater disclosure on impact data for the **number of workplace incidents,** alongside existing data on health and safety policies and the proportion of staff trained on those policies. Investors would also benefit from regulators mandating disclosure of **instances of discrimination and harassment**, and the policies companies have in place to help workers facing discrimination to safely report their experiences. A stronger policy response is also required to support **mechanisms that enable vulnerable workers to self-report** many aspects of the quality of employment, including, but not limited to, discrimination.
- Much of the information disclosed by companies on the proportion of workers represented by independent trade union organisations, or covered by collective bargaining agreements, is provided by companies themselves, without independent verification. Regulators should move to ensure such information is **independently verified,** to aid investors.

What about assessing decent work in supply chains?

The assessment of available ESG data shows 91.8 per cent of companies in the MSCI ACWI currently disclose whether they implement initiatives to reduce social risks in supply chains, such as poor working conditions, the use of child or forced labour, lack of a living and fair or minimum wage. But at present data which indicates the effectiveness of these policies within supply chains is not available to investors, despite supply chains, rather than direct investee operation, are likely to present the greatest source of risk from e.g. modern slavery and long-term health and wellbeing risks.

Supply chain visibility varies significantly across sectors and geographies, due to political or regulatory differences. Workers in the apparel sector may, for example, be more likely to earn below a living wage, whereas migrant workers in the construction and domestic work sectors may be more vulnerable to modern slavery in certain regions. Such information is essential for investors to understand the full scope of fund impact on labour conditions, and investors must interrogate what is happening in supply chains, in order not to make wrong assumptions about labour practices. This is out of scope for this report therefore recommendations are targeted at helping investors assess the quality of jobs directly provided by investee companies. More information can be found in research by CISL in collaboration with Shift, Unilever, BFP on *The Case for Living Wages: How paying living wages improves business performance and tackles poverty.*[xi]

Difficulties with measurement and a lack of data

There is much evidence showing that information on relevant environmental, social and governance factors, if provided in a rigorous and consistent manner, could help investors make better decisions about portfolio constructions and expectations on financial returns.[xii] Previous work by the ILG, for example, shows that when provided with information on the sustainable performance of funds, investors would prioritise investment than avoids harm to people and the planet - even where doing so meant accepting 2-3 per cent less financial returns.[xiii]

However, when asked, investors consistently cited that a lack of workforce related data (quantity, quality and materiality) as preventing them from accurately reporting performance to clients and is presents of the biggest challenges in progressing decent work through investment activities.

Overcoming this challenge can only be achieved through a concerted effort between investors, data providers, academia, and civil society/ non-governmental organisations to identify and develop data points that help investors and other stakeholders measure the social impacts of the investee companies on their employees and supply chains.

To help address the issue on the lack of workforce related data, NGOs, such as Share Action, developed the Workforce Disclosure Initiative (WDI) to promote data disclosure amongst companies. The WDI was borne out of the frustration, amongst investors, over a lack of comparable, decision-useful, information about investee companies' global workforce. Its design was broadly modelled on the Carbon Disclosure Project's (CDP) Climate Change Questionnaire and is already driving significant change and improvement in the way that corporates report on, and account for, their workforce.

The WDI survey is extensive in scope, encompassing both companies' direct operations and their supply chains, covering 131 questions and 13 thematic sections. It was developed through an iterative process and included extensive consultation with investors, companies, sustainability reporting frameworks, labour unions, and NGOs. Ultimately, WDI is driven by and prioritises investors specific requirements for data on key risks and issues. WDI takes a broad view of materiality and recognises human capital management as relevant to companies' success and sustainability in every sector.

A unique feature of the WDI is the aggregation of data on individual companies' direct workforce and supply chains. WDI was designed to align with the UNGPs, liaises closely with SASB, and feeds into and helps to inform thinking on a next generation of global and regional corporate reporting standards. Workforce related data has been significantly improved through reporting via WDI. Investors can opt to become a signatory investor and can invite investee companies to report to WDI. With more public workforce related data available, investors and businesses are well positioned to make a significant and positive impact on the global landscape of corporate workforce reporting.

Conclusions

There is a clear moral imperative for investors to finance quality jobs: the payment of living wages – one element of quality jobs - remains one of the most powerful routes to help people out of poverty, start to tackle inequality, realise human rights and achieve the Sustainable Development Goals (SDGs). Furthermore, investing in quality jobs can drive better business and investment performance. But to do so investors urgently need better data to understand and report holistically the quality of jobs supported by fund investment decisions.

This report seeks to provide investors with a view of the progress made towards an ideal way of measuring the quality of jobs supported by invested capital. Through analysis of how current corporate and investment disclosure frameworks handle decent work-related topics it concludes that, whilst some progress has been made to the disclosure in this field since the publication of the Decent Work metric in the Sustainable Investment Framework in 2019, the qualitative nature of data required to give a clear picture of the meaningful characteristics of jobs, creates specific challenges. Providing investors with targeted, disaggregated data on job quality is a key action ensure investee capital acts as a force for good and we urgently recommend policy makers, ESG data providers and companies leverage the recommendations in this report to drive better disclosure to facilitate improved measurement and assessment by institutional investors.

Annex A

Mapping of decent work topics by corporate disclosure frameworks

The green cells show areas that the framework covers and asks companies to provide disclosure on a specific indicator. For example, the GRI has a topic standard (GRI 406) on non-discrimination covering the disclosure requirements, remediation, and a glossary. Cells coloured yellow refer to the indicators that are briefly mentioned but where companies are not specifically requested to offer disclosure. For example, the UNGP provides guidance on human rights governance policies and management on salient human rights issues but does not provide guidance on workplace health and safety. Health and safety is mentioned in the implementation guidance where reference is made to other initiatives and where workers are entitled to rights to life and favourable working conditions. Cells in grey show where disclosure frameworks made no mention of the specific indicator.

Theme	Human rights					Provide and promote decent work						Supply Chain Management	
Frameworks\Indicators	Human rights	Workplace discrimination	Health and safety in the workplace	Child & forced labour	Modern slavery	Total number of employees	Turnover and retention rate	Diversity	Average wage and no. of employees on minimum wage	Living wage	Rights of association (unions)	Suppliers' social responsibility audit	Managing social risks arising from the supply chain
Global Reporting Initiative (GRI)													
Sustainability Accounting Standards Board (Sector-specific disclosure)													
UN Guiding Principles Reporting Framework													
NASDAQ ESG Reporting guide													
Non-Financial Reporting Directive (NFRD)													

Theme	Human rights					Provide and promote decent work						Supply Chain Management	
Indicators	Human rights	Workplace discrimination	Health and safety in the workplace	Child & forced labour	Modern slavery	Total number of employees	Turnover and retention rate	Diversity	Average wage and no. of employees on minimum wage	Living wage	Rights of association (unions)	Supply chain health and safety improvements	Supply chain health and safety training
Refinitiv - % of disclosure	96.61		96.61	96.61		100	48				95.20	96.55	96.88
% of companies that have a policy	73.86		87.12	62.44							33	4	21
% of companies that do not have a policy	26.14		12.88	34.17							67	96	79

Legend	
(green)	Covered
(yellow)	Partially covered
(grey)	Not covered
(orange)	Indicators stated in the ideal DW metric

Mapping of decent work topics by investment disclosure frameworks

Decent work indicator, per the SIF ideal metric	SFDR mandatory Adverse impact indicator	Metric	SFDR additional (voluntary) Adverse impact indicator	Metric
Living wage	-	-	-	-
Living wage - related	-	-	Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest compensated individual)
Poor working conditions	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
Poor working conditions	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Insufficient whistle-blower protection	Share of investments in entities without policies on the protection of whistle-blowers
Poor working conditions	-	-	Lack of a human rights policy	Share of investments in entities without a human rights policy
Poor working conditions	-	-	Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
Poor working conditions	-	-	Lack of processes and measures for preventing humans trafficking	Share of investments in investee companies without policies against human trafficking
Poor working conditions	-	-	Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in geographic areas or types of operation

Poor working conditions	-	-	Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in geographic areas and/or the type of operation
Poor working conditions	-	-	Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Health and safety	-	-	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
Health and safety	-	-	Rate of accident	Rate of accidents in investee companies expressed as a weighted average
Health and safety	-	-	Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average
Discrimination	-	-	Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average
Rights of association	-	-	Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism for employee issues

Legend	
	Mandatory requirement
	Additional requirement
	Not required (either additionally or mandatorily)
	Indicators stated in the ideal DW metric

References

[i] Barford, A., Gilbert, R., Beales, A., Zorila, M., & Nelson, J. 2022. The case for living wages: How paying living wages improves business performance and tackles poverty. Business Fights Poverty, University of Cambridge Institute for Sustainability Leadership & Shift. DOI: 10.17863/CAM.80370 URLs: https://businessfightspoverty.org/register-the-case-for-living-wages/ and https://www.cisl.cam.ac.uk/resources/publications/case-for-living-wages
[ii] IRENA and ILO. (2021). Renewable Energy and Jobs – Annual Review 2021. International Renewable Energy Agency, International Labour Organisation, Abu Dhabi, Geneva. Retrieved from https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Oct/IRENA_RE_Jobs_2021.pdf
[iii] University of Cambridge Institute for Sustainability Leadership (CISL). (2020). Working towards a climate neutral Europe: Jobs and skills in a changing world, UK: CLG Europe. Retrieved from https://www.corporateleadersgroup.com/system/files/documents/working-towards-a-climate-neutral-europe.pdf
[iv] University of Cambridge Institute for Sustainability Leadership (CISL). (2019, January). In search of impact: Measuring the full value of capital. Update: The Sustainable Investment Framework. Cambridge, UK: Cambridge Institute for Sustainability Leadership. Retrieved from: https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group/cambridge-impact-framework-form
[v] [v] CISL. In search of impact. (2019)
[vi] University of Cambridge Institute for Sustainability Leadership (CISL). (2016, May). In search of impact:
Measuring the full value of capital. Cambridge, UK: Cambridge Institute for Sustainability Leadership.
[vii] Refer for GRI 2: General Disclosures (2021) for full guidance
[viii] Bell, K. (2018). Trade Union Congress. “The OECD says collective bargaining is the best way to deliver better work”. TUC website. Retrieved from https://www.tuc.org.uk/blogs/oecd-says-collective-bargaining-best-way-deliver-better-work#:~:text=They%20allow%20for%20more%20differentiation,dissemination%20of%20good%20working%20practices.%E2%80%9D
[ix] The MSCI data contained herein is the property of MSCI Inc. (MSCI). MSCI, its affiliates and its information providers make no warranties with respect to any such data. The MSCI data contained herein is used under licence and may not be further used, distributed or disseminated without the express written consent of MSCI.
[x] SASB Standards & Other ESG Frameworks. (n.d.). Retrieved from https://www.sasb.org/about/sasb-and-other-esg-frameworks/
[xi] Barford, A., Gilbert, R., Beales, A., Zorila, M., & Nelson, J. 2022. The case for living wages: How paying living wages improves business performance and tackles poverty. Business Fights Poverty, University of Cambridge Institute for Sustainability Leadership & Shift. DOI: 10.17863/CAM.80370 URLs: https://businessfightspoverty.org/register-the-case-for-living-wages/ and https://www.cisl.cam.ac.uk/resources/publications/case-for-living-wages
[xii] Boffo, R. and R. Patalano. (2020). ESG Investing: Practices, Progress and Challenges. OECD Paris, https://www.oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf
[xiii] University of Cambridge Institute for Sustainability Leadership (2019). *Walking the talk: Understanding consumer demand for sustainable investing*. Cambridge, UK: University of Cambridge Institute for Sustainability Leadership. Retrieved from: https://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group/walking-the-talk-form