

Hon. Joseph R. Biden, Jr.  
President of the United States  
The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

Dear President Biden,

We commend you for your commitment to using the power of the public purse to raise standards for federal contract workers. We are writing to urge you to build on this progress through additional procurement reforms that would steer Corporate America in a more equitable direction and deliver higher-quality goods and services for U.S. taxpayers.

Your executive order raising the hourly minimum wage for certain federal contract workers to \$15 was a significant step forward. But extreme disparities remain within large contracting companies — disparities that harm lower-level employees and exacerbate economic inequalities, including racial and gender pay gaps, while also undermining the economy and efficiency of federal procurement.

The [Institute for Policy Studies](#) has analyzed the 74 major federal contractors that had median worker pay of \$35,000 or less in 2020. The gap between CEO and median pay at these companies actually rose from 2020 to 2021: from an average of 483 to 1 to a whopping 599 to 1. The chief executives of these contractors earned average compensation of \$13 million last year, while spending a combined total of \$4.6 billion on stock buybacks that will further inflate the value of their executives' stock-based pay.

At workplaces across the country, workers are stepping up to demand greater pay equity. Union election filings [increased 56 percent](#) over the past nine months alone. But in many cases, these workers are facing intimidation tactics from their employers that undermine basic labor rights.

Americans, across the political spectrum, want action to narrow the economic divide. An April [poll](#) by Just Capital shows that 87 percent of Americans see the growing gap between CEO and worker pay as a problem not just for workers but for the entire nation. An astounding 62 percent of Republicans, 70 percent of independents, and 75 percent of Democrats favor a *cap* on CEO pay relative to worker pay, regardless of company performance. That's a roughly 10-point increase since [before the pandemic](#).

Through your executive authority, you have a tremendous opportunity to incentivize corporations to narrow their pay gaps and respect worker rights — all while increasing the economy, efficiency, and effectiveness of federal procurement. This would help workers get a fair reward for their labor and help ensure that taxpayers get a bigger bang for their buck from contract dollars. Specifically, we urge you to introduce new federal contracting standards designed to:

- 1. Narrow the gaps between CEO and worker pay**

Many studies have shown that extreme gaps between CEO and worker pay undermine employee morale, which leads to higher turnover rates and lower productivity. A bibliography of such studies from prestigious business schools, management consulting firms, and from Treasury Secretary Yellen's academic work is [available here](#). Incentivizing smaller gaps — by lifting up worker pay and reining in excessive CEO pay — would encourage business models that tend to bring out the best in all employees.

This reform would also build on current procurement rules that address economic disadvantages by giving small businesses owned by women, disabled veterans, and people of color a leg up in some contracting competitions. In a similar spirit of leveling the playing field, the administration should consider giving preferential treatment in contracting to companies with reasonable gaps between CEO and worker pay.

## **2. Reduce wasteful spending on stock buybacks**

Rampant use of stock buybacks undermines the economy, efficiency, and effectiveness of federal contracting, as every dollar spent on stock buybacks is a dollar not spent on resources companies need to provide high-quality goods and services. Indeed, studies have shown that stock buybacks are associated with [investment slowdowns](#), [reduced innovation](#), [wage stagnation](#), and layoffs.

The ongoing baby formula shortage is just one recent example of the effects overinvestment in stock buybacks and corresponding underinvestment in productive capabilities can have throughout our economy and society. While skimping on needed investments to keep their baby formula safe, Abbott [spent billions](#) of dollars on stock buybacks. The federal government should not allow public funds to be used in such an inefficient manner that undermines public safety.

Instead, the Biden administration should follow the lead of its Commerce Department, which recently made an [announcement](#) about taxpayer protections in the disbursement of CHIPS funds. Noting that public money should not be used to “enable [companies] to have more cash for stock buybacks or to pad their bottom line,” the Commerce Department [announced](#) that it will give priority to firms that do not engage in stock buybacks and instead “commit to make future investments” such as “research and development, workforce training, or manufacturing investments.” The Biden administration should extend this commonsense approach to all federal procurement and establish bright-line rules curbing the use of stock buybacks.

## **3. Support workers’ rights to freedom of association and collective bargaining**

We welcome the recently issued [proposed rule](#) for implementing President Biden’s [executive order](#) requiring the use of project labor agreements (PLAs) for large-scale federal construction projects. This support for workers’ collective bargaining rights will help improve the efficiency of federal contract work in the construction sector and should be expanded to contractors that provide goods and other services. As the executive order explains, project labor agreements may help provide the structure and stability needed to reduce uncertainties about employment terms and conditions and avoid work disruptions.

Federal contractors should also be required to remain neutral in union organizing campaigns. Aggressive anti-union campaigns not only undermine basic labor rights, they also undermine business effectiveness. A recent [Treasury study](#), for instance, finds that corporate labor practices that undermine worker bargaining power hold back “the entire economy, inhibiting innovation, increasing prices, and curbing economic growth.” Additional studies show that unions tend to improve productivity by [lowering employee turnover](#). Union representation also tends to ensure [decent pay and benefits](#) for workers, which enhances worker morale and resiliency. Workplace democracy also tends to have a modifying effect on CEO pay. In other countries that have significantly higher [unionization rates](#) than the United States, such as Canada, the UK, and Sweden, [average CEO pay](#) is much lower.

These are just a few of the contracting reforms in the executive action toolbox that would help ensure our taxpayer dollars are spent in ways that support American workers while improving contracting efficiency and strengthening our economy. We also support calls to expand family and paid sick leave for contract employees and other pro-worker procurement reforms. We urge you to use all of the tools in this toolbox to build a more equitable economy that is more efficient and resilient in the face of future crises.

We appreciate your consideration of these recommendations. For further discussion, please contact Natalia Renta at [natalia@ourfinancialsecurity.org](mailto:natalia@ourfinancialsecurity.org).

Sincerely,

Americans for Financial Reform Education Fund

Communications Workers of America (CWA)

Institute for Policy Studies, Global Economy Project

Take on Wall Street

United for Respect

American Family Voices

Americans for Tax Fairness

Asian Pacific American Labor Alliance, AFL-CIO

Bend the Arc: Jewish Action

Center for Popular Democracy

Coalition on Human Needs

CommonDefense.us

Demos

Family Values @ Work

Greenpeace USA

Groundwork Collaborative

Indivisible

International Brotherhood of Teamsters (IBT)

International Federation of Professional and Technical Engineers (IFPTE)

In the Public Interest

Jobs With Justice

Main Street Alliance

National Employment Law Project

Our Revolution

Public Citizen

Revolving Door Project

RootsAction.org

Service Employees International Union (SEIU)

Social Security Works

Strong Economy For All Coalition