Be it resolved

The Board of Directors undertake a review of executive compensation levels in relation to the entire workforce and, at reasonable cost and omitting proprietary information, publicly disclose the CEO compensation to median worker pay ratio on an annual basis

Supporting Statement

CEO realized compensation in the US has risen 1460% since 1978 compared to just 18.1% for the average worker. The CEO to worker compensation ratio in the US has increased from 31 times in 1978 to 399 times in 2021.[1]

Canada has seen similar issues with a report finding that CEO compensation at the top 100 companies on the TSX was estimated at 191 times the pay of the average Canadian worker in 2020.[2]

Wage gaps within workforces are important because they are indicative of, and contribute to, the growing inequality seen in North America.[3] According to the US Federal Reserve, since 1989, the top 1% by wealth have increased their share of total wealth by 8.6% largely at the expense of the lowest 90% who saw their proportion decrease by 8%.[4] The top 1% have also increased their share of total national income in the US from 8.3% to 20.8% over 1978–2019.[5] Canada has seen similar inequality with the top 1% increasing their share of total national income over 1978–2019 from 8.4% to 14%.[6]

This growing inequality leads to negative outcomes for all individuals as more unequal societies have been shown to be associated with poorer health, more violence, a lack of community life and increased rates of mental illness across socioeconomic classes.[7] Research has shown that this inequality harms economic productivity to the tune of 2-4% lost GDP growth annually and often leads to prolonged and more severe recessions.[8][9]

Beyond the negative societal impacts, compensation gaps within an organization can lead to lower employee morale and higher employee turnover[10]. This can erode company value as unmotivated employees are less productive and higher turnover directly increases staffing costs. These costs are especially material for human capital-intensive companies such as RBC.

In Canada, the financial sector is particularly exposed to this issue with the top 1% in finance earning approx. 16% of the sector's income while the top 1% in most other sectors earn 6-10%.[11]

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[1] https://www.epi.org/publication/ceo-pay-in-2021/
[2] https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2022/01/Another%20year%20in%20paradise.pdf
[3] https://publications.gc.ca/site/eng/9.575693/publication.html
[4] https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart/#quarter:131;series:Assets;demographic:networth;population:1,3,5,7,9;units:shares
[5] https://wid.world/country/usa/
[6] https://wid.world/country/canada/
[7] https://equalitytrust.org.uk/resources/the-spirit-level
[8] https://www.frbsf.org/wp-content/uploads/sites/4/wp2017-23.pdf
[9] https://www.epi.org/publication/secular-stagnation/
[10] https://www.nber.org/papers/w22491
[11] https://wid.world/news-article/worker-power-and-inequality-in-canada-a-sector-level-analysis/

Unlike the US, it is not mandatory for publicly listed companies in Canada to provide CEO to median worker pay ratio disclosures. This is not a big ask as the Global Reporting Institute reporting standards, which RBC already utilizes, provide a well-recognized framework for computing this ratio. It is critical to recognize that the focus is about the trend of the ratio over time. Disclosing and tracking the ratio allows RBC to ensure the wage gap is not widening and can help it make corrections to ensure employee sentiment stays positive, thereby lowering turnover and lost productivity costs.