

Resolved: Shareholders of The Kroger Co. ask the Board of Directors to analyze and report on the risks of increasing labor market pressures to its business plan. The report should address to what extent the Company’s workforce strategy includes competitive wage, benefit, and safety conditions for all its associates across all racial and gender demographics.

Whereas: As countries recover from the Covid-19 pandemic, America’s labor-force participation rate remains below pre-pandemic levels.¹ In 2021, the U.S. Bureau of Labor Statistics recorded historic numbers of job openings², and studies are showing that most turnover is in low-wage jobs.³

Experts say that employment conditions, including low wages and insufficient benefits, are key factors driving the low participation rates. A report from Mercer⁴ reveals that “frontline workers, low wage, minority and lower-level employees are more likely to be looking to leave – at rates significantly higher than historical norms.” The impact of poor labor conditions is felt especially by workers of color: nearly half of black workers are concentrated in healthcare, retail, and accommodation and food service industries, primarily in lower-paying service roles rather than professional roles.⁵

Labor shortages are influencing a dynamic policy debate at the federal, state, and local levels regarding their minimum wage regulations. There has been public support for the proposed Raise the Wage Act which would help eliminate poverty-level wages by raising the national minimum wage to \$15 an hour and positively impact approximately 4.7 million retail workers.⁶ A large number of retailers have already raised their minimum wage above legal minimums⁷.

CEO, Rodney McMullen, said staff shortage and “finding talented people” is one of Kroger’s biggest challenges with over 20,000 job openings⁸. While the company raised wages and expanded benefits for associates in 2021, Kroger’s *average* hourly wage is only \$15.50,⁹ with no disclosure of the number, or demographics, of associates earning at or above this amount. This puts the company behind an increasing number of retailer peers who have raised their *starting* wages to at least \$15 an hour.¹⁰ The 2021 total compensation of Kroger’s median associate was \$24,617.¹¹ The Economic Policy Institute found that a single adult without children needs at least \$31,200 to achieve a modest but secure standard of living.¹² Additionally, Kroger is cited as one of the top employers of Medicaid and Supplemental Nutrition Assistance Program enrollees,¹³

¹<https://www.brookings.edu/blog/up-front/2021/12/14/labor-market-exits-and-entrances-are-elevated-who-is-coming-back/>

² <https://www.bls.gov/news.release/jolts.nr0.htm>

³ <https://www.nytimes.com/2022/01/04/business/economy/job-openings-coronavirus.html>

⁴ <https://www.mercer.us/content/dam/mercer/attachments/private/us-2021-inside-employees-minds-report.pdf>

⁵<https://www.mckinsey.com/featured-insights/diversity-and-inclusion/the-economic-state-of-black-america-what-is-and-what-could-be>

⁶<https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2025-would-lift-the-pay-of-32-million-workers/>

⁷ <https://www.yahoo.com/news/retail-chains-increased-minimum-wage-105832606.html>

⁸ <https://www.cnbc.com/2021/09/14/kroger-ceo-says-hiring-is-a-big-challenge-as-it-teams-up-with-instacart.html>

⁹ <https://www.npr.org/2020/05/15/857105173/grocery-store-chain-kroger-is-planning-to-end-hero-pay>

¹⁰<https://www.cnbc.com/2021/12/29/minimum-wage-employers-moving-faster-than-states-to-raise-hourly-pay.html>

¹¹ <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000056873/638cf5c4-bc98-48d2-95bc-e236a21fec76.html>

¹²<https://www.epi.org/publication/our-deeply-broken-labor-market-needs-a-higher-minimum-wage-epi-testimony-for-the-senate-budget-committee/>

¹³ <https://livingwage.mit.edu/articles/85-15-an-hour-isn-t-enough-u-s-workers-need-a-living-wage>

¹³ <https://www.gao.gov/assets/gao-21-45.pdf>

and a recent report found “more than two-thirds of Kroger workers struggle to afford food, housing or other basic needs due to low wages and part-time work schedules.”¹⁴

Paying a living wage has shown benefits for both businesses and employees, including higher average profits, organizational growth, reduced turnover and lower poverty rates among workers. Investors seek further clarity on how the company is assessing and responding to the evolving regulatory and competitive landscape to sustain long-term growth, and consumer and public trust.