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Good Work Coalition

Investor statement: expectations of companies in 2023

As 14 investors with £1.64 trillion of assets under management and advice, we are setting out our expectations of companies to protect their lowest paid workers during the cost-of-living crisis.

Even before recent increases in the cost of living, 11 per cent of UK workers were living in poverty. With inflation running at 10.4 per cent in February 2023, this number will have likely grown even larger. These significant and lasting rises in prices will disproportionately affect the poorest in our society and will have a particular impact on workers from racialised communities who are more likely to be in the lowest paid jobs. The UK's Office for Budget Responsibility project that living standards will continue to fall significantly over the next year, and whilst for some this will mean cutting back on discretionary spending, for many it will force them into difficult choices on how they can meet their families' everyday needs. Evidence shows that low-income households are already buckling under the pressure of the cost of living with 7.2 million going without basic goods and services, and 4.7 million behind on paying their bills.

There is a risk that the current cost-of-living crisis will exacerbate disparities in income and wealth that have been building since 2008 and deepen existing inequalities in the UK economy. Workers are currently experiencing the longest pay squeeze in more than 200 years, with average pay still worth less than it was before the financial crash. This squeeze on living standards is not only bad for workers but poses a systemic risk to the wider economy and society. Last year saw a significant increase in the working days lost due to strike action in the private sector, and, as the Business Commission to Tackle Inequality notes, disparities in income and wealth are contributing towards long-term 'eroding social cohesion, diminishing trust in key institutions, fuelling civil conflict and political polarization'. This creates economic, political and social instability that is harmful for both businesses and diversified investors, whose interests are aligned with the overall health and resilience of the economy.

Now, more than ever, companies should commit to review their employment practices and work constructively with unions to support low-paid workers through the current crisis and strengthen their ability to manage future shocks. Evidence shows that improving pay and working conditions not only benefits workers, but also helps build resilient businesses by lowering staff turnover and absence, as well as improving productivity and customer experience.

Building on a call coordinated last year by CCLA, we expect to see companies showing leadership in this area. Over the coming year we will be engaging the companies in our portfolios to:

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- **Target pay awards where they will support low-paid workers, who are disproportionately impacted by the rising cost of living**. Recognising this, companies should ensure that the balance of executive remuneration to that of the wider workforce is equitable and supports workers to manage inflationary pressures. As far as possible, lowest paid workers should receive pay rises that meet the current rate of inflation, as measured by CPI.
- Show long-term commitment to **paying at least the real Living Wage** through accreditation as a Living Wage Employer. As well as guarantees for direct employees, we increasingly expect companies to ensure any Living Wage commitments are extended to on-site third-party contracted staff.
- Provide **secure work**, through guaranteed working hours, accurate contracts and decent notice periods for shifts. Where relevant, we will encourage companies to demonstrate their commitment through becoming an accredited Living Hours Employer.

The Good Work Coalition will be engaging, individually and collaboratively, with companies in our portfolios on these asks. Where companies do not meet these expectations or share an adequate plan for making progress towards them, this will be considered in our voting this year and as the Coalition plans its escalation approach in 2024. At the end of this year's AGM season, ShareAction will publish a list of companies engaged, detailing their progress against these asks and any explanations we receive.

Whilst we acknowledge the challenges companies face in a high inflationary environment, we are calling on them to make choices which not only support their workers in the immediate cost-of-living crisis but also serve the long-term interests of the business and society.

Signatories

ACTIAM

Aviva Investors

Barrow Cadbury Trust

CCLA

Guy's and St Thomas' Foundation

Jesuits in Britain

Joseph Rowntree Foundation

Legal & General Investment Management

NEST

PensionBee

PIRC

Rathbones Greenbank Investments

Strathclyde Pension Fund

Trust for London

About ShareAction's Good Work Campaign:

The Good Work campaign aims to drive up employment standards and reporting within publicly listed companies. Through working with investors, investor representatives and other relevant stakeholders, the campaign promotes stretching standards that go beyond statutory minimums, assesses company progress against these and engages with them to improve their employment practice. The Good Work Coalition aims to improve the integration of employment standards into investment decisions and allows for the coordination of collaborative company engagement opportunities on relevant topics.