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The costs of low pay

A responsible investment guide on tackling low pay in the UK retail sector

ShareAction»

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Executive summary

Responsible investment is fundamental to shaping fairer, healthier societies and economies. A central part of this is providing stable jobs, decent working conditions and adequate pay, which are key building blocks for a healthy life.

For investors, low pay and insecure work in the UK today represents a systemic risk.

Recent rises in the cost of living have squeezed the living standards of low-paid workers and intensified disparities in income and wealth that have been building since 2008. The retail sector in particular is reliant on poverty pay. It is an industry with enormous, low-paid workforces that is failing to provide workers with an income that meets their everyday needs. When people don't have what they need to heat their homes or buy healthy food, and are constantly worrying about making ends meet, it can lead to chronic poor health.

This investor briefing argues that the status quo weakens long-term business success and contributes to systemic risks which undermine the social and economic systems on which investor returns rely. It makes the case for investors to recognise these risks and to engage with UK retailers to raise wages and improve working conditions for low-paid workers. Paying all staff, both directly employed and contracted workers, a real Living Wage will provide a much-needed boost to the living standards of hundreds of thousands of retail staff and protect the long-term interests of investors.

This builds on ShareAction's previous briefings on low pay and insecure work, including 'Low wage and insecure work in the UK retail sector'[1] and 'Investing in the Living Wage'.[2] ShareAction is calling on all investors to adopt an approach to responsible investment that is transparent, embedded throughout the investment process, and takes the negative and positive impacts on people and planet as seriously as financial risk and return. In this case, that means weighing the impacts of low pay against risk-adjusted returns.

Part one

1. Low pay in the UK persists and poverty continues to rise

Rising prices of essential goods and services over the last three years have left more families struggling to make ends meet, with 8.1 million working-age adults in the UK now living in poverty. Overall, poverty levels have barely moved since 2010 and are currently around 50 per cent higher than in the 1970s.[3] While inflation has returned close to the Bank of England's 2 per cent target in the second half of 2024, food prices have risen by a third more than the rise in the overall price levels since 2021, while retail energy prices have increased by 90 per cent more.[4] These significant and lasting rises in prices disproportionately affect the poorest people in our society, who are then forced to spend a larger proportion of their income on essentials. The UK's Office for Budget Responsibility has forecast that living standards are set to be 3.5 per cent lower in 2024-25 than they were before the COVID-19 pandemic, the largest drop in living standards since records began in the 1950s.[5] Whilst for some people this means cutting back on discretionary spending, for many it will force them into difficult choices about 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. Of an estimated

28.4 million households in the UK, 15 per cent are going without essentials and 12 per cent reported not having enough money for food.[6]

In-work poverty

Having a job is not a guarantee of a decent standard of living. Today, 63 per cent of children and working-age adults in poverty are in families where at least one person is in work, and 17 per cent are in families where all adults are working.[7] Whilst there are many factors that contribute towards in-work poverty, being paid a wage that meets the cost of living and having a job that provides both sufficient working hours and predictability have a significant impact on an individual's income and living standards. Polling conducted by the Living Wage Foundation shows that 39 per cent of low-paid workers report regularly skipping meals for financial reasons and falling behind on bills,[8] demonstrating the significant impact that low pay can have on the quality of life for workers and their families.

The problem of low pay is widespread across the UK economy. In April 2023, 12.9 per cent of jobs in the UK were paid below the real Living Wage, representing 3.7 million jobs.[9] The retail and wholesale sector in particular, is reliant on poverty pay. It is one of the largest employers in the UK, employing over 3.5 million workers.[10] It also has the highest number of jobs paid below the real Living Wage, with 818,000 workers paid below the rate in 2023.[11] This equates to more than 23 per cent of jobs, almost double the national average. The combination of low pay and insecure work in the sector has a significant impact on the standard of living of workers, who struggle to make ends meet on wages that don't reflect the cost of essential goods and services and work in conditions that make it hard to balance commitments outside of work. Shop floor workers, warehouse staff and delivery drivers are all affected by these challenges. Not captured by this data are the thousands of third-party contracted staff (such as cleaners, caterers and security guards) who retailers employ through other companies but are vital to day-to-day operations of their businesses.

2. The costs of low pay are being externalised by companies

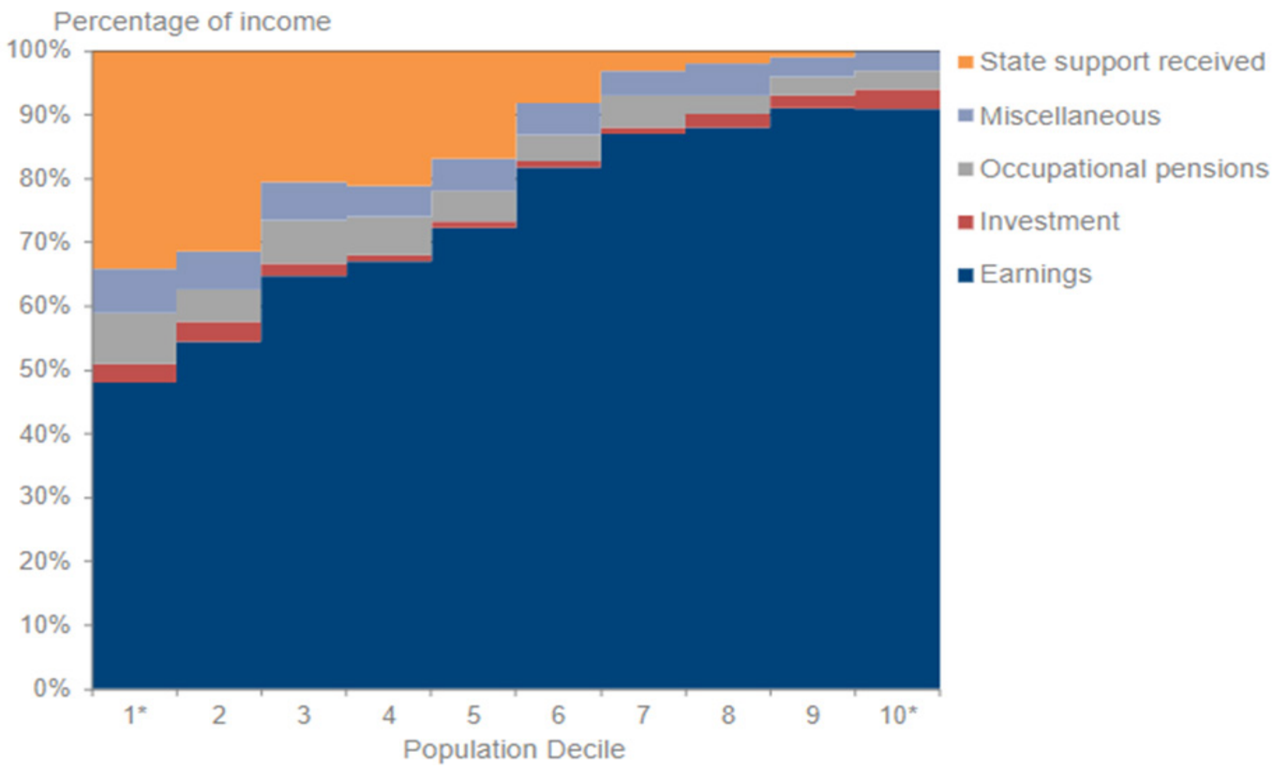
In the pursuit of maximising enterprise value, companies, and their investors, are externalising the costs of low pay onto the wider economy by driving up inequality, increasing the burden on state support, damaging worker health and suppressing consumer demand.

The state is subsidising low pay

When workers' pay is too low to meet the cost of living, the benefits system is designed to 'top up' wages to avoid people being forced into destitution.

Recent data released by the Department for Work and Pensions[12] shows sources of income for households containing working age adults, who are relevant to discussions on the real Living Wage, by income decile for financial year ending 2023.

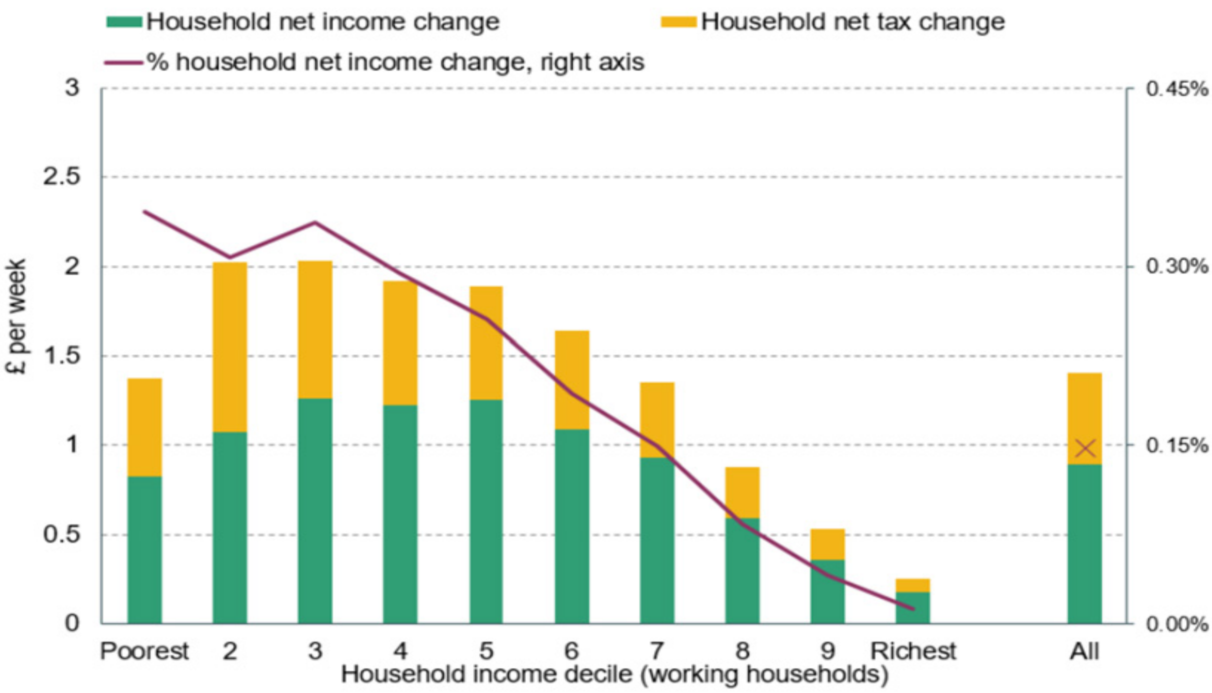
Figure 1 - Sources of income for households containing working-age adults, FYE 2023



While the personalised nature of the UK benefits system makes it challenging to estimate the full extent of state support for low-paid workers, the chart shows that households on lower incomes receive more of their income from state support compared with higher income households.

Looking specifically at improving the living standards of those in work, analysis by the Institute for Fiscal Studies assessed the impact of increases to the National Living Wage from 2015 – 2019 on income and tax payments amongst working households. Figure 2[13] shows that the poorest 30% of working households have seen the most benefit from National Living Wage increases, with effects steadily declining moving further up the distribution. This is despite higher wages amongst these groups resulting in the largest proportional reduction in income related benefits and higher taxes. This demonstrates that increases in wages, particularly in the lower income deciles for working households, reduce the level of state support required and increases the taxes returned to the state.

Figure 2 - National Living Wage (NLW) impact on household incomes, among working households, decomposed by income source



Notes: Effect is of average increase in NWL from 2015-2019. Cash effects on LH axis, % effects on RH axis. Sample is households with at least one person aged 25-64, and at least one person who is in work prior to the introduction of the NLW. Households are ranked on pre-NLW income, among this sample. Income is equivalised and net of taxes and benefits.

This is supported by analysis conducted by the Smith Institute in 2018, which found that if a quarter of low-paid workers in ten UK city regions, equivalent to over 500,000 workers, were uplifted to the real Living Wage then this would generate £350 million in increased tax receipts and benefits savings for the Treasury.[14] Applying this methodology to the 818,000 workers paid below the real Living Wage in the retail and wholesale sector, the Treasury would have expected to see an additional £507 million in tax receipts and benefits savings according to 2018 data. It should be noted that this is only one small and direct effect of increasing wages on state finances. It does not take into account the wider impacts on consumer demand and improving worker health, as explored below. Although there is a lack of up-to-date analysis of the aggregate impact of uplifting workers to the real Living Wage on tax and benefits, while a gap remains between the National Living Wage and the real Living Wage there is hidden support in the tax and benefit system for low pay.

By paying a real Living Wage, companies not only ensure that their workers receive a wage that meets the cost of living, but also reduce the burden to welfare state and taxpayers. Where companies do not guarantee a wage that meets the cost of living, the state is effectively subsidising low pay through the state support needed to ‘top up’ incomes to an agreed level.

Worsening health outcomes

Income inequality, whether caused by insecure work or wages that are below the real Living Wage, is a primary driver of poor health outcomes.

The Equality Trust estimates that income-related poor health costs the UK economy £100 billion per year extra relative to the average for developed OECD countries through increased pressure on the health system, short-term worker absence and long-term economic inactivity.[15]

One significant example of poor worker health on broad economic performance is the high levels of economic inactivity in the UK. The number of working-age adults who are economically inactive due to long-term sickness has been growing for over four years and stood at 2.7 million in January 2024.[16] Not only does this reduce the number of workers in the economy, benefit claims and costs to the National Health Service increase. While there are many factors that contribute towards an individual's health and ability to work, the evidence demonstrates that poor pay and working conditions are large contributing factors.[17]

Suppressing demand

In addition to worsening health outcomes, low pay and insecure work reduce workers' spending power in the economy and holds back economic growth. The UK is fundamentally a wage-led economy, in which higher wages are the greatest independent catalyst for economic growth.[18] This means that the boost to demand from rising wages outweighs other impacts on profits and competitiveness. For every 1 per cent reduction in the share of national income going to wages, UK GDP is reduced by 0.13 per cent.

These findings are supported by updated analysis conducted by the Smith Institute in 2021, which estimates that moving just a quarter of low-paid workers to the real Living Wage would generate a £1.5 billion boost to the UK economy through increased spending power.[19]

People on low incomes have a higher marginal propensity to consume, as they spend a higher proportion of their income on essential goods and services, meaning an increase in the lowest rates of pay brings an outsized benefit to the economy.

Will raising wages actually benefit workers or just be offset by increases in taxes and loss of benefits?

The analysis by the Smith Institute for the Living Wage Foundation finds that the boost to incomes for the lowest paid workers and to the economy exists despite increased taxation and reduced benefits for individuals. Whilst not all of the wage rises will accrue to the worker due to tax payments and benefit reductions. The average marginal deduction rate is calculated to be 37%. However, even after tax, households on the lowest incomes benefit see the biggest proportionate increase in incomes from being paid the Living Wage. The analysis also finds that concerns about loss of hours or jobs resulting from increases to the minimum wage have proven to be overplayed.

Will raising wages lead to higher prices?

In the context of recent high inflation, concerns that increasing pay could lead to a 'wage-price spiral', whereby higher wages drive further inflation, have been prominent. However, the impact of previous minimum wage increases on inflation has been 'negligible' according to research conducted by Frontier Economics on behalf of the Low Pay Commission. Their findings suggest that a rise of 10 per cent to the minimum wage, which would constitute a significant improvement in the living standards of the lowest paid, is likely to trigger a price increase of no more than 1.1 per cent.

The Shareholder Commons also note that companies can make choices about how to fund wage rises, arguing a 'wage-price spiral' can be combatted if companies fund increased wages out of the profits they accrue from the higher productivity, allowing the two to offset each other without an increase in prices.

3. Low pay and insecure work are an increasing risk to investors

Portfolio-level impact

By holding back economic growth, low pay and insecure work in the UK represent a growing risk to investors' portfolios. Research on the impact of environmental externalities on diversified portfolios demonstrates a linear relationship between portfolio value and GDP in the long-term.[22] The same holds for the impact of low pay, with The Shareholder Commons demonstrating the connection between sub-living wages and long-term returns of diversified investor portfolios, showing why shareholders should steward companies towards workforce practices that support the health of the economy.[23]

Systemic risk

As well as undermining portfolio value, current levels of low pay represent a systemic risk through the inequalities they generate and perpetuate. Inequalities of income and wealth are undermining the basis of shared prosperity which benefits workers, businesses and investors. The UN Principles for Responsible Investment recognises that income inequality can contribute to economic stagnation and financial crises that have impacts across asset classes.[24] The Business Commission to Tackle Inequality highlights that growing inequalities are eroding trust in political and economic systems, increasing division and fuelling civil and political unrest.[25] These impacts present significant risks to businesses and investors by creating an increasingly volatile operating environment, producing supply chain insecurity, eroding productivity and innovation, as well as magnifying reputational risks.

Conflict with beneficiary best interests

There is broad public support for pensions and savings to be invested in companies that treat their workers fairly.

Polling commissioned by ShareAction found that around three quarters of UK adults would have a more negative view of their financial provider if they found out their money was invested in companies which did not meet labour rights standards, such as paying a living wage.[26]

A direct survey of pension holders by PensionBee similarly found that 70 per cent of respondents, equivalent to 22.3 million pension savers, expressed support for a shareholder resolution calling on Walmart to pay a living wage in 2024.[27] Not only does ensuring all companies address low pay protect the social and economic systems upon which diversified portfolios depend, there is a clear mandate from ordinary pension savers for their savings to be support a decent minimum standard of living for workers.

Part two

4. The solution: pay the real Living Wage

The real Living Wage is the only independently calculated UK hourly wage which is based on the cost of living. It is calculated by the Resolution Foundation, and overseen by the Living Wage Commission. It is not the same as the National Living Wage which is the minimum wage for workers over the age of 21 (Table 1).

The rate is calculated each year according to the minimum income standard,[28] a basket of goods and services that the public think is needed for a minimum acceptable standard of living in the UK. The hourly real Living Wage rates are then calculated by taking a weighted average of the earnings for a range of family types working full-time to reach a level of income that provides that decent standard of living. Regional variances in living costs between London and the rest of the UK are taken into account.

For 2025, the real Living Wage rates are £12.60 per hour in the UK and £13.85 per hour in London

Over 15,000 businesses are accredited with the Living Wage Foundation, making a long-term commitment to paying the real Living Wage to both directly employed and regular third-party contracted staff. These businesses include household names such as IKEA and Lush, as well as thousands of small and medium enterprises across the country. Accreditation as a Living Wage Employer is the surest way that a business can guarantee to its staff that their wages will keep up with the cost of living.

The real Living Wage provides an established and evidence-based benchmark for responsible company practice, demonstrating a commitment to provide all workers with a wage that meets the cost of living.

The National Living Wage

The National Living Wage is the statutory minimum hourly rate for workers aged 21 and over, and is calculated by the Low Pay Commission. The National Living Wage was introduced by the Conservative Government in 2016, with the ambition of reaching two-thirds of median earnings by 2024. This target was reached in April 2024, when the rate was increased to £11.44 per hour. Minimum wage policy has boosted pay in the UK's lowest paying jobs, with a full-time minimum wage earner now earning £6,000 more per year compared to if the minimum wage had risen in line with typical wages.[29]

There are separate minimum wage rates for workers aged 18–20 (£8.60) and 16–17 (£6.40).

The Labour Government, elected in July 2024, has committed to deliver a 'genuine living wage' that accounts for the cost of living and remove age-related bands.[30] In the government's plans, the Low Pay Commission will now factor in the cost of living when deciding the minimum wage and national Living Wage rates.[31] Alongside the cost of living, the Low Pay Commission will continue to consider the impact on business, competitiveness, the labour market and the wider economy when setting rates. In the October Budget, the government announced an increase in the National Living Wage to £12.21 and National Minimum Wage to £10. These new rates will come into effect in April 2025

Despite increases to the National Living Wage in recent years, it is still not meeting the needs of low paid workers. In 2025, full-time workers on the UK real Living Wage will earn £760.50 more per year, and workers on the London real Living Wage will earn £3,198 more, than those earning the National Living Wage. For workers on low pay, this income can make the difference between being able to meet their basic needs or not.

Table 1 - UK wage rates in 2024

	Wage Rate		Legal position	Workers covered	How it is calculated
	2024	2025			
The National Minimum Wage	£6.40 across the UK	£7.55 across the UK	Statutory	Apprentices and under 18 (16-17)	Negotiated settlement based on recommendations from businesses and trade unions
The National Minimum Wage	£8.60 across the UK	£10.00 across the UK	Statutory	Aged 18-20	Negotiated settlement based on recommendations from businesses and trade unions
The National Living Wage	£11.44 across the UK	£12.21 across the UK	Statutory	Aged 21 and older	Overseen by the Low Pay Commission, targeting a % of median earnings
The real Living Wage	£12.00 across the UK £13.15 in London	£12.60 across the UK £13.85 in London	Voluntary	Aged 18 and older	Calculation made according to the cost of living, based on a basket of household goods and services

5. How retailers compare on pay

Some retailers have made progress in increasing their base rates of pay (Table 2). Four of the largest publicly listed UK retailers – Kingfisher, Marks & Spencer, Sainsbury's and Tesco – currently pay at least the real Living Wage to their directly employed staff.

No retailer has yet committed to continue paying the real Living Wage in the future by becoming an accredited Living Wage Employer. Such a long-term commitment would guarantee staff a wage that meets the cost of living.

Table 2 - Base pay rates for directly employed hourly paid workers at the largest publicly listed UK retailers by market capitalisation

Company	Base pay	Base pay under 21	Base Pay in London	CEO:Median pay ratio[32]
B&M	£11.44	£7.49	£11.44	178
Currys	£11.80	£11.80	£12.80	89
Frasers Group	£11.44	£7.52 - lowest stated hourly rate	£11.44	X[33]
Greggs	£11.62	£9.86 for under 18s	£11.62	64
JD Sports	£11.44	£11.44	£11.44	70
Kingfisher	£12.00	£12.00	£13.15	212
Marks and Spencer	£12.00	£12.00	£13.15	183
Next	£11.44	£7.52 - lowest stated hourly rate	£11.69	202
Ocado	£11.62	£11.62	£12.91	72
Sainsbury's	£12.00	£12.00	£13.15	212
Tesco	£12.02	£12.02	£13.15	431

Pay rates for on-site third-party contracted workers is more opaque. While we know that these companies engage facilities management companies to provide services such as cleaning, catering and security, they are not required to disclose the number or pay rates of these workers, who work on site and without whom retailers couldn't operate. For this reason, it is challenging to reliably estimate the scale of the third-party workforce in UK retail. However, the companies highlighted above collectively have over 125,000 physical stores in the UK, all of which require the functions normally provided by outsourced workers.

Companies outsource these roles to save on costs, including wages, pension contributions and sick-pay. These groups of workers are therefore likely to be among the lowest paid and are therefore important to consider when assessing approaches to pay. Despite there not being a requirement to disclose the pay rates of third-party contractors, companies can stipulate pay rates for these workers in their contracts with service providers. Accredited Living Wage Employers are required to bring regular third-party contracted staff onto the real Living Wage within three years of gaining accreditation. Given that many companies with complex third-party workforces (such as in construction) have been able to make this commitment, it is within the power of retailers, who have relatively simple outsourcing requirements, to ensure that workers on their contracts earn a real Living Wage. Indeed, both Sainsbury's and Tesco have made commitment to implement the real Living Wage as a minimum on some contracts for providing in-store security guards.[34] Yet despite third-party workers being essential to their operations, the majority of retailers have not made the commitment to improve wages for these staff.

6. The benefits of implementing a real Living Wage

While high inflation has squeezed living standards for low-income families, the UK's largest retailers have remained profitable. Publicaly listed companies[35] in the sector made collective pre-tax profits of over £6.7 billion in 2023-24 and paid out total dividends to shareholders of over £2.04 billion during that period. This shows that retailers have the capacity to invest in boosting wages to ensure workers have a decent standard of living.

As well as supporting economic growth, paying the real Living Wage and providing secure work makes good business sense too. Providing workers with a real Living Wage and secure working hours is often perceived as an unnecessary and avoidable cost by retailers. We believe such companies are misguided and are not acting in their shareholders best interests by pursuing such an approach.

Operational benefits

The impacts of poor-quality work on employee morale and motivation are hard to quantify but have a demonstrable impact on enterprise success and long-term value. Professor Zeynap Ton at the MIT Sloan School of Management identifies low employee engagement as a constituent of the 'vicious cycle of retailing'.[36] Low pay is intrinsic to this cycle, as it undermines an employee's sense of motivation if their pay fails to meet their basic needs or to allow them to save for the future, as well damaging work-life balance. This generates resentment, affects individuals' job performance, with low engagement leading employees to make mistakes, take shortcuts and provide poor customer service, with implications for the company's operational efficiency.

Ton highlights that 'values-based constraints', such as binding commitments to provide real Living Wages, can be an effective driver of innovation. The costs of these commitments can be offset by reduced staff turnover, and the accompanying recruitment costs, and the increased motivation of employees, particularly where they are empowered to innovate and problem-solve. Ton emphasises the need to take a holistic approach to improving pay and standards, highlighting that increasing pay provides management with a greater impetus to invest in the training and development of staff, who are likely to remain in their roles for longer periods.

Evidence also demonstrates the connection between higher wages and higher productivity, with one study at a large U.S.-based retailer finding that a $1 increase in wages corresponded to an average 4.5 per cent increase in individual worker performance and an 11.6 per cent increase in store-level output.[37] Given the relationship between productivity and economic growth,[38] it should be a priority for investors to raise productivity across the economy. Paying higher wages is one step that companies can take to boost their worker output.

Spotlight: Costco raises starting wage to $16 per hour

In February 2021, the US retailer Costco announced it was raising its starting wage to US$16 per hour. At the time, over half of Costco's 180,000 employees were paid above US$25 per hour. Costco's CEO Craig Jelinek justified the move by saying: 'I want to note this isn't altruism... at Costco we know that paying employees good wages ... makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimising turnover and maximising employee productivity'. Jelinek went on to say that Costco employees stay over nine years with the company on average.

This move that puts Costco ahead of rivals in the industry reflects the company's strategy since its founding. Costco has built a reputation of paying higher wages to frontline staff and relatively low executive pay.[39]

Consumer choices

Not only does improving pay and conditions offer operational efficiencies, it also boosts companies' reputation with consumers. Consumer behaviours are more heavily influenced by perceptions of a given company's ethical profile and attitude towards workers than ever before, with PwC research suggesting that 53 per cent of consumers would pay a 6–10 per cent premium over an average price for a product produced by a company with a positive socially responsible reputation.[40]

Companies accredited as Living Wage Employers report significant benefits to their reputation as compared with competitors. A survey conducted by the Cardiff Business School found that 81 per cent of accredited Living Wage Employers thought it had boosted their corporate reputation and 66 per cent reported it enabled them to differentiate their company from competitors.[41] In an increasingly competitive retail marketplace, good workforce practices, such as paying the real Living Wage, enable companies to stand out and attract customers.

7. A responsible investment approach to raising standards

The scale of low pay in UK retail demands sector-wide solutions, rather than company-by-company improvements. The ten largest retailers in the FTSE350 have a combined market capitalisation of over £76bn, demonstrating investor exposure to the companies in the sector and the scope for engagement to improve practice. By adopting a responsible investment approach and engaging with the largest companies to encourage them to meet minimum standards, such as paying the real Living Wage, investors can set a new norm for practice in retail.

Ensuring that all investee companies pay a real Living Wage is one of the main stewardship activities, alongside engagement with policymakers, that diversified investors can take to reduce income inequality and support broad economic health and, in turn, their portfolio value.[42]

To address systemic risks, investors must adopt stewardship approaches which move beyond a focus on the environmental and social risks of individual companies towards a 'system stewardship' approach that considers harmful company impacts at portfolio-level. Research by The Shareholder Commons demonstrates that investors with diversified portfolios have an economic incentive to encourage companies in their portfolios to pay the real Living Wage because doing so promotes economic growth and, therefore, portfolio value.[43]

Taking a 'system stewardship' approach is particularly relevant for diversified investors in the UK retailer sector.. As demonstrated, company practice in the sector is based on low pay, the costs of which are externalised onto society and the economy. These costs manifest themselves in a higher state burden, ill-health, and suppressed aggregate demand. For investors with diversified portfolios, the gains made from individual company performance are countered by the system-wide impacts of an underpaid and insecure workforce.

Such an approach is best achieved through the implementation of investor developed ‘guardrails’,[44] that allow companies to maximise their value within parameters that protect the interests of diversified investors in a secure workforce and functioning economy. A real Living Wage guardrail in UK retail, if implemented by investors, would seek to uplift wages to a level that guarantees a decent standard of living and address low pay as a systemic risk to diversified investors’ portfolios. It establishes a ‘bright line’ to protect the interests of investors from the systemic risks associated with low pay. By engaging with the sector as a whole, investors will seek to raise standards across all companies, addressing systemic risks by setting a minimum expectation for all companies on the issue.

Action for investors

In line with ShareAction guidance on frameworks for escalated engagement with companies,[45] investors can take the following actions to implement a Living Wage ‘guardrail’:

Asset managers

Policies

Establish policies that clearly set out expectations for portfolio companies to pay at least the real Living Wage to all directly employed and third-party contracted staff, with Living Wage Employer accreditation highlighted as a marker of good practice on the topic.

Private persuasion

Engage bilaterally with companies through non-routine and more frequent private meetings with management and boards to raise the topic up the company’s agenda.

Collaborative engagement

Where individual engagement is not gaining traction, investors can collaboratively engage with companies to raise the importance of the real Living Wage with company management. This intensified engagement can include activity such as joint private letters, public statements and challenging the company’s position in the media. It can be particularly impactful for diversified investors to collaboratively engage and raise the ownership percentage in meetings with the company, clearly setting expectations and consequences for non-compliance. ShareAction’s Good Work Investor Coalition provides investors with a forum to participate in collaborative engagement on these topics.

Further escalation

Where engagement with companies does not result in a change of practice, asset managers should consider using their shareholder rights to indicate disagreement with the company’s approach. These tactics are particularly relevant for engagement on the real Living Wage, where investors are encouraging companies act in the long-term interests of shareholders, rather than short-term margins. Asset managers should consider:

- integrating payment of the real Living Wage into voting policies on standing items and publish rationales for voting decisions;
- voting for shareholder resolutions supporting payment of the real Living Wage, against management recommendation if necessary;
- asking questions or making statements of intent at annual general meetings;
- pre-disclosing voting intentions;
- (co)filing shareholder resolutions promoting payment of the real Living Wage.

Asset owners

As well as using the steps outlined above in their own direct engagement with companies, asset owners can use these to set expectations of their asset managers and to consider manager positions and voting records on these issues as part of their selection, appointment and monitoring processes. This includes:

- expectations that asset managers set for portfolio companies on the real Living Wage;
- how robustly asset managers hold portfolio companies to account against these expectations through the use of shareholder rights;

The Shareholder Commons have developed model language that can be adapted to incorporate system stewardship principles in an asset-management mandate.[46]

When engaging with a company on the topic investors can:

Encourage companies to conduct an operational cost-benefit analysis of becoming an accredited Living Wage Employer to better understand the financial implications at the company level.

Improve company disclosure on the number of staff paid below the real Living Wage, including their roles and locations.

Understand company oversight of third-party worker terms and conditions which are not publicly disclosed.

Work with management to establish a timeframe for implementation of the real Living Wage.

Conclusion

A responsible investment approach is fundamental to shaping fairer, healthier societies and economies. For diversified investors, low pay and insecure work represent a systemic risk which undermines portfolio value and is not aligned with beneficiaries' best interests. In the UK context, the retail sector has amongst the largest number of low-paid jobs and is a sector where investors have significant influence on corporate practice.

This briefing has provided the evidence to demonstrate why it is in investors' interests to engage with the companies they invest in to improve standards on pay and working conditions to promote a healthy, productive workforce which protects the social and economic systems on which we all rely. We hope it will enable more investors to adopt a responsible investment approach and engage robustly with UK retailers, resulting in better pay for hundreds of thousands of workers and a stronger economy for us all.

Please contact ShareAction's Good Work team (goodwork@shareaction.org) if you would like to discuss anything in this paper or if you are interested in joining ShareAction's Good Work Investor Coalition.

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ShareAction is an independent charity and an expert on responsible investment. We work to build a world where the financial system serves our planet and its people. We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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