CCLA
GOOD INVESTMENT

Investor statement on the UK cost-of-living crisis

We are 17 long-term institutional investors with £3.2 trillion of assets under management and advisory with investments across UK-listed equities. With the highest rates of inflation in decades, rising interest rates and a collapse in the value of the pound, the UK is experiencing a cost-of-living crisis that will affect millions of working people.

We are deeply concerned about the impacts of the sharply rising cost of living on the lowest paid members of our society. The current crisis intensifies our longer held concerns about the growing levels of inequality in the UK including rising in-work poverty and household debt which we consider to be unsustainable and a long-term risk to our portfolios and the wider economy.

The crisis has a disproportionate impact on low wage households who spend a larger proportion of their income on basic necessities, such as fuel and food. According to the Living Wage Foundation 'Life on Low Pay' report, there are currently an estimated 4.8 million workers earning a wage below the cost of living. 42% of such workers are reporting missing meals regularly due to financial reasons and 56% report using foodbanks regularly. During the winter months record levels of winter deaths are likely as people are facing bleak choices such as whether to 'heat or eat'.

We understand that the cost-of-living crisis is having a huge long-term impact on the mental and physical health of workers. This is already estimated to have cost the UK private sector between £53-56bn in 2020-21. Workers under financial pressure are unlikely to perform at their best and businesses are likely to face reduced productivity, higher turnover and increased training costs. Falling wages and living standards has led to industrial disputes, including strike action, at a number of companies.

The government has a primary role in ensuring that people's basic needs are met and human rights are protected. While measures in response to the energy crisis have been introduced – capping energy prices to £2,500 for a typical household for instance – and are welcome, it should be noted that bills are double what the average household bill was in 2021. Combined with the rising costs of food, fuel and other basic expenses, alongside other policy measures, large swathes of the UK population are facing extreme hardship.

Business and specifically the largest publicly listed employers can play an important role in shielding their lower paid workforce from the impacts of the cost-of-living crisis.

We urge UK publicly listed businesses to do the following:

- Prioritise providing support for their lowest paid employees including but not limited to uplifting pay for the lowest paid workers and considering the provision of one-off cost-of-living support. Where possible, we encourage companies to meet the new real Living Wage rates which we consider best practice.
- Work constructively and bargain in good faith with workers and their unions to reach agreements on pay claims to avoid prolonging any potential disruption.
- Proactively engage with third-party contractors to ensure support is being provided for staff that work on the company's premises.
- Where possible, be cognisant of pricing of key goods and services on which people are reliant.

- Publicly state how they intend to support workers and consumers over the foreseeable future and agree to provide a regular update at least once in six months, given the unpredictable and long-term nature of the crisis.

Alongside the above, we ask to approach remuneration and reward in a proportionate way, weighting support to those on lowest incomes and showing restraint when determining executive pay. We recognise that this is not an exhaustive list and business should consider measures beyond these recommendations.

We appreciate that the business outlook, with increased energy costs, supply chain challenges and rising prices, is challenging and uncertain and businesses themselves are under significant strain. In such circumstances there is an understandable rationale for controlling costs. We are confident however, businesses share our view that those on lowest incomes must be shielded from further harm and doing so is in the best interests of business and of society. Nevertheless, as investors we are committed to engaging, both individually and collectively, companies in our portfolios on this issue and reflecting on it in our voting policies as we head into the 2023 proxy season.

Many responsible businesses stepped up and demonstrated leadership during the Covid-19 crisis and this leadership is needed again as we all face the difficult period ahead.

WANT TO KNOW MORE?

Please contact:

Martin Buttle
Better Work Lead
martin.buttle@ccla.co.uk
020 7489 6141

Signatories

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Aviva Investors
Brunel Pension Partnership
Cardano Group
Castlefield Investment Partners
CCLA Investment Management
Edentree Investment Management
Federated Hermes
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