Securing fair pay across the UK’s largest listed companies

Back in 2011 only two of the UK’s 100 most prosperous listed companies had accredited as Living Wage employers. Because we believe that a fair day’s work deserves a fair day’s pay, ShareAction decided to get behind the Living Wage campaign. As Britain’s biggest companies are best equipped to take the lead in good corporate governance including fair pay, we started with the FTSE 100.

Accredited employers commit to paying all their staff, including contractors, the current Living Wage rates, which are independently calculated and annually updated, increasing salaries each year when the rate rises, to meet the basic needs of an individual and their family. At present the rates are £9.40 per hour in London and £8.25 in the rest of the UK compared with the legal ‘national living wage’ of £7.20 for over 25s from April 2016.*

You can see what powerful impact the Living Wage has had on workers’ lives in some of these videos made by the Living Wage Foundation.

Yet the Living Wage is not just an ethical issue, it’s a bottom-line issue too. It’s conducive to retaining staff, reducing sickness absence and increasing productivity, and has proven to have significant financial benefits for companies and their investors. It also substantially mitigates reputational risks arising from the disparity of earnings between top executives and low-paid employees – a topic which has attracted a lot of press interest recently.

With the help of its innovative AGM Army project and a supportive investor coalition, as well as in close partnership with the Living Wage Foundation, ShareAction has to date persuaded nearly a third of the UK’s FTSE 100 companies to become accredited Living Wage employers.

*The current National Minimum Wage for 21-year-olds and over is £6.70 per hour
Our approach

The unique angle that ShareAction has brought to the Living Wage campaign is its use of the investment system to bring the issue to the fore with the bosses of public companies. When we took the campaign on, we developed robust evidence on the business case of the Living Wage. In our experience it’s more effective to provide evidence on why it makes sense for investors to support the Living Wage campaign, than to argue primarily from a moral basis. Once we had developed solid evidence, we then presented the business case to investors via investor briefings, meetings and press articles, and coordinated investor signed letters to all the FTSE 100 CEOs before their annual general meetings (AGMs).

Once we had rallied a powerful coalition of institutional investors – from asset managers to pension funds, faith investors and charitable foundations – who back the Living Wage campaign, we began to send out our polite, but forceful, ‘AGM Army’. ShareAction holds shares in all the FTSE 100 companies, which allows its staff and supporters to attend the companies’ AGMs and highlight specific issues via asking questions directly to the board – a right that every shareholder has, no matter how large or small their holdings are.

The example of ITV

One powerful example is ITV: in 2013 we supported Barbara Wilson, a local community leader, to attend the broadcaster’s AGM and ask the board whether they would consider becoming a Living Wage accredited employer. While ITV’s Board was not able to give confirmation straight away, the Board agreed to meet with ShareAction and the Living Wage Foundation to further explore the issue. To demonstrate that other investors back the initiative for fair pay too, ShareAction coordinated a letter to the company that was co-signed by 15 institutional investors. Following this letter, and a few more polite nudges, ITV conducted an internal review of its wages, including the remuneration of subcontractors.

“It remains all too easy for management to ignore the voices of shareholders. ShareAction is to be commended for ensuring the Living Wage message is heard loud and clear by the largest employers in the UK.”

- Richard Keery, Investment Manager, Strathclyde Pension Fund
Outcome

Just one day before ITV’s 2014 AGM, in a clear sign of the company’s desire to have positive news ready for its shareholders, it accredited as a Living Wage employer. It was then a particularly nice AGM to attend – our supporter got to thank the company for moving all its staff to at least Living Wage levels.

ITV is not the only company that demonstrated proper leadership in pay practice – the Living Wage has been making huge strides elsewhere. The number of FTSE 100 companies that have signed up to the accreditation standard of the Living Wage Foundation increased from only 2 in 2011 to 29 in October 2015, benefiting at least 60,000 families across the UK, and we’re in dialogue with many more. We’ll continue to ramp up the campaign to make sure all of Britain’s biggest companies step up on fair pay.

What we’ve learned

When asking an AGM question, we recommend being polite but forceful and speaking as a shareholder asking a legitimate question about the business - not primarily as an activist; it will give you extra credibility, and is also what you are in this situation! Shareholder activism can be an effective way to get direct access to company directors and to open the door for dialogue. While few companies can immediately commit to a scheme like the Living Wage when they respond to an AGM question from the floor, the power is in the follow-up meetings. Discussions with organisations that have specific expertise on your campaigning issue (in this case the Living Wage Foundation) can lead to meaningful change in corporate behaviour. Finally, while it takes time and effort to build a supportive investor coalition, we can only recommend seeking the backing of investors: a supportive investor coalition has been invaluable for persuading these companies to pay the Living Wage to all its staff.

To find out more

Find out more about ShareAction’s Living Wage campaign [here](#) and read blogs from our AGM Army [here](#).

ShareAction’s most recent investor briefing on the Living Wage can be accessed [here](#).

More detail, including research, about the Living Wage can be found on the [Living Wage Foundation’s website](#).

To enable further exchange and skill sharing in investor-focused campaigning, ShareAction is developing a European Network for civil society organisations. To find out more, don’t hesitate to get in touch with ShareAction’s European Outreach Officer, Friederike Hanisch, on friederike.hanisch@shareaction.org.

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