

SHAREACTION WRITTEN EVIDENCE TO THE BUSINESS & TRADE COMMITTEE INQUIRY INTO THE EMPLOYMENT RIGHTS BILL AND PLAN TO MAKE WORK PAY

About ShareAction

1. ShareAction works to define the highest possible standards for responsible investment and corporate practice, through sector-leading research and benchmarking, evidence-based guidance and recommendations, and productive engagement with corporations and financial institutions.
2. Our Good Work coalition comprises 51 investors representing £5.1 trillion in assets under management (AUM). They actively engage FTSE350 companies to improve their treatment of workers, with a particular focus on delivering a real Living Wage, secure work, and racial equity.
3. Applying the escalation tools set out in our RISE (Responsible Investment Standards and Expectations) papers, such as filing shareholder resolutions at AGMs, the coalition has successfully secured real commitments from FTSE100 companies – for example, paying the living wage and reporting their ethnicity pay gap (EPG).
4. Our Long-term Investors in People's Health (LIPH) programme is a group of 44 global institutional investors representing almost £4 trillion in AUM. They lead the way integrating health into their investment decisions and stewardship because they understand that health risks and opportunities significantly affect their returns. For example, our LIPH investor coalition has been in dialogue with large food manufacturers to drive the sector to produce healthier food options for consumers. Investors in this coalition are also advocating for improved worker health regulations, including by providing data standard setters with evidence of the need for human capital corporate disclosures.

Summary and Key Conclusions

5. We welcome the Government's overall ambition to achieve adequate protection for workers, improve security at work and raise living standards through the Employment Rights Bill.
6. Poor working standards and weak protections present systemic risks for investors. For example, low wages pose a systemic risk to diversified investors by undermining the economic and social systems upon which economic prosperity depends, stunting long-term company profits and in turn investor returns. The currently low rate of Statutory Sick Pay (SSP) is also associated with systemic risks, prohibiting many workers from taking adequate sick leave, which leads to presenteeism, reduced productivity in the workplace, and long-term ill health. Finally, these risks are exacerbated by insecurity of work, which impacts worker wellbeing, particularly mental health, and can further affect productivity levels and absence due to sickness.
7. In contrast, a real Living Wage aligned with low-paid workers' cost of living, enhanced support for sickness, and increased job security have the potential to improve individual prosperity and

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worker health, deliver better financial returns for businesses and investors, and support the Government's missions to deliver sustainable growth and tackle the root causes of ill-health.

8. The Bill therefore should be more ambitious, particularly on sick pay provision and secure work. ShareAction, along with 16 institutional investors representing around £340 billion in AUM, recommends an increase in the basic weekly rate of SSP from the current rate of £116.75 per week. We also recommend that the right to a "reasonable notice period" for shift changes, including cancellations, is set at a minimum of four weeks.

Strengthening Statutory Sick Pay

9. We welcome the proposed changes to SSP, specifically the removal of the lower earnings limit and the removal of waiting days, which will improve millions of people's lives. This will also create benefits for businesses and the wider economy, such as reduced presenteeism (attending work while unwell), increased retention, increased productivity and a reduction in the spread of infectious diseases.¹ However, the economic and social benefits of sick pay reform will only materialise if employees can actually afford to take time off work when they are ill.
10. Many employees are forced to choose between coming to work sick or struggling to make ends meet. Currently, employees on SSP receive an amount equivalent to an annual salary of just £6,000. Recent modelling by Citizens Advice shows that introducing the Bill without increasing the rate of SSP would leave 1.6 million households at risk of being unable to afford their essential costs when they are sick.²
11. The low rate of SSP also directly impacts economic output. Economic inactivity due to ill-health is rightly a key concern of the new Government: 2.8 million people were off work in the UK as a result of health conditions by September 2024, and this number is due to reach 4.3 million people by the end of this Parliamentary term.³ Studies indicate that presenteeism is aggravating this crisis in relation to both physical and mental health, as people are not taking sufficient time off to properly recover. A meta-analysis by a team of UK and Danish researchers concluded, "The majority of studies found that sickness presenteeism at baseline is a risk factor for future sickness absence."⁴ To reduce presenteeism and economic inactivity, it is vital that the basic weekly rate of Statutory Sick Pay is meaningfully increased.
12. For businesses, there are significant financial costs associated with the poor health of UK workers. A study by Deloitte found that the cost of presenteeism for the private sector, from mental health alone, is around £23bn a year.⁵ By reducing presenteeism, reducing transmission

¹ WPI Economics, 'Making Statutory Sick Pay Work', July 2023. <https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf>

² Citizens Advice, 'In sickness and in health: Why Statutory Sick Pay needs further reform', November 2024.

<https://www.citizensadvice.org.uk/wales/policy/publications/in-sickness-and-in-health-why-statutory-sick-pay-needs-further-reform/>

³ IPPR, 'Cross-party Commission concludes three-year enquiry with bold plan for 21st century health', September 2024.

<https://www.ippr.org/media-office/cross-party-commission-concludes-three-year-enquiry-with-bold-plan-for-21st-century-health#:~:text=New%20findings%20include%3A,workers%20are%20missing%20from%20work.>

⁴ Skagen, K. & Collins, A. M. 'The consequences of sickness presenteeism on health and wellbeing over time: A systematic review', *Social Science and Medicine*, 2016, 161, pp169-77. Available online: <https://pubmed.ncbi.nlm.nih.gov/27310723/>

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of infectious diseases to colleagues, and reducing incidences of long-term sick leave resulting from failure to take initial sick days, these economic gains will leave businesses with more benefit than the costs associated with raising the flat rate.

13. Modelling by WPI Economics⁶ shows the direct business costs of strengthening Statutory Sick Pay are moderate: £2.9 - £4.2 billion across the entire economy, which is less than 20% of the cost of presenteeism due to mental ill health. Compared to the UK's total wage bill of £1.3 trillion⁷, this represents just a 0.3% uplift in costs for businesses. If introduced over five years, this reduces to a 0.06% annual uplift, so adds less than one thousandth to employers' total wage bill each year. The UK Government's own economic analysis concluded that businesses tend to absorb this type of cost uplift without difficulty: "There have been consistent findings that employment rights can be strengthened through legislation without negative impacts on workers and the wider economy."
14. Furthermore, tackling the root causes of long-term sickness and inactivity due to ill-health is central to the Government's plan to Make Work Pay. Failure to increase the rate of SSP is at odds with this mission and will continue to perpetuate the cycle in which workers cannot afford to take sufficient time off to recover from sickness, thereby spreading illness at work, reducing their productivity, and increasing their risk of developing long-term health conditions.
15. Finally, the public strongly supports strengthening SSP in its entirety; RSA polling in 2021 showed that 81% of Labour voters and 74% of Conservative voters backed an increase in Statutory Sick Pay.⁸
16. We therefore consider further strengthening of SSP, and ultimately improving population health, as absolutely foundational to the long-term stability of the UK and the sustainable growth of our economy.

Zero-hours Contracts

17. One in five workers are in severely insecure work – facing a combination of low pay, unpredictable hours and poor protections. Far from being a route into work leading to more stable forms of employment, 44% of these workers are trapped in long-term insecurity.⁹ Not only does this place financial pressure on workers and their families, but it also reduces their ability to pursue training and development which would boost their long-term career prospects.

⁵ Deloitte, 'Mental Health and Employers', January 2020. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-and-employers.pdf>

⁶ WPI Economics, 'Making Statutory Sick Pay Work', July 2023. <https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf>

⁷ UK Government (2024) Employment Rights Bill: economic analysis, p13 https://assets.publishing.service.gov.uk/media/67162540d100972c0f4c9abd/Employment_rights_bill_economic_analysis.pdf

⁸ RSA, 'Three-in-four Conservative voters back big increase in sick pay', February 2021. <https://www.thersa.org/press/releases/2021/conservative-voters-increase-sick-pay>

⁹ Work Foundation, 'No Progress? Tackling Long-Term Insecure Work', September 2024. [https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/reports/WFNoprogress-Tacklinglong-terminsecurework\(Sept2024\).pdf](https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/reports/WFNoprogress-Tacklinglong-terminsecurework(Sept2024).pdf)

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18. We therefore agree that steps should be taken to improve security for all workers, including guaranteeing the right to a contract that reflects the number of hours they regularly work. However, we would like to see 'reasonable notice' defined more clearly with at least a four week notice period for any shift changes, and compensation for shifts cancelled within this period, in line with the Living Hours standard.
19. 'Reasonable notice' is inherently ambiguous and is likely to result in varying interpretations by different businesses. While some degree of flexibility is needed, as businesses' staffing and operational needs differ, the Government must set a standard baseline for what is reasonable. A four week notice period aligns with monthly household billing cycles and allows workers to plan for responsibilities outside of work, such as childcare. Without providing a more clearly defined notice period, insecurity of work and its negative impacts will persist.
20. Job security is highly prized by workers and can help retain talent and reduce turnover. Research highlights that workers in secure employment also tend to be more productive.¹⁰ Defining a "reasonable notice period" for shift changes, including cancellations, to a minimum of four weeks, will therefore bring clear benefits for business and positively contribute to the Government's economic growth mission.

Human Capital Corporate Disclosures

21. In addition to engaging on the Employment Rights Bill, ShareAction and investors in our coalitions are advocating for mandatory health-related corporate disclosures. For example, they have highlighted data gaps around wage and retention rates, turnover, and workforce composition. This advocacy has included providing evidence to the International Sustainability Standards Board (ISSB) on the need for a human capital standard.
22. By requiring robust, transparent corporate disclosures, the Government can facilitate access to decision-useful information for a range of stakeholders. For investors, there is strong demand for more corporate transparency to better assess whether directors are appropriately mitigating the full range of financial risks posed to companies by external factors, including social considerations. This transparency is also necessary for investors to be able to accurately demonstrate their own performance against key sustainability and social criteria. Specifically, regarding worker health, new and enhanced disclosures will help investors hold companies to account for their treatment of workers, and enable investors to make informed decisions to invest in companies with better employment practices.
23. Policymakers would also benefit from this information, as this data could help to inform future policy decisions. For other key stakeholders, such as employees, consumers, and communities, this information provides assurance that a company is acting responsibly, allows for more informed purchasing decisions, and provides insight into corporate impacts on communities.

¹⁰ Kim, M.J., & Kim, B.J. 2020. The Performance Implications of Job Insecurity: The Sequential Mediating Effect of Job Stress and Organizational Commitment, and the Buffering Role of Ethical Leadership. *Frontiers in Psychology*, 11, 7837. Available online: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7663293/>

24. Mandatory health-related disclosures can work in tandem with the Government's plan to Make Work Pay. The Government's plan, including the Employment Rights Bill, aims to set ambitious statutory minimums for employers. Human capital disclosures can help demonstrate how these reforms are working in practice (for example, a disclosure around sickness absence) while holding companies to account for their impacts on the health of their workers, as well as consumers and wider communities. This is pivotal to tackling the root causes of ill-health and inactivity due to long-term sickness.
25. To have truly decision-useful, impactful corporate data, both environmental factors and social-related factors should be made mandatory within the UK Sustainability Reporting Standards (SRS). The Government must therefore go beyond endorsement and legislate to incorporate the ISSB standards into UK law and make them mandatory, including a future human capital standard.

Ethnicity Pay Gap Reporting

26. Black and ethnic minority households are most likely to be stuck in persistent low income¹¹. Racial equality in the workplace would not only improve the lives of millions of workers and their families, but also brings clear economic benefits, potentially boosting GDP by 1.3%¹². Businesses which pay their employees equally also stand to gain directly from increased talent retention and enhanced reputation for being seen to meaningfully address racial inequality¹³.
27. We therefore welcome the Government's commitment to enshrine in law the full right to equal pay for ethnic minorities as part of its Plan to Make Work Pay, including introducing mandatory ethnicity pay gap (EPG) reporting for large employers through a (draft) Equality Bill. Mandatory EPG reporting is essential to ensure that businesses are held to account, providing vital information for responsible investors, consumers and employees to make informed decisions.
28. However, transparent and accurate reporting is only the first step in addressing racial inequality; racially equal pay will be achieved only if employers act to address their ethnicity pay gaps. The new Equality Bill should therefore include a requirement for employers to publish a supporting narrative and action plan alongside their EPG report. A supporting narrative would explain important context, while the action plan would set out how the employer plans to tackle any identified pay gaps, as recommended by the CIPD¹⁴.

¹¹ HM Government, 'Ethnicity Facts and Figures - Persistent Low Income', December 2023. <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/pay-and-income/low-income/latest/>

¹² HM Government, 'Race in the workplace: The McGregor-Smith review - report', February 2017. <https://www.gov.uk/government/publications/race-in-the-workplace-the-mcgregor-smith-review/race-in-the-workplace-the-mcgregor-smith-review-report>

¹³ ShareAction, 'Ethnicity Pay Gap Reporting: a Guide for Parliamentarians', September 2023. <https://shareaction.org/policies/ethnicity-pay-gap-reporting-a-guide-for-parliamentarians>

¹⁴ CIPD, 'Ethnicity pay reporting: A guide for UK employers', February 2023. <https://www.cipd.org/uk/knowledge/guides/ethnicity-pay-reporting-guide/>

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29. The Government has already recognised the importance of action plans, committing to introduce them for gender pay gaps. As part of the (draft) Equality Bill, it should extent this to requirement to ethnicity pay gaps.