

Help at hand: poverty and London's business community

BRIEFING PAPER

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Poverty is a significant problem in London. In-work poverty in particular is a key component of the capital's poverty problem. Many among the city's business community are conscious of the problem of poverty and the difficulties it causes for businesses themselves, not least when it is present among their workforce. The research in this briefing note suggests that, while poverty is not currently the top ESG priority for many businesses, there is an appetite among many firms (large and small) to confront the poverty problem in London and help improve the situation.

KEY FINDINGS

- ESG issues are important to many London businesses. Topics such as well-being, health, the environment and supply chains are current priorities. Issues such as "workforce poverty" and "poverty in the communities local to business operations in London" are less popular.
- When specifically questioned about poverty, businesses reveal that it is a "concern" to them. More than 50% of firms of all sizes agreed that workforce poverty in particular "should be a concern" for London businesses, while 39% of employers admit that half or more of their London workforce is directly affected by poverty.
- The most frequently reported ways that workforce poverty impacted employers was through the way poverty effects the health and wellbeing of workers (26%), demoralises the whole workforce (25%), demoralises those in the workforce affected by it (24%) and increases the amount of sick leave taken (24%).
- 70% of firms said businesses should be "willing to take" at least "some additional (to minimum legal requirements) voluntary measures" to help address poverty among their own workers, suggesting considerable appetite for businesses to do more in the fight against poverty in the capital.
- "Doing the right thing", "the reputation of the business community" and "improving the quality of employees" were three key motivations for those London employers that wanted to help address poverty.

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Tackling poverty and inequality

CONTEXT: IN-WORK POVERTY IN LONDON

London's economy sustains 6.1 million jobs – 20% of all the jobs in England. However, poverty has been persistently higher in London – greater than the rest of England – for 20 years.¹ In-work poverty in particular, is a significant problem in London.²

The most recent London poverty profile – produced by WPI Economics on behalf of Trust for London – showed that, between 2015 and 2020, the proportion of Londoners in poverty had marginally increased: 27% were in poverty in 2015 and 28% in 2020. The poverty rate for people living in London in households where both adults worked full-time grew from 6% in 2010 to 9% in 2020. In 2020, 76% of London children that lived in poverty were in working families – up from 68% five years previously.

In-work poverty occurs when a working household's total net income is insufficient to meet their needs.³ London has a high concentration of low pay jobs. In 2018, there were an estimated 875,000 employees in London earning less than the “London Living Wage” i.e. 20% of all employees were earning an amount that is insufficient to live on.⁴ Low pay issues are being compounded by a number of trends in the labour market, including:⁵

- A rising number of employers not paying the National Minimum Wage (NMW).
- Workers being occupied in roles without employment benefits and rights.
- Poorly monitored conditions due to a lack of transparency in procurement and outsourcing.

Beyond pay, other factors play a role in perpetuating poverty and in-work poverty in particular.⁶ These include the cost of living in London and elements which bear directly on the quality of work such as a lack of skills training.⁷

One of the unique elements of in-work poverty is the way in which the employer is implicated, and how they could play a role in helping households climb out of it. Low wages, if improved by businessesⁱ, could help workers and their families to escape from below the poverty line. However, this is not the only tool at their disposal. Further, there are a range of benefits available to businesses that take steps to help tackle the poverty challenge, from more motivated, efficient, and happier employees to higher productivity.

This briefing paper explores the extent of London businesses' understanding of, and commitment to, addressing poverty alongside other ESG issues and their motivations for doing so. The data is sourced from a survey carried out by Opinium in early-2021 of 500 London-based businesses of all sizes and from all different sectors.ⁱⁱ

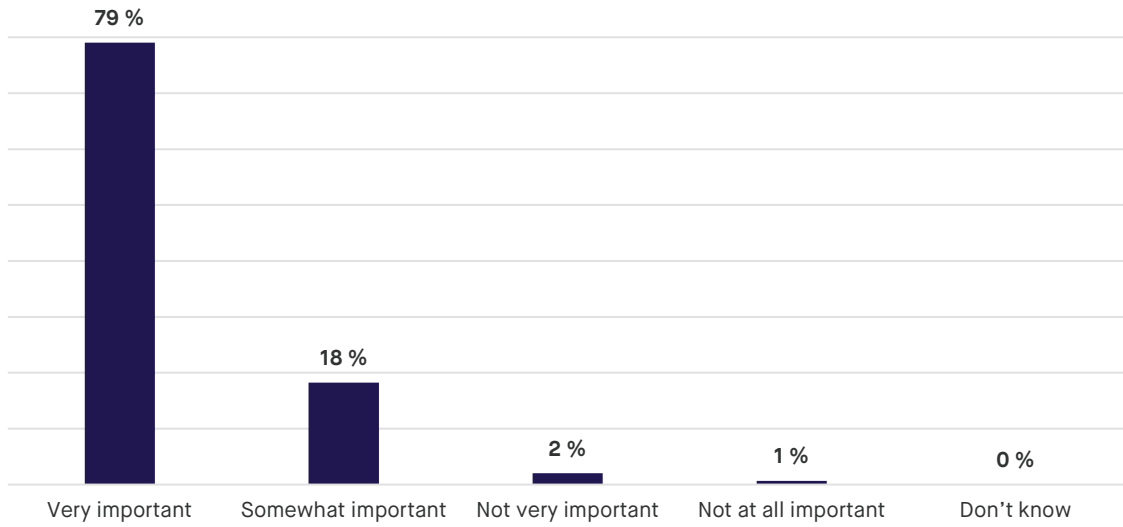
ⁱ References to “business”, “businesses”, “employers”, “firms”, “enterprises”, “companies”, “respondent(s)” “participant” and “business community” are used interchangeably in this briefing note. See footnote “ii” for more on why.

ⁱⁱ All the London businesses that took part in the survey were employers, of two or more staff.

MOST LONDON BUSINESSES BELIEVE ESG ACTIVITY IS "IMPORTANT"

A large proportion (97%) of London businesses say that ESG (Environmental, Social and Governance) activities are, to some degree, “important” to their business. As Figure 1 shows, 79% of larger businesses in London say that ESG activities are “very important” to them, while a further 18% say that ESG issues are “somewhat important” to their company.

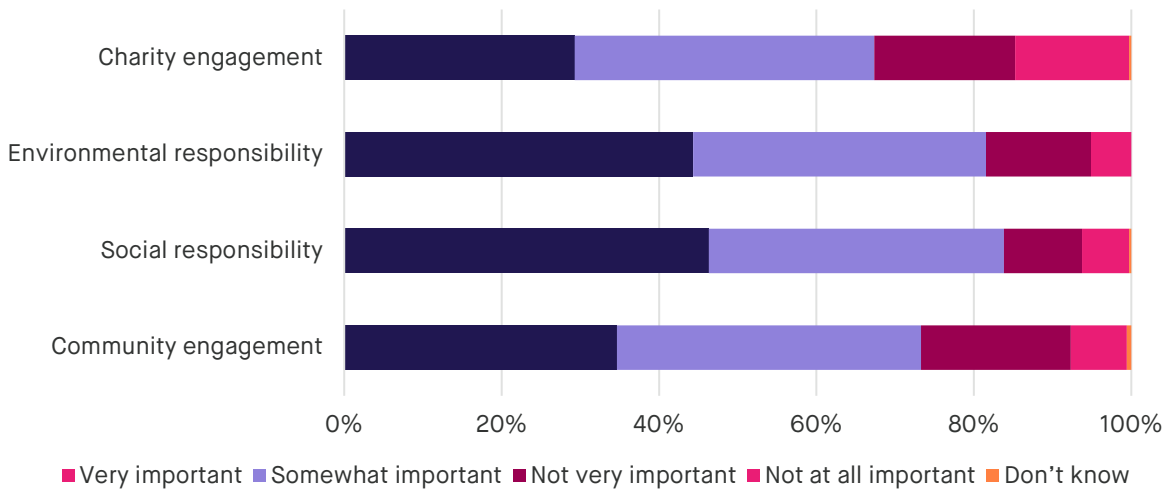
Figure 1: The importance of ESG issues to large London businesses



Source: Opinium survey of London businesses, 2021

Among small and medium-sized employers in the capital, around three-quarters (76%) say at least one category of “ethical business activity” (set-out in Figure 2) is, at least somewhat, “important” to their firm. In particular, 46% stated that “social responsibility” issues (such as in-work poverty) are “very important” to their business. 38% said that such considerations were “somewhat important” to their business.

Figure 2: The importance of different categories of ESG activity to London SMEs

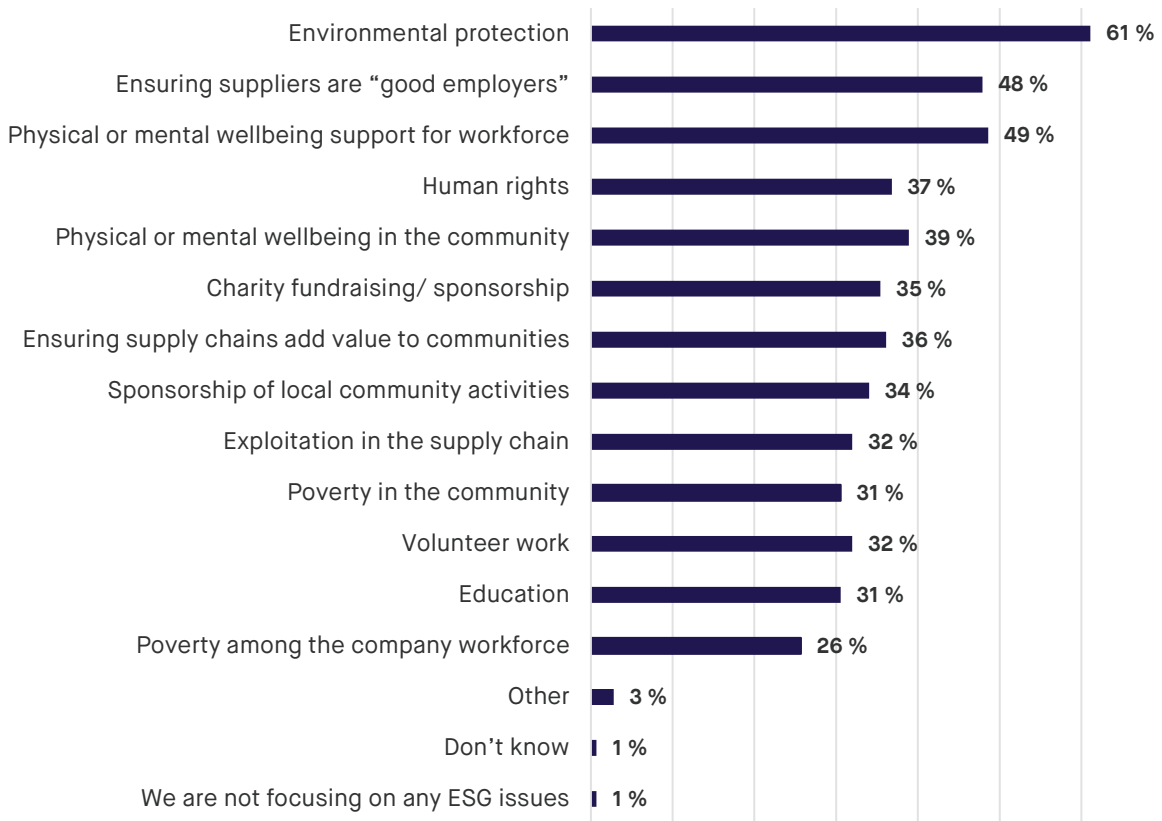


Source: Opinium survey of London businesses, 2021

THE CURRENT ESG FOCUS OF LONDON BUSINESSES

Of the larger London businesses which said that ESG issues were "important" to them, the topic most frequently stated as being a "current focus" of their ESG efforts is the environment. Figure 3 shows the full list of topics large enterprises report as being ones they currently have a "focus" on.

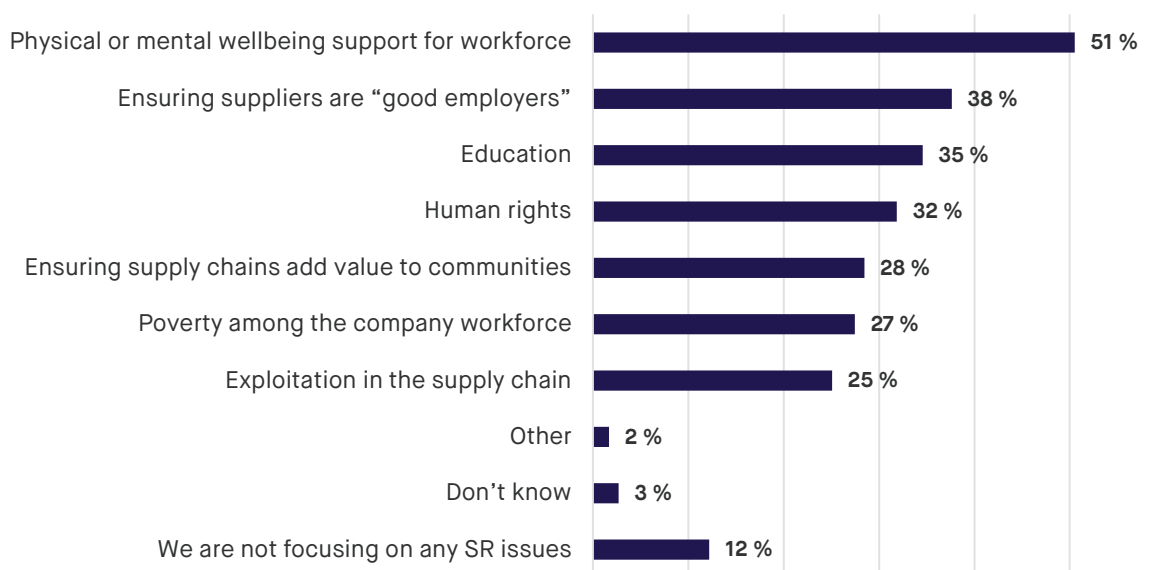
Figure 3: ESG topics large London businesses are currently focussed upon



Source: *Opinium survey of London businesses, 2021*

Following the environment, the second most frequently cited ESG activity, currently the focus of larger London businesses, are efforts to ensure that employers in their supply chains are "good employers" (49%). The third most often cited actions focus is the "physical and mental wellbeing of staff" (49%).

Among SMEs who said "social responsibility" issues were important to their business, the most often cited focus for firms was supporting the "physical and mental wellbeing of their workers", as shown in Figure 4.

Figure 4: "Social responsibility" topics that London SMEs are focussed upon

Source: *Opinium survey of London businesses, 2021*

Poverty as a current ESG focus among london businesses

As Figure 3 illustrates, in-work poverty among the workforce of the respondent business was the 13th most frequently selected response by large company survey participants. Specifically, 26% of firms said it was a current focus of theirs.

Notably, nearly half (48%) of larger businesses said that ensuring their suppliers are "good employers" was a current ESG "focus". While 32% said "exploitation" across their supply chain was a "focus" (see Figure 3). This indicates that, in broad terms, supply chain issues (including the pay and terms and condition of those working for their suppliers) is the leading poverty-related ESG topic for many of London's bigger businesses, at the present time.

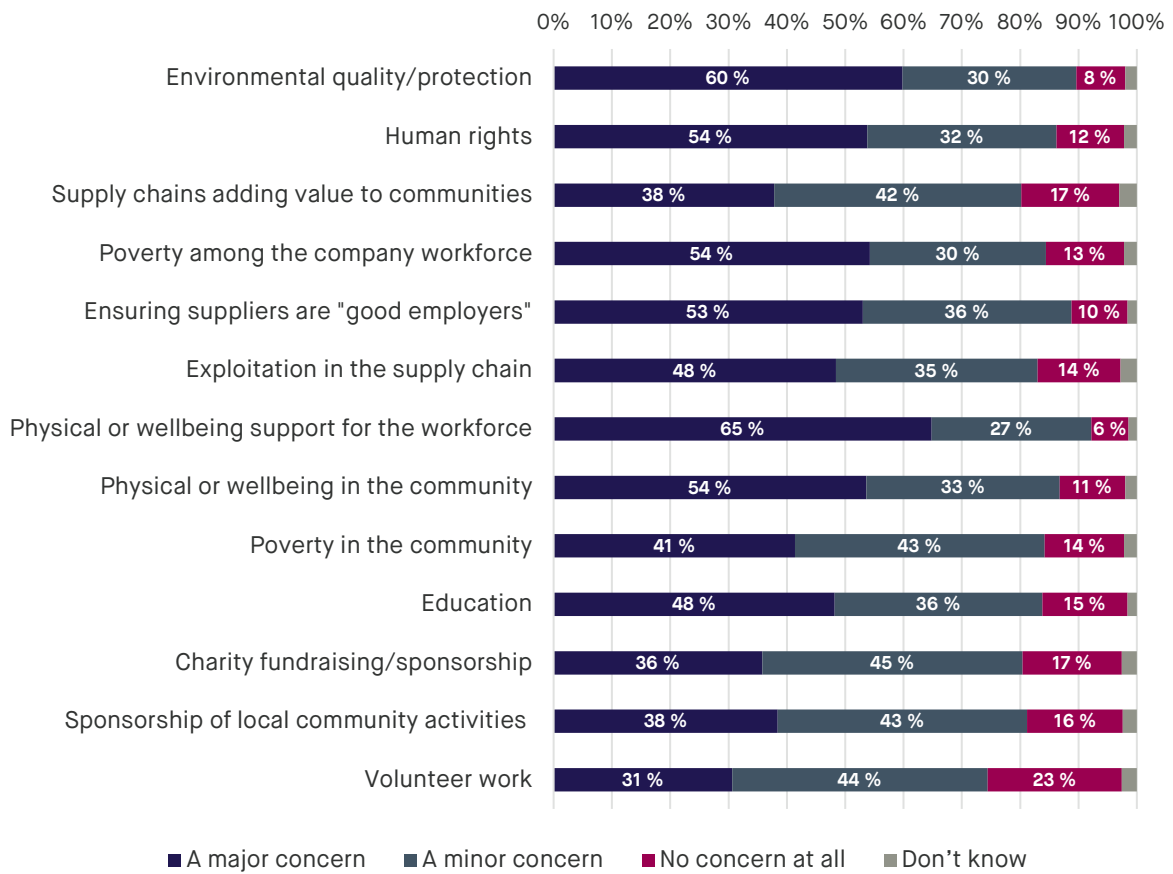
Figure 4 shows that, among smaller and medium sized enterprises (with employees) that cited "social responsibility" as being "important" to their business, ensuring suppliers are "good employers" was a "focus" of 38% of respondents. This places it 11 percentage points ahead of "workforce poverty".

While the popularity of supply chain-related ESG issues is proportionately lower among SMEs compared to larger firms, it is notable that it ranks second in popularity as an "existing focus" – the same ranking as among bigger companies.

The ESG issues that should be "concerns" for London businesses

Figure 5 shows the degree to which London businesses believe that particular ESG topics "should" be considered as topics of "concern" to them and the wider business community in the capital.

Figure 5: The extent to which different ESG issues "should" be a concern to London businesses



Source: *Opinium survey of London businesses, 2021*

It is notable that 54% consider that "poverty among a business's own workforce" should be a "major concern" and a further 30% thought it should be at least a "minor concern". While 41% agreed that "poverty in the community" should be a "major concern" for businesses and 43% said it should be a "minor concern".

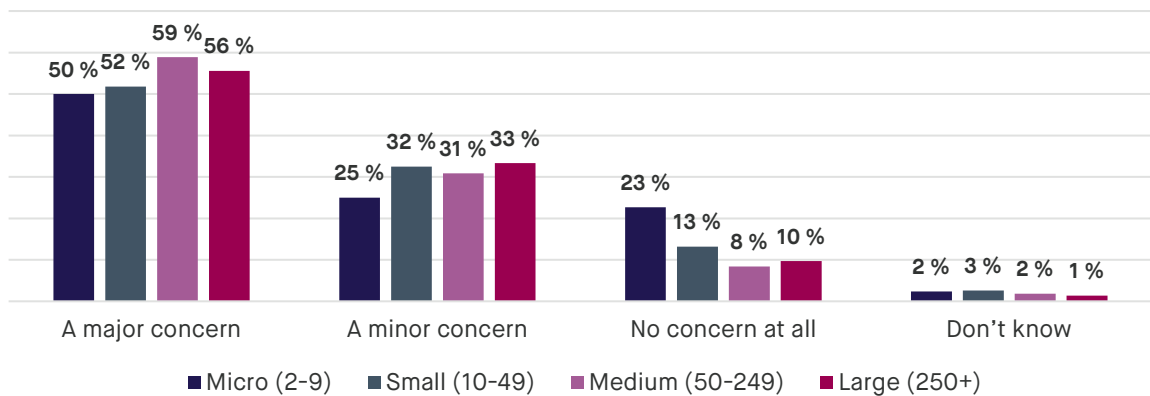
The data in Figure 5 indicates that businesses are conscious of the prevalence of poverty in London and in particular the poverty suffered by those in-work (which, in some cases, includes the staff in some of those businesses surveyed) and the deprivation that exists close to many of the places where businesses operate. The Figure 5 data chimes with additional survey findings set out in Figures 6 to 11 below. Together, these cumulative findings suggest that London businesses are certainly aware of poverty as a problem and that many exhibit at least a degree of concern about the problem.

One implication of these findings – for London government, policymakers and civil society in particular to consider – is to raise the question of how the concern for poverty among the business community in London might be directed into positive action.

THE IMPORTANCE OF POVERTY TO LONDON BUSINESSES ACROSS BUSINESSES OF DIFFERENT SIZES

When London businesses were asked specifically about three different types of poverty in the capital – poverty among their own workforces, in the communities local to their London business operations, and within the workforces of their “local suppliers” - most respondent firms, across all size categories, admitted that these problems were, at least to some degree, “concerns” to them.

Figure 6: The importance of poverty among the workforce to businesses, by business size

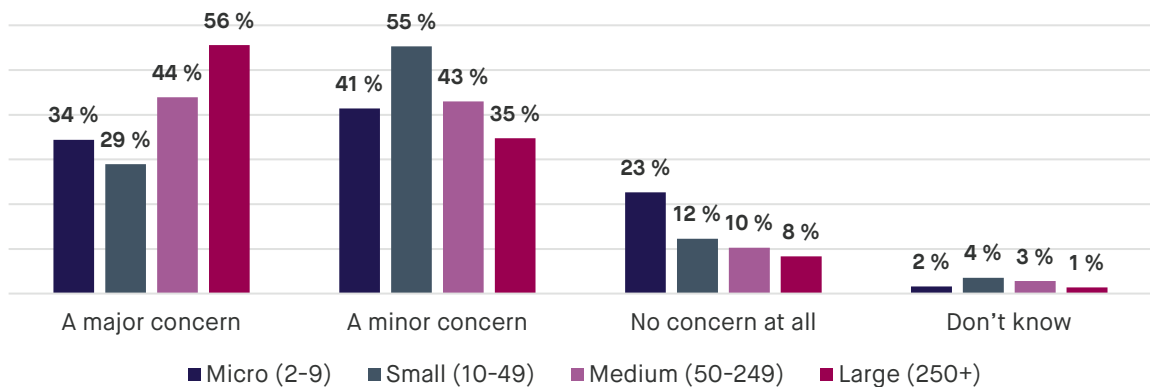


Source: Opinium survey of London businesses, 2021

Figure 6 highlights the extent to which “poverty among the workforce” of the respondents’ London-based business is a “concern” to firms of different sizes. Those most likely to cite this type of poverty as a “major concern” are medium-sized and larger firms. Nevertheless, the proportions of micro-businesses and smaller firms saying that “poverty among their workforce” was “a major concern” was still high, with 50% of micro-businesses and 52% of smaller firms stating this, respectively.

Figure 7 shows the degree to which the issue of “poverty in the communities” local to the respondents’ London-based business operations is a “concern” to firms of different sizes. Perhaps unsurprisingly, it is most likely to be a major concern among large businesses. This is likely to be, in-part, because of their larger footprint in the capital and therefore greater amounts of exposure to poverty.

Figure 7: The importance of poverty in the community to businesses, by business size

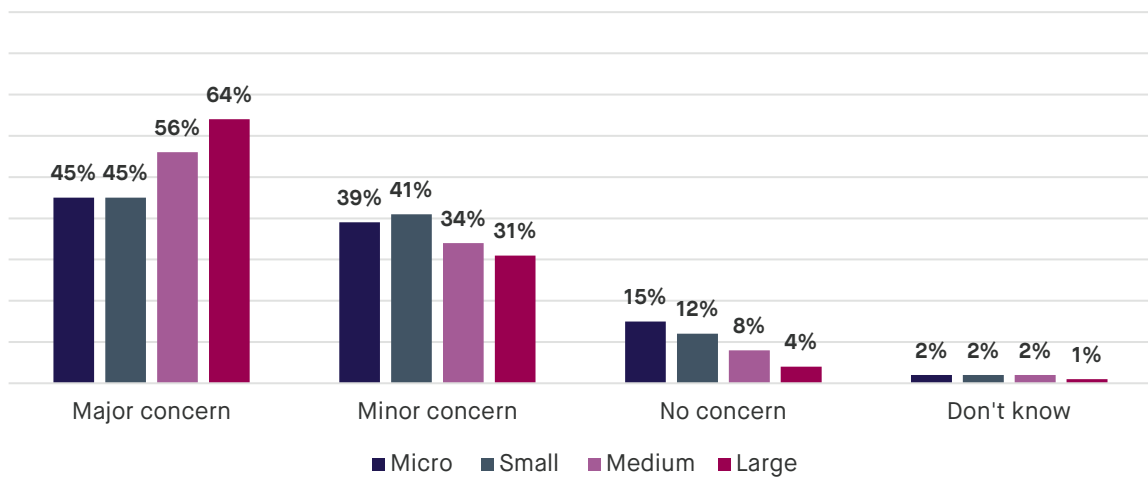


Source: Opinium survey of London businesses, 2021

Figures 8 and 9 illustrate the extent to which the local supply chains of London businesses (and consequently the in-work poverty of those working for those suppliers) are of "concern" to firms in the capital of different sizes. Being a "good employer" and the issue "exploitation" capture a number of issues, they are inextricably linked to the issue of in-work poverty.

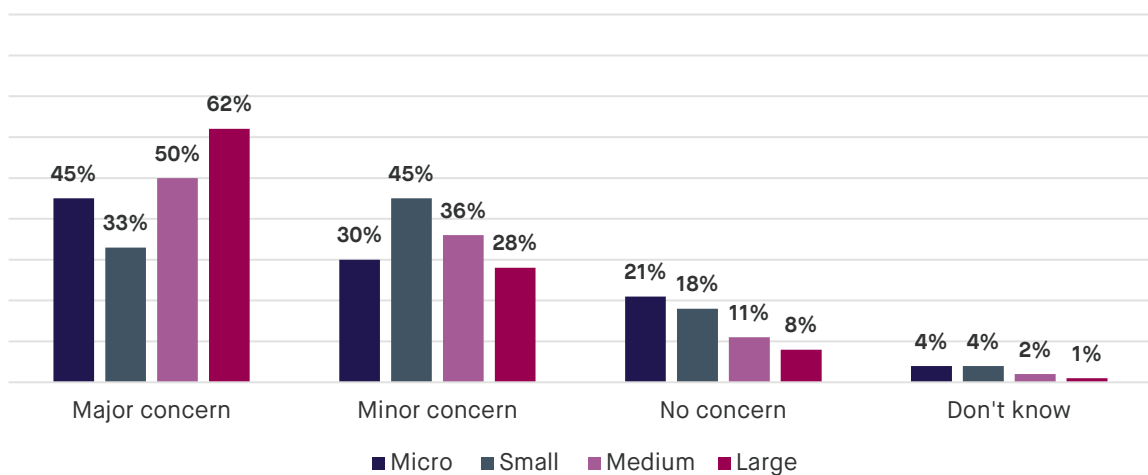
The data show that "good employment" and "exploitation" among local supply chains is most likely to be considered a "major concern" by large and medium businesses and less likely to be a concern of micro and smaller enterprises. Although, as the data presented in Figures 8 and 9 shows, significant minorities of micro and small firms do consider "good employment" and "exploitation" as issues of "concern" to them.

Figure 8: The importance of suppliers being "good employers" to London businesses, by business size



Source: *Opinium survey of London businesses, 2021*

Figure 9: The importance of exploitation in the supply chain to London businesses, by business size

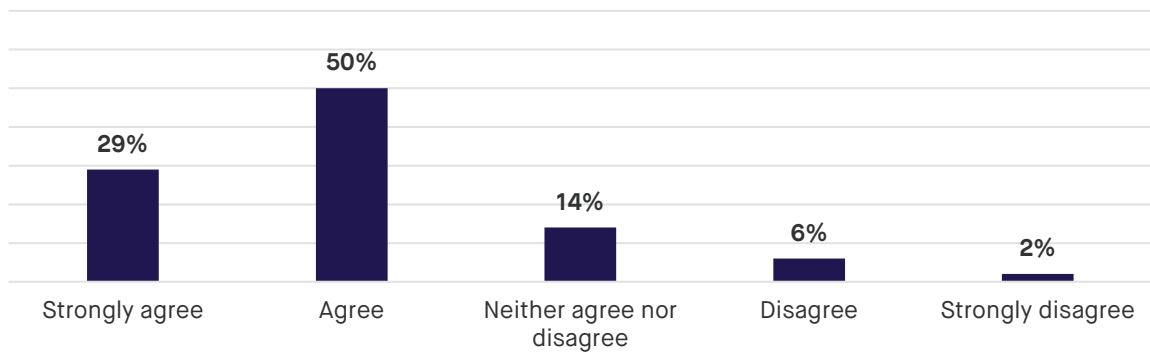


Source: *Opinium survey of London businesses, 2021*

PERCEPTIONS OF THE PREVALENCE AND NATURE OF POVERTY IN LONDON BY BUSINESSES

The high proportion of businesses saying the presence, in London, of a number of different types of poverty are of "concern" to them, is notable. One key reason for this is the pervasiveness of poverty in the capital, as highlighted earlier in this briefing note. The extent to which businesses are conscious of the poverty in London is reflected in the findings set out in Figure 10, which highlights the proportion of the London business community that agreed or disagreed with the statement that "poverty is an issue that impacts people in London".

Figure 10: The extent to which London businesses agree that poverty is an issue that impacts people in the capital



Source: *Opinium survey of London businesses, 2021*

As Figure 10 demonstrates, nearly eight in ten businesses in the capital see poverty as a phenomenon that is impacting those living and working in the city. Further, many businesses recognise that sizeable portions of their own workers are “directly affected” by poverty, as too are the communities their main London business operations are based in, and that there is poverty among those who work for their local suppliers.

Figure 11: London businesses’ estimates of the proportion of people directly affected by poverty in their area



Source: *Opinium survey of London businesses, 2021*

Figure 11 shows that:

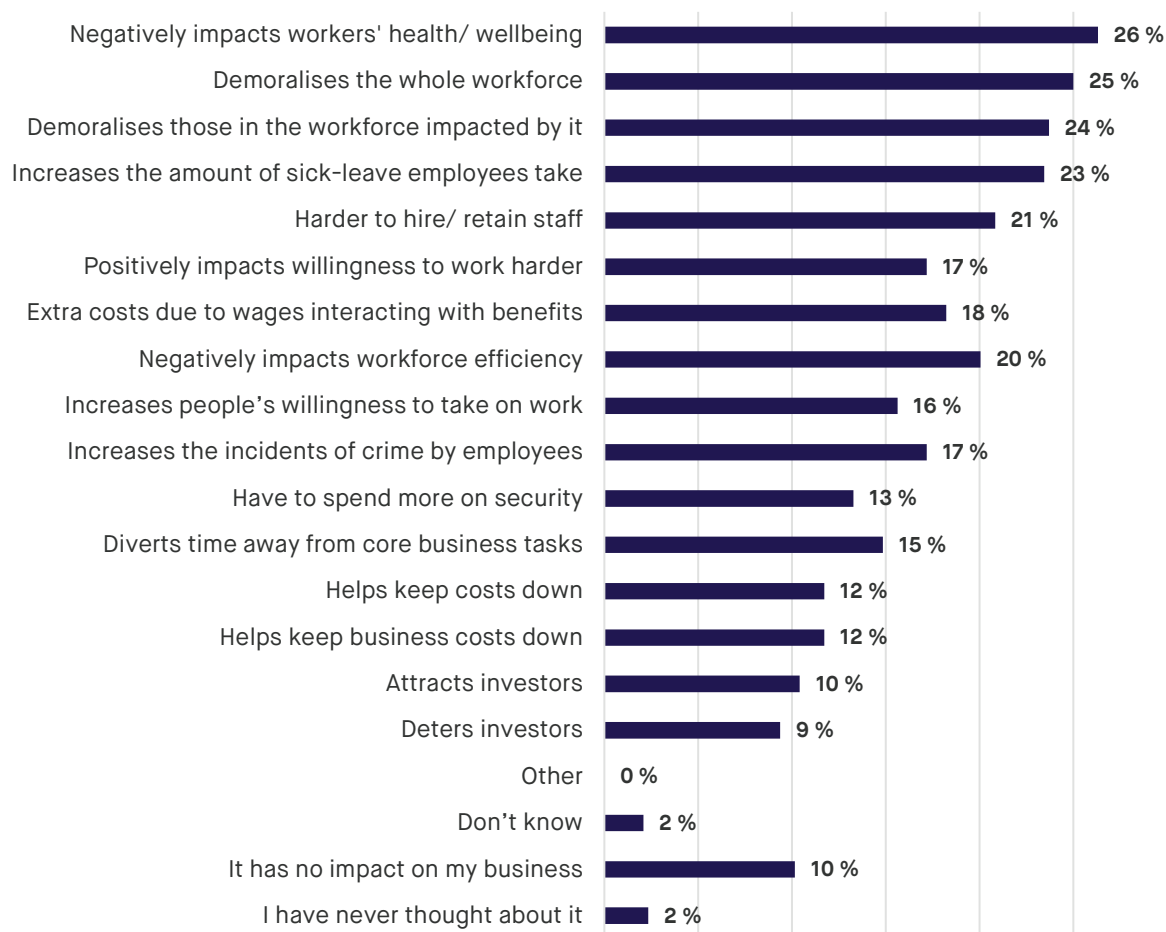
- 76% of employers believe that at least some member of their London workforce are “directly affected” by poverty. 39% of London businesses estimated that more than half of their workforce are “directly affected” by poverty and 7% of London businesses estimated that all of their workforce are similarly affected by poverty.
- Nine in ten employers said that they considered it to be the case that at least a proportion of the people who worked for their local suppliers are directly affected by poverty.
- 94% of respondents believed that the community where their main London operations took place are “directly affected” by poverty.

REASONS WHY POVERTY IS IMPORTANT TO LONDON BUSINESSES

The levels of awareness among London employers of in-work and community poverty in the capital are reflected in the substantial proportions in Figures 6 to 9 reporting that the existence and prevalence of such poverty is a “concern” to businesses. The levels of awareness and “concern” revealed in the data above might suggest to those trying to find ways to help reduce poverty in general and in-work poverty in particular that there is a sympathetic audience among London firms, who might be interested in trying to help tackle such challenges.

London employers are likely to be interested in solutions for a number of reasons. This includes a range of negative impacts that in-work poverty (among their own workers and among those employed by local suppliers) and poverty in local London communities, have on factors important to businesses, for instance: the quality of the workforce that employers have access to, the security of the staff that work for companies that have operations in areas of deprivation and the negative consequences for the reputation of a business who, for example, have local suppliers that pay poverty wages.

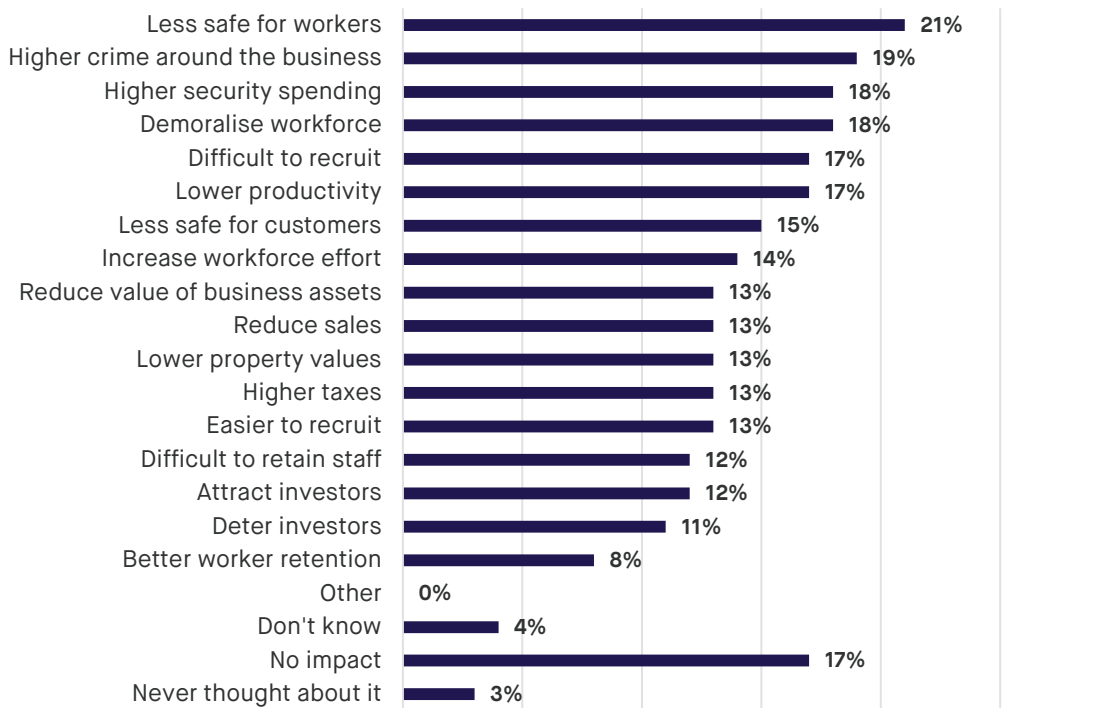
Figures 12, 13 and 14 highlight how those employers who acknowledge there is, at least, some “among their workforce”, in “their local community”, or “among their local suppliers” are directly affected by poverty the ways that such poverty impacts business. For each category of poverty, the top 5 most cited ways it impacted businesses were negative ones.

Figure 12: Ways in which workforce poverty impacts business

Source: *Opinium survey of London businesses, 2021*

The most commonly reported way that poverty impacts firms who agree that some of their workforce are "directly affected by poverty", was through its effect on the "health and wellbeing of their workers" (26%). The second most frequently cited answer was that when some of the workforce are in poverty, it "demoralises the whole workforce" (25%), followed by the "demoralisation of those in the workforce directly affected poverty" (24%) and fourth most often given answer was that poverty among workers impacted the amount of sick-leave workers take (24%).

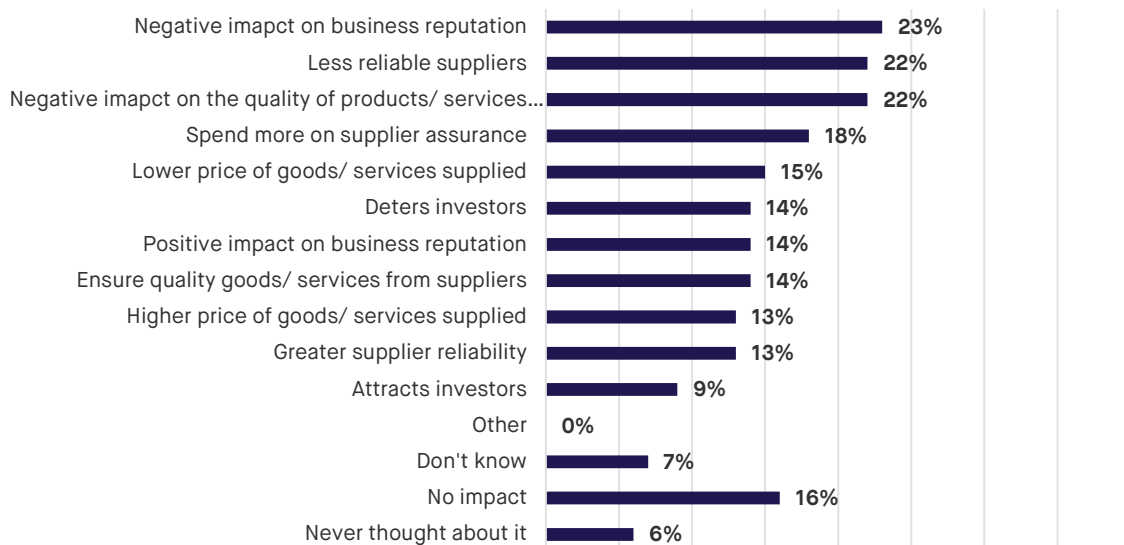
Figure 13: Ways in which poverty in the community local to London firms impacts business



Source: *Opinium survey of London businesses, 2021*

Figure 13 shows that, among those respondents that agreed at least some of the community local to their main London business operations are directly affected by poverty, the most often cited way that such poverty impacted the respondent business was through the “risk to the security of staff” (21%) which is no doubt, in-part, a consequence of the link between deprivation and “crimes against the person”. This was followed closely by concerns about crime - more generally - committed against the business (19%), “spending more on security” (18%) and the “demoralisation of staff” (18%) generated by the poverty in the surrounding area.

Figure 14: Ways poverty among the workforces of local suppliers impact London business



Source: *Opinium survey of London businesses, 2021*

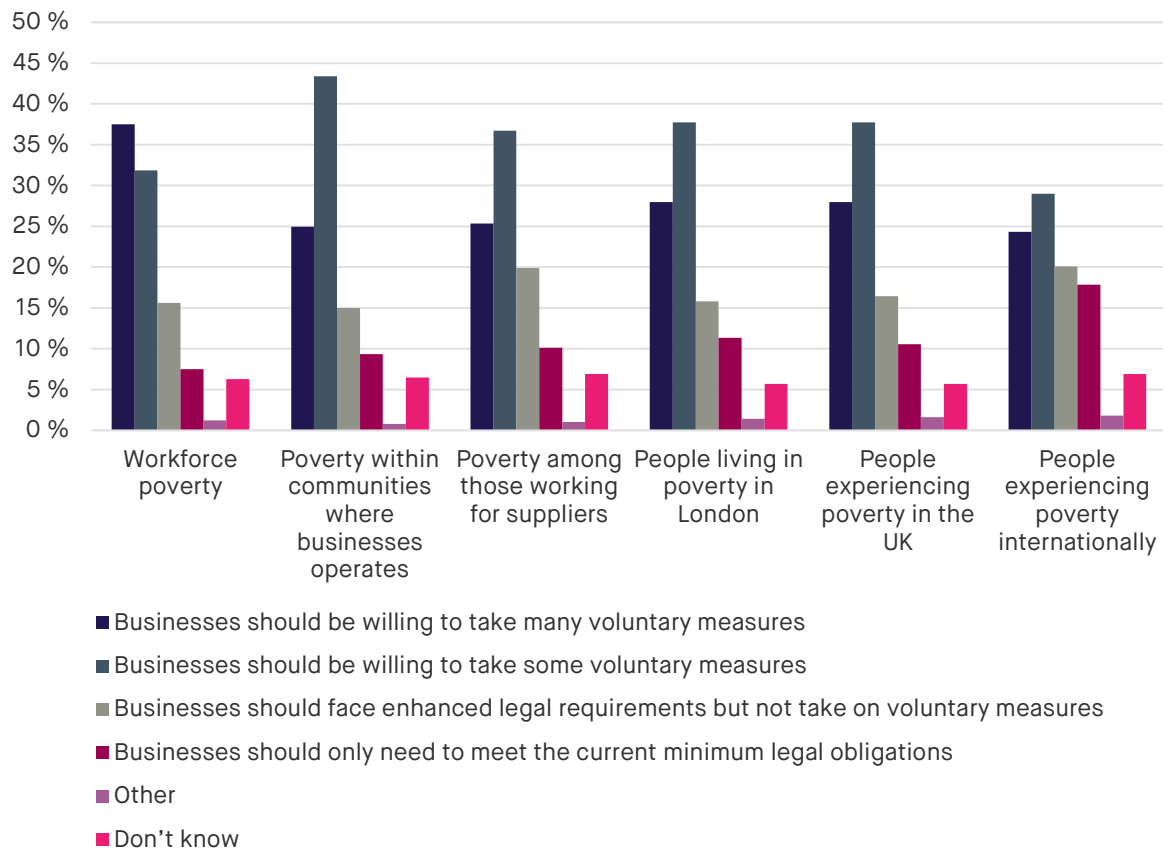
As Figure 14 highlights, the most commonly reported way that “poverty among the workforces of local suppliers” impacts employers is through it having a negative effect on the “reputation” of the procuring company (23%). This was followed by the way poorly paid workers working for suppliers can feed-through into issues of supplier “reliability” (22%) and on the “quality of the products or services provided by suppliers” to the purchasing firm (22%).

A ROLE FOR LONDON BUSINESSES IN HELPING TACKLE POVERTY

Given the predominance of negative impacts on London businesses from the three categories of poverty the survey asked respondents about, and the nature of those impacts (i.e. on what are ultimately competitiveness related factors such as workforce well-being) it is unsurprising that many London employers believe that businesses can and should help play a role in tackling poverty.

Figure 15 demonstrates the levels of support, among London employers of all sizes, for taking measures that go “above and beyond” the legal minimums already required of firms – such as paying the National Living wage. In order to help tackle the different types of poverty that can negatively impact London businesses.

Figure 15: The extent to which businesses should help address the following issues



Source: *Opinium survey of London businesses, 2021*

Figure 15 shows that:

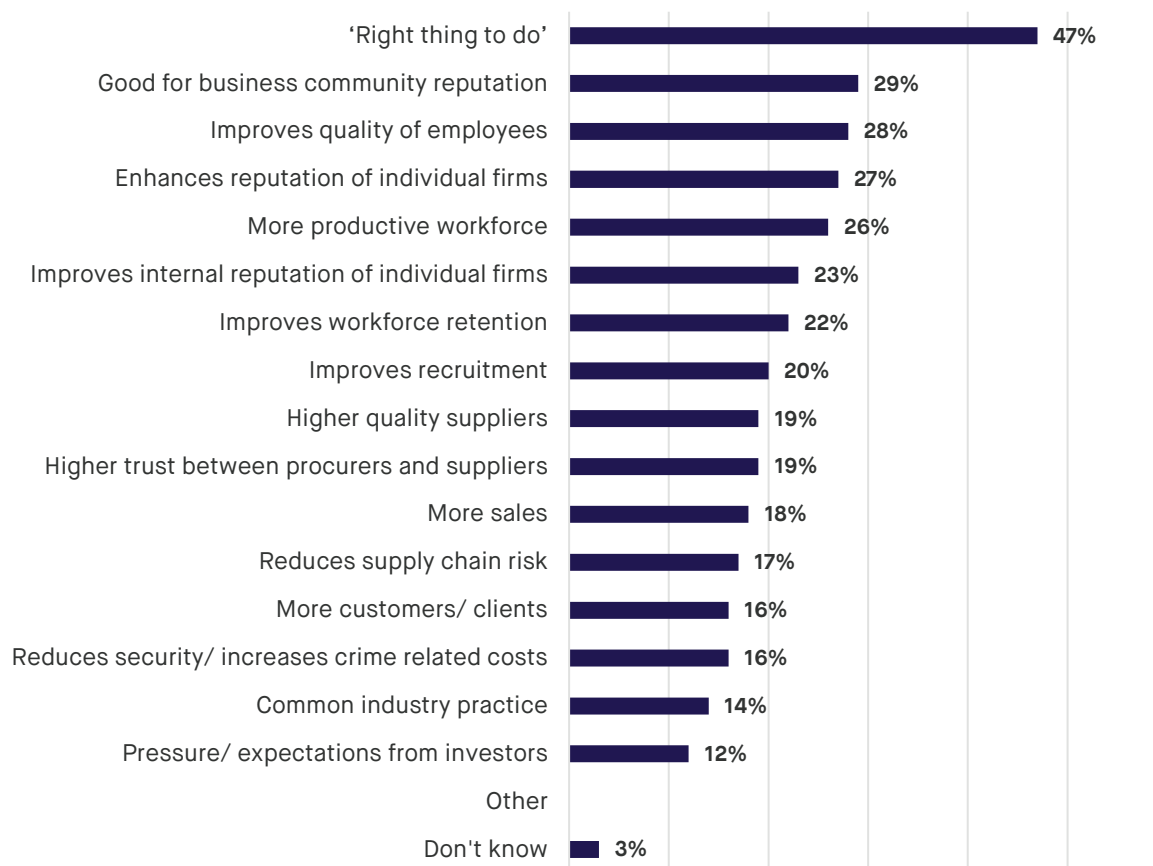
- 38% of London-based firms with staff said that companies should be “willing to take many voluntary measures” to help address poverty in their workforce.
- 32% agreed that businesses “should be willing to take some voluntary measures” beyond the legal minimum requirements already placed upon businesses, to help tackle poverty in their own workforce.
- One in four (25%) respondents considered that businesses should take “many voluntary measures” to help reduce “poverty in the community”.
- 43% agreed that businesses should take “some voluntary measures” to help reduce “poverty in the community”.
- 25% said that businesses should take “many voluntary measures” to try and help address poverty” among those who work for local suppliers (25%).
- 37% of respondents agreed that businesses should be willing to take “some voluntary measures”, to help address poverty among the workforces of their local suppliers.

The data presented in Figure 15 shows that there is little explicit support among London’s business community for merely adhering to current minimum legal requirements aimed at helping to address poverty. This suggests that most London-based businesses know more needs to be done to help reduce poverty in the capital and that employers can play a role in helping achieve that goal. However, when it comes to the latter, overwhelmingly, it is voluntary measures that are the preferred method for doing so.

MOTIVATIONS OF LONDON BUSINESSES WHO WANT TO HELP TACKLE POVERTY

The motivations of those businesses that want to help tackle poverty are set out in Figure 16. The most frequently cited reason by respondents, as to why “businesses should help tackle poverty”, was a moral one i.e. “it is the right thing to do”. Nearly half (47%) of all businesses surveyed gave this answer. This was followed by a cluster of reasons, with similar proportions of respondents saying that:

- “It would be good for the reputation of the business community as a whole” (29%).
- Less poverty will help “improve the quality of employees” (28%).
- It is good for the “reputation of individual businesses” who do take action (27%).
- Addressing poverty will ultimately lead to a “more productive workforce” (26%).

Figure 16: Reasons why poverty should be an issue that business helps address

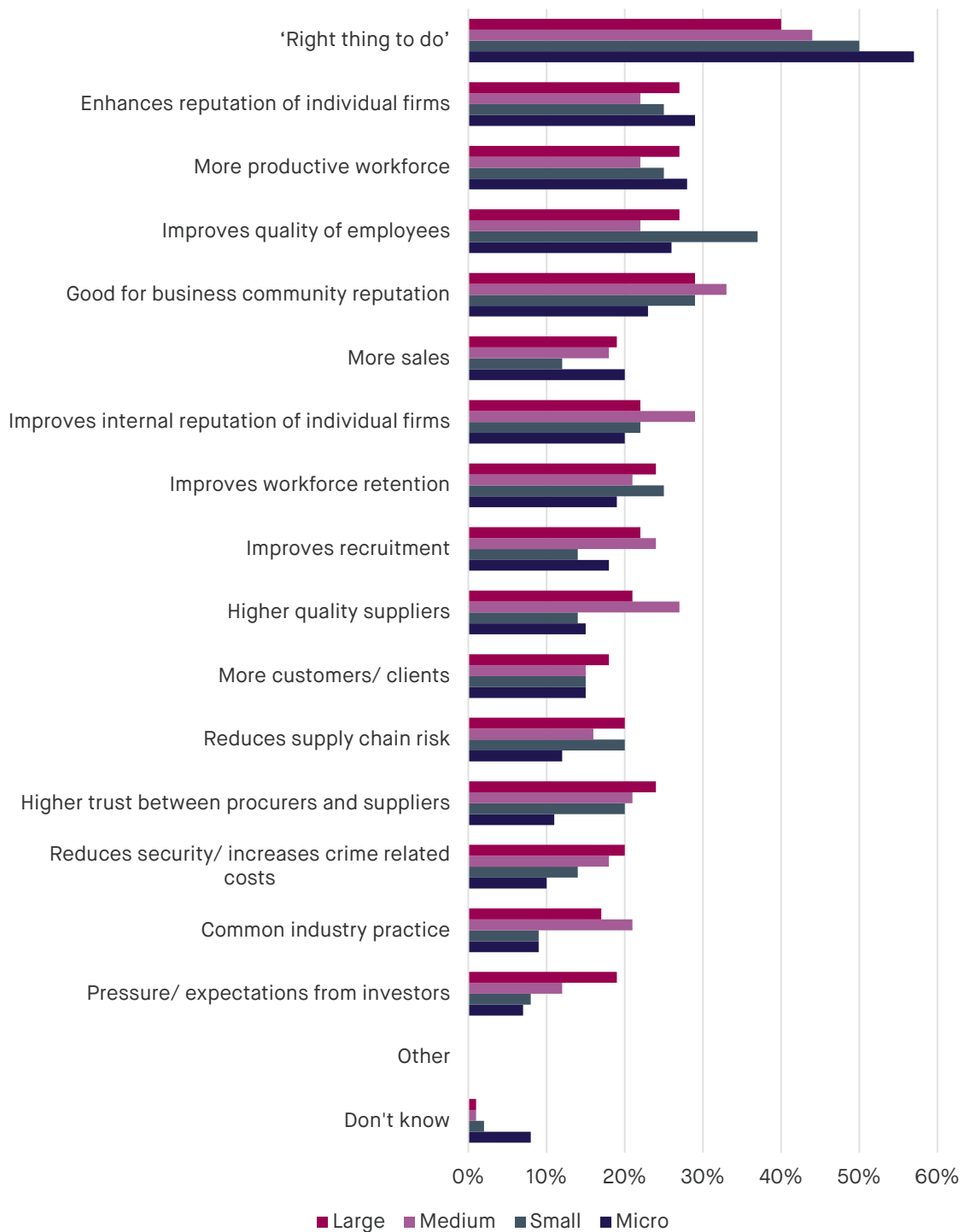
Note: respondents could select up to five options

Source: Opinium survey of London businesses, 2021

Notably, motivations such as addressing poverty being a “common industry practice” (14%) and “pressure from investors” (12%) were reported by comparatively few survey participants, as motivations for helping tackle London poverty.

Figure 17 highlights that the motivations of London employers across different business size categories, for being “willing to take voluntary measures above and beyond current minimum legal requirements”. The size breakdown broadly reflects the overall picture i.e. “doing the right thing” was the most popular motivation. This was most frequently provided by micro-businesses (57%). Medium-sized businesses were the category of firm that most often said that a key motivation is the benefits that accrue, as a result of taking measures, for the “reputation of the business community” in London.

Figure 17: Motivations behind businesses helping to address poverty, by business size



Source: *Opinium survey of London businesses, 2021*

Smaller enterprises were the category of firm most likely to say that addressing poverty helps “improve the quality of employees” (37%), with 26% of micro-businesses, 22% of medium-sized firms, and 27% of larger companies (who had previously agreed that businesses should be “willing to take voluntary measures” to help address poverty) saying this, too.

ABOUT THIS REPORT

This report is part of a three year project - supported by Trust For London – examining perceptions about and experiences of poverty by London's business community and, ultimately, aiming to develop interventions to help business take effective action against poverty. **We welcome the ideas and observations of businesses, relevant civil society groups, academics, practitioners and others on this research, the wider project and its objectives**, and encourage those who are interested in this issue to contact the Social Market Foundation via director@smf.co.uk to be part of this conversation.

NEXT STEPS

The next phase of the three year project, that this briefing note is part of, will see more extensive engagement with the London business and investor communities and the publication of more research into business attitudes towards and experiences with standards and benchmarks.

In addition, phase two will see the creation of an expert advisory group to help guide the project through its next steps, which include the central ambition of the project of designing a new benchmark for use by London businesses and investors. The aim of creating such a tool is to help businesses demonstrate to stakeholders what they are doing to tackle poverty among their own workforces, in the communities around their London commercial operations and among those working for their suppliers. Further, the metric will encourage businesses to make greater efforts to help reduce poverty and enable investors to hold businesses to account for their efforts on this issue.

ENDNOTES

¹ Trust for London and WPI Economics (2020), *London's Poverty Profile: 2020*

² Social Metrics Commission (2020), *Measuring Poverty 2020*

³ Hick, R. and Lanua, A. (2017), *In-Work Poverty in the UK: Problem, policy analysis, and platform for action*

⁴ London Councils (2018), *In-work poverty*

⁵ London Assembly (2020), *Low Pay and In-Work Poverty Steps to help Londoners struggling to make ends meet*

⁶ Trust for London and WPI Economics, *London's Poverty Profile: 2020*

⁷ London First (2018), *An Employment and Skills Action Plan for London*