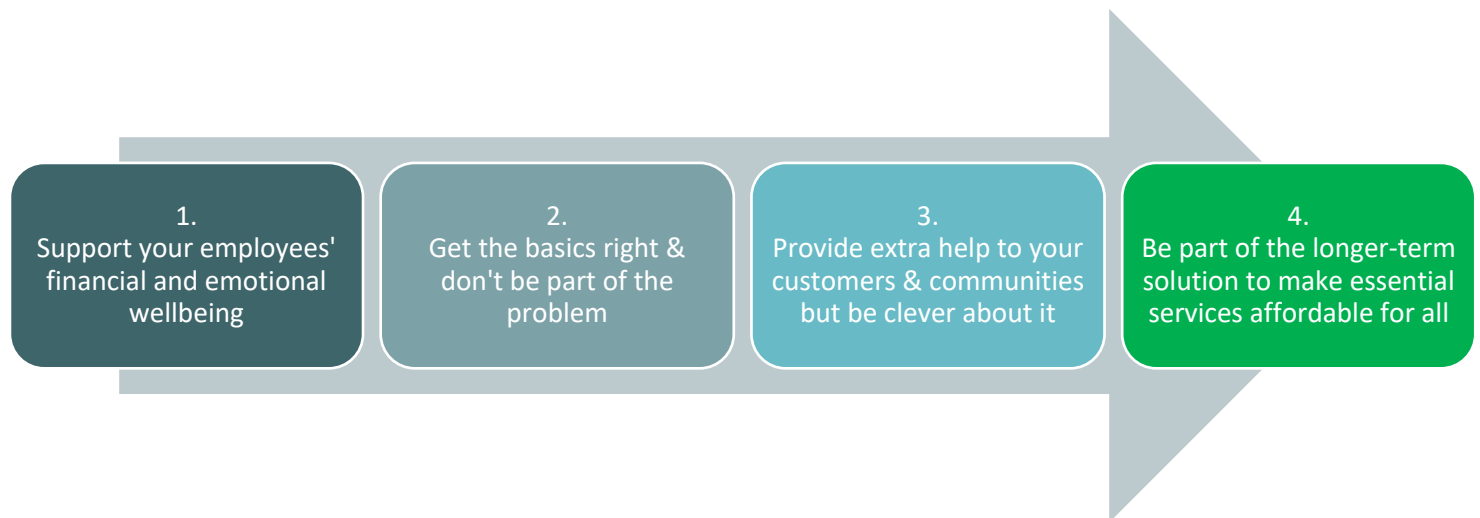


How responsible businesses/organisations can help in the energy and cost of living crisis

Many responsible businesses and councils are thinking about how they can best help during the current energy and cost of living crisis. Zoe McLeod, Sustainability First Policy Director, outlines four key actions that organisations should take to maximise social benefit while also supporting their own long-term financial sustainability.



1. Support your own employees

This should be your top priority and includes not only full-time staff, but temporary employees and apprentices. Your employees are your biggest asset. As well as fundamentally being the right thing to do, it's in any organisation's long-term commercial interests especially given tough competition for talent in the market. This is all the more important due to the significant increase in the so-called 'working poor'¹. Government is struggling to develop effective ways to target support for those most in need of financial help who are not on benefits and are therefore not identified. Organisations who can should²:

- a) **Pay a decent wage and ensure their contractors do too.** The new Living Wage rates will be announced on Thursday 22nd September 2022 – employers should implement the rise as soon as possible³.
- b) **Check-in with employees; increase financial support available to staff, educate people about available assistance** including wider help outside the organisation. A number of utility companies have taken the positive step of regularly engaging with their employees during these difficult times to find out how they are coping with rising cost of living and the support they need. They report being shocked by their findings – large numbers (including many on higher incomes), using foodbanks and struggling with debt. They've responded in a variety of ways, including with salary

¹<https://www.ippr.org/news-and-media/press-releases/revealed-working-family-poverty-hits-record-high-fuelled-by-rising-housing-costs-and-childcare-challenges>

² See Prince's Responsible Business Network campaign asks <https://www.bitc.org.uk/fact-sheet/how-businesses-can-respond-to-the-cost-of-living-crisis/>

³ <https://www.livingwage.org.uk/what-real-living-wage>

uplifts, one-off cash payments, extra help for home workers to cover energy costs, interest free loans and debt advice among other approaches.

- c) Intensify efforts to champion equality including capturing ethnicity and gender data and addressing challenges for working carers⁴.** Ciph, an HR solutions business, reports that some organisations are actively offering their workers salary increases that are in line with or above inflation, helping to stabilise (or raise) employees' wages in real terms. However, women are less likely than men to have been awarded a salary increase in line with or above the rate of inflation for 2022 (14% compared to 22% respectively⁵). This is especially worrying because women and workers from certain ethnic minorities tend to be disproportionately negatively impacted⁶ during times of crisis. Positive action is needed by organisations to ensure inequality doesn't increase, especially as these groups are among those hardest hit by the pandemic and tend to be less financially resilient⁷.
- d) Increase and extend wider wellbeing assistance** – CIPD, (Chartered Institute of Personnel Development), the professional body for HR in the UK, reports that one in four employees say money worries affect their ability to do their job – including those on higher incomes⁸. Alongside financial support, organisations need to consider how they will help employees address personal health and wellbeing impacts of the crisis. e.g. offering mental health support, counselling, legal services.

Longer-term, supporting employee wellbeing builds loyalty, supports a positive culture, employee retention and more widely has reputational benefits. These are all fundamentals for a sustainable organisation. However, this only works if well done. Not all support for example, has been welcomed. A well-intentioned food donation point set up at BT call centre in Tyneside, designed for the "last few days before pay day and you need something for tea", has been heavily criticised for normalising low wages, at a time when the BT Group posted annual profits of £1.3billion and employees are threatening strike action⁹.

When deciding how to help, companies should consider the proportionality of their response relative to their profits, board bonuses and executive pay.

Large utility company dividends are unlikely to be deemed acceptable by many in the current climate. Following Covid-19 one in four executives took a pay cut¹⁰. For some such as Luke Hildyard at the High Pay Centre think tank, financial rewards being paid to directors are a "big part of the cost of living crisis". "If large employers are paying millions more to already very wealthy executives, that makes it harder to fund pay increases for low-and middle-income workers. Their recent report with the TUC reveals the pay gap between executives and regular full-time employees is growing with the median FTSE 100 chief executive now paid 109 times the median UK full time worker, up from 79 times in 2020 and 107 times in 2019¹¹. The UK is extremely unequal, with worse income inequality than every EU country except Bulgaria according to the OECD12 (Organisation for Economic Co-operation and Development).

⁴ <https://www.bitc.org.uk/fact-sheet/how-businesses-can-respond-to-the-cost-of-living-crisis/>

⁵ <https://www.ciph.com/press-releases/rising-inflation-may-widen-the-uks-gender-pay-gap/> - A greater proportion of women than men also reported getting a lower pay rise. Of the women who had received a pay rise to date, two-fifths (40%) said it was below inflation. Just a third (32%) of the men who received a pay rise said the same. According to the Office for Budget Responsibility, pay is not expected to keep pace with inflation this year, or next, so these findings suggest that the UK's gender pay gap may grow – or remain relatively unchanged in the year ahead.

⁶ <https://www.bitc.org.uk/wp-content/uploads/2022/06/bitc-multicampaign-factsheet-howbusinessescanrespondtothecostoflivingcrisis-june2022.pdf>

⁷ Sustainability First and Centre for Sustainable Energy research – Covid-19: What Next? A future vulnerability assessment for UKPN and South East Water. The report found that private sector renters, some minority ethnic groups, lone parents, carers, disabled people and those that were shielding, young people especially those living independently and low-income workers in insecure employment were disproportionately negatively impacted by the pandemic and suffered higher levels of debt. They are more likely to be suffering deeper poverty as a result of Covid-19 though this is not always the case.

⁸ <https://www.cipd.co.uk/knowledge/strategy/reward/surveys>

⁹ <https://bigissue.com/news/employment/bt-food-bank-community-pantry-own-staff/>

¹⁰ www.peoplemanagement.co.uk/article/1744941/

¹¹ [Executive pay up 39% since pandemic as financial rewards to top bosses dwarf worker pay amid worsening crisis \(inews.co.uk\)](https://www.inews.co.uk/news/finance/executive-pay-up-39-percent-since-pandemic-as-financial-rewards-to-top-bosses-dwarf-worker-pay-amid-worsening-crisis/) (August 2022)

¹² [Inequality - Income inequality - OECD Data](https://www.oecd.org/equality/income-inequality/)

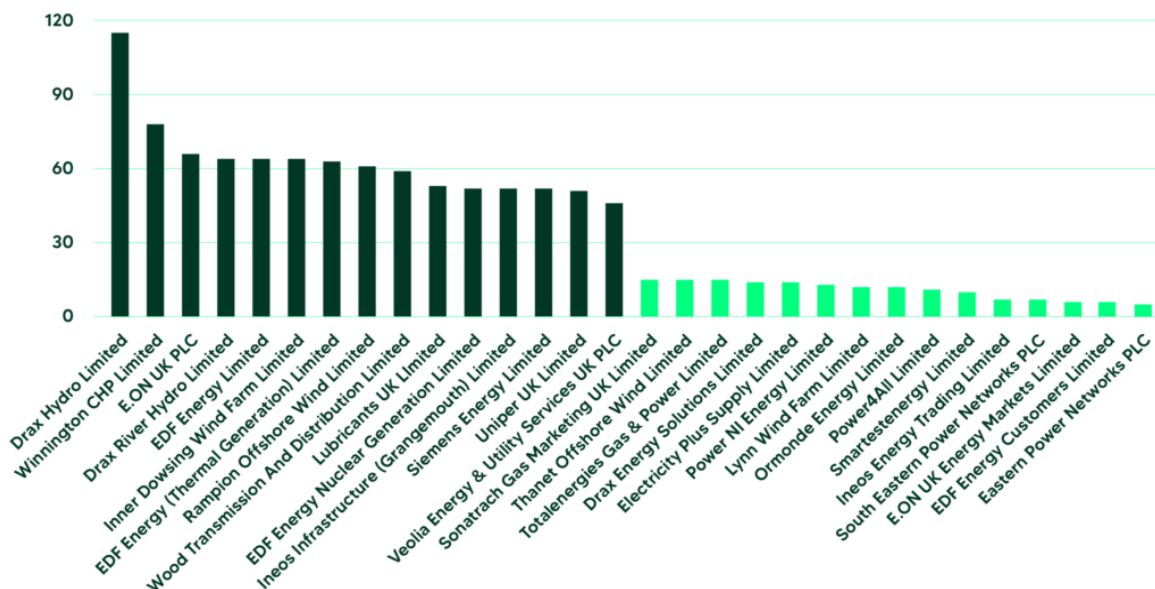
2. Get the basics right so you're not part of the problem

Whether you're a company, charity, local authority or housing association it's important to ensure your processes and performance aren't aggravating people's problems and the cost of living crisis. In particular:

a) **Pay small businesses who provide goods and services as quickly as possible**

Even before the cost of living crisis, the 'Good Business Pays' campaign reports that "slow and unfair payment practices are threatening the future of almost half a million UK small businesses" who in turn employ hundreds of thousands of workers¹³. A study by the Centre for Economics and Business Research (CEBR), estimates **that if small businesses' invoices were paid on the day they were submitted, their revenues would increase by £40bn to £60bn per year**. This could provide a significant income boost for small businesses, and local communities in which they are based at a time when their operating costs are rising by the week¹⁴. Late payment can in the longer-term also be self-harming for organisations. Suppliers going bust can increase the cost of goods and services if competition weakens, can slow supply chains, impacting performance. Unemployed workers from closed businesses have less money to pay for goods and services. The 'Good Business Pays' campaign publishes comparative payment performance data and we shine a spotlight below the good and bad payers in the energy sector¹⁵. **Companies need to get their own house in order before calling on others to take action**. Among the utilities, only Severn Trent, United Utilities, and EDF Energy Customers Ltd were identified as Fast Payers in 2021 with over 95% of invoices paid on time¹⁶. Companies can become Good Business Pays accredited¹⁷.

**UK Energy, Oil & Gas Sector
The 15 Slowest & 15 Fastest Payers
(Average Days to Pay)**



¹³ At the start of 2021 there were 5.5 million small businesses (0 to 49 employees). Employment in small businesses was 12.9 million (48% of the total employment). SMEs account for three fifths of the employment and around half of the turnover in the UK private sector. Total employment in SMEs was 16.3m (61% of the total). <https://www.fsb.org.uk/uk-small-business-statistics.html>

¹⁴ <https://goodbusinesspays.com/wait-off-campaign/>

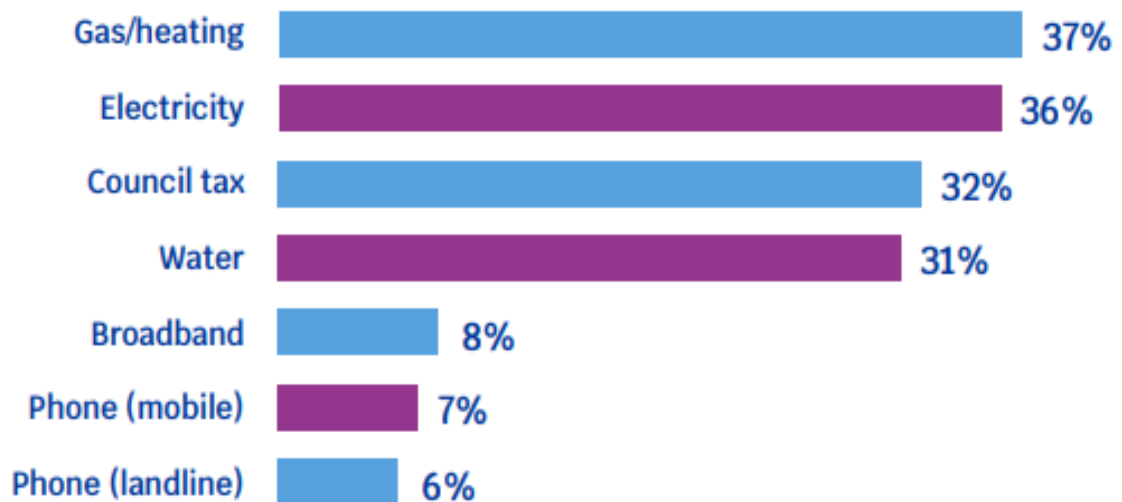
¹⁵ For more sectors see How Businesses Perform - <https://goodbusinesspays.com/how-businesses-perform/>

¹⁶ <https://goodbusinesspays.com/fastpayerawards/>

¹⁷ <https://goodbusinesspays.com/commit/>

- b) Ensure high levels of compliance with relevant regulations and expectations** – for regulators this means getting ahead of the problems and proactively monitoring company compliance with protections to safeguard customers in vulnerable situations including in debt. We welcome for example Ofgem’s Market Compliance Assessment which includes scrutinising companies’ compliance with rules around direct debits, customer service, support for vulnerable customers and support for customers with difficulty paying¹⁸. For councils, for example, this might involve prioritising activities that can support residents through this difficult time such as effective distribution of central government funding to those in most need, and compliance with the Housing Health and Safety Rating System¹⁹ and Minimum Energy Efficiency Standards (MEES)²⁰ that can influence whether bills are affordable as well as physical and mental health.
- c) Redouble efforts to promote existing support to help those in financial difficulty.** Most organisations already offer a range of support to customers who are struggling, whether voluntarily or if they are required to, by regulation. In the utilities sector awareness of financial support available remains low (see below). This has become all the more important as **many customers are falling into financial difficulty for the first time who have never had to seek support before.**

Percentage of bill payers aware of support. Source: Ofwat’s Cost of Living report (May 2022)²¹



There is much more organisations can do. Ofcom highlights for example that just 1.2% of customers who are eligible for voluntary discount broadband tariffs are accessing support, with more than 4m customers on Universal Credit missing out around £144 each per year, that could be cut from their bills²². Organisations should be proactive in contacting those in debt or in vulnerable situations to make ensure they are receiving help in a timely way.

¹⁸ <https://www.ofgem.gov.uk/publications/market-compliance-assessments-update-next-steps-and-further-annual-assessments-2022>

¹⁹ <https://www.gov.uk/government/publications/housing-health-and-safety-rating-system-guidance-for-landlords-and-property-related-professionals>

²⁰ <https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>

²¹ [Cost-of-living-report-Final.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/cost-of-living-report-final.pdf)

²² <https://www.ofcom.org.uk/news-centre/2022/millions-of-low-income-families-missing-annual-broadband-saving>

d) Treat domestic customers, residents and small businesses in debt fairly and with compassion.

With growing numbers of people struggling to afford their bills, there will be an increasing tension between the desire to reduce bad debt (especially if organisations themselves are struggling financially) and the need for fair treatment of those in debt. While the energy sector now has supply licence conditions in this area, many sectors such as water and telecoms largely rely on voluntary good practice guidance. All organisations should review their processes including staff incentives to ensure they support **flexible, compassionate approaches** that meet good practice²³. For commercial organisations a compassionate approach today can support loyalty and customer retention tomorrow. For example - whether for housing, council tax, water, energy or telecoms, organisations should:

- **Make it easy for consumers to pay their bills in ways that work for them** so they can budget more easily. This includes retaining cash payments for goods and services. An estimated 8 million adults, 17% of the population struggle to cope with cashless services²⁴ and households appear to be switching back to cash to control budgets²⁵.
- **Be clear, courteous and non-threatening** to customers in difficulty, agreeing repayments that are affordable for each customer. Research shows this supports debt recovery²⁶.
- **Restrict debt enforcement action to limit bailiff and debt related costs.** Citizens Advice's report estimated that Council Tax debt recovery costs were the equivalent of adding nearly £278 to every household's debt that was in council tax arrears. More than three quarters of these costs went unpaid and were ultimately funded by tax payers²⁷. Where enforcement action is undertaken, treat people facing debt recovery action with care.

e) Don't be a blocker – for example, ensure your organisation is easy to contact with freephone telephone numbers. Citizens Advice highlight the amount of time they can waste chasing councils for a response to client issues (which is somewhat ironic when the Council funds the service they provide). This could be solved by clear protocols and a named person with responsibility. Organisations should reach out to key partner organisations who are supporting people on the ground to improve the effectiveness of their processes. **Not all help needs to be costly and can improve overall efficiency.**

²³ Energy, water and telecoms regulators all have guidance and best practice on treating customers in debt fairly – Ofwat has produced Paying Fair Guidelines <https://www.ofwat.gov.uk/regulated-companies/vulnerability/paying-fair-guidelines/> – Ofcom's Best Practice Industry Guidance - <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2020/vulnerable-customers-must-be-treated-fairly>. The energy sector has long had good practice guidelines on treating customers in debt fairly including the Ability to Pay principles initially published in 2010. Ofgem updated and incorporated these into a supply licence conditions following the failure of voluntary approaches to deliver a consistent approach across the market. <https://www.ofgem.gov.uk/publications/ofgem-strengthens-protections-customers-struggling-energy-bills-winter>

²⁴ This includes many people with disabilities e.g. sight loss or dexterity problems, victims of domestic abuse and more than 1 million without a bank account. Sustainability First and Centre for Sustainable Energy research – Covid-19: What Next? A future vulnerability assessment for UKPN and South East Water

²⁵ <https://www.itv.com/news/2022-08-08/people-are-turning-to-cash-to-budget-as-july-sees-record-number-of-withdrawals>

²⁶ <https://www.ofgem.gov.uk/publications/debt-communications-messaging-evidence-customer-and-behavioural-insights>

²⁷ https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINAL_%20Costs%20of%20Collection%20.pdf

3. Provide extra help to support customers and communities but be clever about it!

While it's easy and valuable to give money to the closest foodbank or charity, we encourage organisations to strategically design and target support so as to maximise benefit to consumers, communities and also your organisation. In particular:

a) **Provide new assistance, increase existing support and review eligibility criteria for your own customers**

For example, energy supermarkets Morrisons, Sainsbury's and Tesco have according to Which? "expanded, tweaked or highlighted their children's meal offers" 'Kids eat free' in light of the cost of living crisis. Some of these offers have been launched specifically for the school holidays. Iceland launched a new Value Essentials budget range to include every day staples such as bread, milk and fruit while other retailers are putting price locks on certain core products for the foreseeable future²⁸. For those without domestic customers, this means engaging with your supply chain to understand how you can help make their lives easier.

b) **Target assistance at those individuals, groups and areas most in need of support and where intervention can have the biggest impact.**

Where possible, plug the gaps in government assistance which by its nature is a relatively blunt tool. For example, Iceland launched an interest-free loan scheme to help families pay for groceries over the school holidays recognising the challenges of accessing affordable finance and increased costs of feeding children in the holidays. During the pandemic Wessex Water and Bristol Water introduced NHS Worker bill support, a rebate of up to £50. They identified that many low paid NHS workers would face higher water bills due to uniform laundering guidance for infection prevention. This was very well-received and supported key workers to carry out their important role²⁹. Early intervention to help those who are new to financial difficulties (recently in arrears/struggling to make ends meet) and at risk of financial problems for the first time can also help prevent debt build-up and longer-term financial and health problems. These are all examples.

c) **Work in partnership and 'support the supporters'**

Across the UK thousands of organisations are providing direct advice and essential assistance to households in financial difficulties, including to people with additional needs or in particularly vulnerable circumstances. When deciding who to support, we encourage organisations to remember not just those who are providing financial support and advice but also those dealing with the wider health and safety impacts of the cost of living crisis and on whom communities rely. For example, Mind reports that one in four people will experience a mental health problem of some kind each year³⁰. The link between mental health and affordability is well recognised. The pandemic significantly increased levels of poor mental health including trauma, bereavement PTSD anxiety and depression. The cost of living crisis is having a further negative impact with Mind's Infoline is seeing a 30% rise compared to last year in calls related to finances. YoungMinds also tracks young people's experiences of mental health and, for the first time, 'worries about money' was found to be the top concern and negative influence on their mental health³¹. Sky news reports that rising cost of living has led to a third more women reporting domestic abuse to charities, as strained finances become a growing trigger

²⁸ <https://www.which.co.uk/news/article/what-supermarkets-and-shops-are-doing-to-help-with-the-cost-of-living-aNpUU5E5AbYr>

²⁹ <https://www.wessexwater.co.uk/news/latest-news/nhs-workers-apply-for-water-bill-support>

³⁰ <https://www.mind.org.uk/information-support/types-of-mental-health-problems/statistics-and-facts-about-mental-health/how-common-are-mental-health-problems/>

³¹ <https://www.mind.org.uk/news-campaigns/news/an-open-letter-to-the-current-and-future-prime-minister-on-the-cost-of-living-crisis-and-our-mental-health-system/>

for violence³². The fire brigade has reported an increase in fires as people switch off their lights and use candles and is keen to get ahead of the problem. The UK Health Security Agency CEO Dame Jenny Harries has also warned people not to switch their fridge off to save money as food poisoning can be fatal to elderly and more vulnerable people – coordinated communications and advice is needed.

d) **Support local communities to build resilience – in particular target help to regions where your organisation operates and has special responsibility and interest.**

The covid-19 pandemic highlighted the importance of community support networks to financial resilience and health and wellbeing. It also highlighted the unequal nature of provision across different areas and that many organisations providing support were struggling due to skills shortages and financial challenges to stay afloat and continue their important work. Targeting help at a local level, both funding and skills, can support levelling up agendas; help essential community services survive in resource-constrained and expensive times; enables existing support to stretch further; and can build strong local economies and more resilient communities for the future. Grass roots charities and local authorities are often better placed to provide help given their knowledge and skills; as they have a unique understanding of their communities' needs; can tailor assistance to local circumstances and individual requirements and plug the gaps in national support. Alongside the immediate benefits to individuals and communities, for the organisation this also provides social benefits such as increased trust and legitimacy, a healthier workforce, and **the opportunity to build mutually beneficial enduring local relationships.**

e) **Consider providing non-financial help too – skills, influence, thought-leadership, using your convening power**

Providing direct cash support to customers, residents, third sector organisations and small businesses is essential given the scale of the crisis and availability of support. But alongside financial help organisations may also be able to provide other assistance such as skills, influence, thought-leadership or convening power that can make a positive difference. Iceland's boss Richard Walker for example has called on all retailers to take action. Howard Porter, BEAMA's CEO is exploring how renewable and new technology companies can work with government to more quickly tackle the simple but important issue of lack of usable heating controls which could benefit household health and affordability³³. Companies should consider where they are best placed to help, given their purpose, size, geographical footprint, expertise, and stakeholder expectations. Big business can use their influencing power with government and senior politicians, and **we can all raise awareness as to how we can all play our part this winter by reducing our energy use (but not below healthy levels!).**

³² Full investigation: <http://trib.al/0jmWNl2>

³³ In his words, "Many homes do not have a room thermostat - so do not have the opportunity to reduce temperatures by one or two degrees; many homes do not have Thermostatic Radiator valves (TRVs) installed - making it more difficult to turn off rooms not in constant use. And unfortunately there are many households and businesses that are not sufficiently aware of how to use their existing controls to help them make savings."

4. Be part of the longer-term solution to make essential services affordable for all

Medium to longer-term we need to fundamentally rethink how we ensure everyone can access the basics in life – food, heat, power, water, connectivity – so they can stay healthy and participate with dignity in society. These are critical for a thriving economy and for social stability required for all organisations to operate. They are also the least we should strive for in one of the richest countries in the world.

The last twenty years of regulation and government policy are littered with short-term, sticking plaster solutions to affordability which even before Brexit, the Covid-19 pandemic, and the invasion of Ukraine, left millions of people in the UK struggling to afford their energy bills and on budgets that simply did not cover their monthly needs.

The current crisis for example makes a mockery of the fuel poverty definition in England, that means nobody in a property with an energy efficiency rating EPC C or above is officially deemed fuel poor.

Alarming few solutions to the energy and affordability crisis proposed by any party really tackle the fundamental challenge of making essential services affordable for all, notably longer-term.

One exception to this is the case for **turbo-charging investment in, and the rollout of, energy efficiency measures in our housing stock**. Also, linked to the latter the need for a **national awareness and behaviour change campaign** for net zero and sustainable living to support cross-sectoral resilience including energy efficiency. Business leaders in particular must work together and use their influence with senior politicians and government to push these initiatives forward. It's essential that the temporary suspension of environmental levies on energy bills doesn't slow progress in this area. We need to properly understand what can realistically be achieved with energy efficiency improvements in our homes, on what timescale and at what cost, given the availability of skills, supply chains etc.

When it comes to **long-term solutions** to tackle what is now well-recognised as the failed energy retail market, we are at risk of a paucity of imagination with profound consequences for individuals, companies and UK PLC. The public are increasingly reaching for renationalisation³⁴. Many civil society groups continue to call for changes to the energy price cap; action to tackle energy payment differentials that result in 'the poor paying more'; or for a further discount energy (so called social) tariff on top of the Warm Home Discount (originally introduced instead of voluntary social tariffs). These are issues on which I have spent many years campaigning. The brutal truth is however, that these proposals while not without merit, generally just tweak around the edges of a more systemic problem, alleviating some of the symptoms but not tackling the causes.

We need braver, bolder, more progressive solutions that are fit for the future and structural change. Digitalisation, the growth of smart technologies, environmental change including climate change, as well as social change, alongside the transition to net zero will result in winners and losers and together impact how affordable energy, water, and telecoms are and who is most at risk. In a world of limited natural resources, key to unlocking sustainable solutions to the energy crisis and poverty is **properly understanding how much energy, digital, water, and even food, people actually need to be healthy and participate fully with dignity in society.**

At Sustainability First we are looking to work with partners to better understand this and explore the potential for a **minimum energy living standard** which reflects different people's lived experience of energy – their needs, location, household make-up and how this might change over time. If we understand this part of the jigsaw we can start to develop more effective future-proofed solutions and ensure nobody goes without

³⁴ [Biggest ever poll shows huge support for nationalisation | We Own It](#) – It's poll reported 66% want to see energy in public ownership, including 62% of Conservative voters.

access to the essential heat and power that they need. This might lead for example, to the provision of an **energy lifeline** – a basic allowance of heat and power available to all – beyond which a competitive market of value-add services might flourish; or a new heat services markets where customers purchase comfort levels of say 18 or 21 degrees as opposed to buying tariffs based on Kilowatt hours.

As Milton Friedman once put it, “Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.” Those who don’t lead or join the conversations will inevitably have change forced upon them and it may not be in their interests. We urge organisations to be open to and to support much needed new research and healthy informed debate.

For now, no matter how you coat it, the immediate future looks bleak and uncertain. Just over twelve months ago the typical annual household energy bill was £1,271. Even with the government’s price freeze the average bill has doubled in a year. **Last year 4.5 million UK households were fuel poor. NEA predicts that it will now be 6.7 million** – far better than the 8.9 million it would have been without government support, but still more needs to be done. We all have a role to play in helping to bridge the gap between support urgently needed and support available.

Many organisations are grappling with how much help to give. For some, such as local councils, this choice will be dictated by limited budgets and ring-fenced reserves. For those not financially constrained in this way the answer to ‘how much?’ is simple. Given the scale of the crisis, all organisations must do what they can – every little really does help. This isn’t intended to be a trite comment, but rather a frank reflection of scale of the crisis and the potential for widespread social turmoil and human disaster that could result if we fail to take effective action. For big corporations helping is not just about doing the right thing in the short-term, it’s a pragmatic move to preserve the status quo, their financial sustainability and with it their long-term interests.

Sustainability First is a think tank and charity focused on developing practical approaches to promote social, environmental, and economic wellbeing in essential services.

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