FOR IMMEDIATE RELEASE

Precarious work is an investment risk for Pension Funds, finds new report by Local Authority Pension Fund Forum

Report calls for amendments to regulation and oversight and changes to company practice to safeguard pension fund investments

Few employees want precarious work. But investors too should be wary of the practice, warns a new report by Local Authority Pension Fund Forum a voluntary association of 72 public sector pension funds based in the UK with combined assets of approximately £200 billion.

Business models based on zero hour contracts, agency workers, fixed term contracts and self-employed contractors have become common practice.

However, despite the perceived benefits to employers of increased workforce flexibility, precarious work can jeopardise company success and investor returns. High-profile examples at firms such as Uber, Sports Direct and Ryanair have illustrated how precarious work has increased:

- *Operational risks*: evidence shows precarious work negatively impacts workers' physical and mental health. There are also concerns that it results in higher staff turnover, reduced worker engagement and poorer customer services.
- *Legal risks*: there have been several recent examples of companies being taken to court for the misclassification of workers, which result in legal costs and fines.
- *Reputational risks*: beyond the legal costs there are potentially huge reputational costs of companies adopting precarious work practices.
- *Financial risks*: the mix of precarious work and poor labour relations can be a proxy for poor corporate governance and result in volatile financial performance, business strategy failures and, eventually, value destruction.

The Forum's report points to the growing consensus over what needs to change at a government and regulatory level, such as ending opportunities to abuse existing legal categories and greater transparency of terms, conditions and rights associated with employment contracts.

The report also provides investors with practical guidance to engaging companies on the issue, including asking boards how contracts fit with their approach to human capital management and whether they have undertaken cost-benefit analysis of precarious employment practices.

Ian Greenwood/Denise Le Gal, Vice-Chairs of Local Authority Pension Fund Forum, said:
"Investors can no longer turn a blind eye to precarious work. This report not only demonstrates the reputational and legal risks, it also highlights a worrying trend of companies seeing workers as a cost to be cut rather than an asset to be invested in to create long-term value."

View the report here

ENDS> **7 March 2018**

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About the Local Authority Pension Fund Forum
The Local Authority Pension Fund Forum (LAPFF), founded in 1991, is a voluntary association of 72 public sector pension funds based in the UK with combined assets of approximately £200 billion. It exists to 'promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' www.lapfforum.org. PIRC is the Research and Engagement partner to the Forum.