

Inclusive Growth Analysis Unit

Good jobs in Greater Manchester: the role of employment charters

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Key points

- There is considerable interest in the idea of developing an employment charter in Greater Manchester. Local employment charters are voluntary initiatives that set out to describe good employment practices & recognise those employers that adopt them
- Charters should not be relied on to tackle long-term structural issues within the labour market but they can play a role in engaging businesses and pressing for change
- Employment charters can include commitments relating to pay and conditions, recruitment practices, employee engagement and investment in training and development
- To maintain momentum and establish their credibility, charters need to be promoted and monitored. It is important to look at the extent and level of engagement and how many workers have been affected

Introduction

A more inclusive labour market would offer more people across Greater Manchester the chance to take part in rewarding, well-paid work, bringing both economic and social benefits. In the context of declining union membership, limited employment regulation and a growing disconnect between pay and living costs, employment charters are one means for cities to engage employers and start a conversation about how their employment practices can enable local people to live and work well.

This paper grew out of a wider conversation about ways to facilitate more inclusive growth in cities, and discussions at the Greater Manchester Fair Growth conference in November 2016. It reviews the rationale, design and impact of several local employment charter initiatives in the UK to assess the role that they can play in creating and sustaining quality jobs. The paper draws on interviews with people involved in the design and implementation of these schemes as well as desk research. A more detailed case study paper is available alongside this paper.

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The situation in Greater Manchester

Box 1: Why action is needed to raise the standard of employment in Greater Manchester²

The UK labour market is characterised by a long tail of low pay and high levels of in-work poverty. Many people are in employment situations poorly suited to their capacities, qualifications and wider commitments. Greater Manchester is no exception, and even has worse outcomes on some measures.

- Fewer people are in work: 70.2% of working-age people are employed in Greater Manchester but that falls to less than 65% in Oldham, Rochdale and Manchester (the UK average was 73.5%). Meanwhile less than half of working-age disabled people are in work (43% compared to 47% for the UK as a whole)
- Low pay: 23% of the jobs done by residents pay less than the Living Wage. By 2020 it is estimated that 1 in 6 workers in Greater Manchester will be paid the minimum wage³ (17%, up from 6% in 2015);
- 180,000 working-age people have no qualifications, restricting their ability to enter and progress in work.

Concerted action is required to tackle the challenges facing workers and residents across the city region. Raising productivity (including in low paid sectors), supporting firms to move up the value chain, and redesigning employment support services so that they aim to reduce poverty are all important next steps. Local employment charters also have a role to play in supporting change and initiating conversations with employers on good employment practices.

Interest in employment charters in Greater Manchester is already well-established. A number of local authorities have developed their own, including the Salford Mayor's Employment Charter, established in 2013, and the Oldham Fair Employment Charter (both described in a supplementary case study paper).

As yet no employment charter has been developed for the entire Greater Manchester area but more than one of the mayoral candidates is already committed to the idea. This suggests charters will rise up the political agenda in coming months. Some campaign and research groups have also made the case for developing a GM-wide charter to drive up employment standards, though with a focus on supply chains and procurement.⁴

Learning from local employment charters

Charters should not be seen as the only, or main, lever for changing business practices and raising employment standards in an area. There are limits to what they can achieve: for example as voluntary initiatives they tend to operate on a small-scale and while they tend to address issues affecting current and potential employees, commitments rarely extend to workers in wider supply chains. The Living Wage Foundation accreditation scheme is a notable exception as employers seeking accreditation have to ensure that the Living Wage is paid across their supply chain as well as to direct employees.

² For further analysis see Lupton, R. et al. (2016) Inclusive Growth: Opportunities and Challenges for Greater Manchester, Inclusive Growth Analysis Unit

³ Clarke, S. & D'Arcy, C. (2016) Low Pay Britain 2016, Resolution Foundation

⁴ Jackson, M. (2014) Living Wage and the Role of Local Government, CLES with the GM Living Wage Campaign

What can be learned from existing local employment charters? We reviewed several examples to identify common features and lessons from previous schemes. Here we highlight the Birmingham Business Charter for Social Responsibility as an example of a charter linked to a wider social value agenda. The Charter is open to all employers on a voluntary basis but council contractors are required to sign up to it. The Croydon Good Employment Charter, meanwhile, is a new initiative aiming to build a network of good local employers. It is trialling a business rate discount for small employers to boost engagement. These and several other examples are described in more detail in the supplementary case study paper.

Box 2 Local employment charter case studies

Croydon Good Employer Charter

Background and aim

The Charter was launched at the Croydon Economic Summit in November 2016 and was linked to the work of the [Opportunity and Fairness Commission](#) and Croydon Council becoming a London Living Wage employer. The Charter is seen as a mechanism for building a network of good employers that do business responsibly.

Design and accreditation approach

It is a formal accreditation scheme. Businesses can apply to become accredited by completing a self-assessment application. This will then be verified within 10 working days and if successful the business will receive an accreditation badge and certificate.

To become accredited employers need to:

- Pay the Living Wage – evidenced via confirmation of Living Wage accreditation
- Employ Local – by registering with Croydon Works job brokerage service and to use this when recruiting;
- Buy Local – by registering with Value Croydon and using the website to promote procurement and supply chain opportunities;
- Include All – have an equality policy or commitment to develop one and a statement to explain how this is monitored and reviewed (also link to Workplace Health Charter);

If the business does not already meet the requirements for full accreditation they can submit a pledge to become a Charter employer by working with local authority staff to support them to meet the criteria. In addition, SMEs are able to claim a discretionary business rate discount of up to £1000 in the first year of membership. This is limited to the first 100 SMEs who become accredited in 2017/18.

Take up and monitoring

As of early 2017 8 businesses had been accredited and 35 businesses had pledged a commitment to the Charter.

Birmingham Business Charter for Social Responsibility

Background and aim

The Business Charter for Social Responsibility, established in 2013, is a set of guiding principles that the Council adheres to and invites all organisations to adopt as a mechanism for managing how they deliver social value.

The definition of 'local' in the Local Employment and Buy Local elements of the Charter is context-dependent. Guidance specifies that within 30 miles of the point of delivery is reasonable.

Design and accreditation approach

Birmingham City Council requires contractors including grant recipients to sign up to the Charter (subject to contract thresholds, see the full case study paper). Any organisation can sign up to the Charter voluntarily. All Contractors, subcontractors and grant recipients are required to adhere to the Birmingham Living Wage Policy regardless of contract/grant value.

Charter signatories are required to complete an action plan template specifying how they can improve the economic, social, and environmental wellbeing of the locality. This includes indirect outcomes via the supply chain. For compulsory signatories the action plan must be submitted as part of the tender return.

Employers committing to the Charter are required to agree to the following key principles:

- Local employment – secure opportunities for local residents targeting priority areas and groups, work with schools and colleges, use council Employment and Skills services
- Buy local – choose suppliers close to point of service delivery, endorse buy local principles via supply chain
- Partners in Communities – Play active role in local communities especially those in need, support health and wellbeing
- Good employers – adhere to council's living wage policy, recognise rights of freedom of association, Commitment to health and wellbeing of employees promote diversity and inclusiveness, no exploitative zero hours' contracts
- Green and sustainable – reduce carbon footprint, protect environment in activities
- Ethical procurement – commit to highest ethical standards in own operations and those within their supply chain.

Take up and monitoring

As of early 2017 there were 391 Charter signatories.

Whether they are labelled an employment charter, pledge, standard or kite mark, what unites these initiatives is the common aim of defining what constitutes good employment practices and recognising those employers that adopt them. Charters tend to have a dual purpose: they aim to give credit to good employers but also to raise expectations and change business practices. Another common feature is their dependence on voluntary participation by businesses, often backed up with 'soft' and 'hard' incentives.

The use of employer-oriented standards is already widespread in the context of employment and employability issues. The Living Wage Foundation's accreditation scheme is a prominent national example which aims to incentivise best practice in relation to low pay; others promote good practice around flexible hiring and working (the Timewise Council Accreditation scheme), or health and wellbeing (the Workplace Wellbeing Charter), or specify standards for employers or commissioners in a particular sector (Ethical care charter, Unison).

Local charter initiatives have been adopted by several local councils, Local Enterprise Partnerships, and campaigning groups to describe what good employment practices might look like in terms of pay and conditions, recruitment practices, employee engagement and investment in training and development. To do this they often draw on national guidelines and frameworks. Some also emphasise the importance of a commitment to broader socially responsible business activities which do not relate directly to their workforce, including involvement in community volunteering and/or promotion of business-to-business ethics.

What employment charters ask of employers

Local employment charters can provide direction, tools and resources for employers interested in offering good employment as well as helping to establish a standard for local employers. They build on already existing policy frameworks and initiatives and the commitments they propose for employers fall into two broad themes:

- The first covers **the terms and conditions of employment**, encompassing fair pay, promoting good job design, offering skills and training opportunities, employee engagement and health and wellbeing;
- The second relates to **creating employment and training opportunities**, whether for local residents or more specifically for people who struggle to access employment.

See Table 1 for further examples

Not all charters focus exclusively on employment. Some include broader commitments to ethical business practices, community volunteering, environmental considerations and local procurement.

Table 1: Types of employer commitments specified in local employment charters

| Theme | Types of commitment |
|---|--|
| Fair terms and conditions of employment | <p>Pay the Living Wage: either in the limited sense of paying all direct employees or across the wider supply chain, in compliance with the Living Wage Foundation criteria</p> <p>Promote fair and/or flexible contracts: reduce/eliminate zero hours contracts; offer well-paid positions on a flexible basis</p> <p>Voice at work: promote and engage constructively with trade unions and other forms of worker representation</p> <p>Increase investment in training/skills for employees: possibly by linking employers to training providers or funding</p> <p>Health and wellbeing at work: ensure compliance with basic standards and/or best practice</p> <p>Follow best practice with regard to equalities and other policies</p> |
| Access to employment opportunities | <p>Create local jobs or training opportunities: these might include full- or part-time jobs and apprenticeship opportunities. Some charters, usually those linked to a social value/procurement programme specify that opportunities should go to local residents</p> <p>Targeted recruitment: offer opportunities to groups that tend to be disadvantaged in the labour market, and/or engage with council and Jobcentre Plus recruitment services</p> <p>Offer work experience, internships, mentoring: often for young people or disadvantaged groups</p> <p>Engage with schools, input to curriculum and/or skills provision</p> |
| Broader commitments | <p>Increase local spend: another feature common to charters integrated into a broader social value programme</p> <p>Business-to-business ethical practice: such as prompt payment of invoices</p> <p>Protect the environment: commit to reduce carbon footprint</p> <p>Support community initiatives: including through staff volunteering and contributions to charity</p> |



A number of employment charters are linked to a broader social value agenda and these tend to prioritise the creation of employment opportunities for local residents (i.e. those living within a particular administrative area, or in close proximity to an employment/contract site) as well as emphasising the importance of buying from local suppliers.

Employers can engage in a number of ways. Most charters have an accreditation process requiring employers to sign up and assess their performance in relation to the commitments. Applications may then be subject to review by a council team. Many seek to engage both the employers that are working towards the charter commitments and those that already fulfil them, perhaps offering different tiers or stages of accreditation.

In some instances employers wishing to bid for public sector contracts are required to sign up to charter commitments. Under the Birmingham Business Charter for Social Responsibility,⁵ council contractors are asked to adopt elements of the charter in line with the type and value of the contract that they are bidding for.

Employment charters are generally open to all employers who wish to sign up but some types of employer may be better represented. Those charters that focus on council supply chains and procurement – requiring businesses to sign up to bid for public sectors – will necessarily have stronger incentives on offer to some employers (those in the construction sector, for example).

Impact and lessons from existing charters

While there is some evidence that the initiatives promoted by employment charters can raise living standards for workers,⁶ there is limited evidence that charters themselves have had a significant impact in terms of changing employer practices. In part this is because monitoring and reporting mechanisms have not generally been designed into such initiatives making it difficult to estimate the additional impact that a charter has had.

One way to assess the impact of a charter is to consider the number of employers that sign up. Across the local initiatives we considered and which reported sign ups, the number ranged from less than 40 to close on 400 among the more established. Depending on the size of the overall business base of an area it is therefore likely that a charter will have a relatively limited reach. At the same time, counting sign-ups does not tell us which employers changed their practices in order to meet the requirements of the charter and hence if the charter had a direct impact on the lives of employees.

An argument can also be made that charters have an important, though less tangible, impact where they help to initiate conversations about local employment issues and bring a wider range of employers into the discussion. For local councils the process of developing an employment charter may highlight changes they need to make to their own employment practices. Charters may also oblige employers and politicians to engage with wider campaigns.

At the same time, and in common with other consensus-building exercises, charters can struggle to maintain momentum beyond an initial launch event and inadequate consideration is often given to legacy.⁷ Where they are seen as 'political' exercises businesses may also be reluctant to engage, whilst small businesses are often under-represented.

Amid these challenges our interviewees identified a number of factors that they saw as important to the success of a local employment charter. These are outlined in Table 2.

⁵ Described in the case study paper

⁶ For a review of the links between some of these and employment, pay and poverty see Ray, K., Sissons, P., Jones, K. & Vegeris, S. (2014) Employment, pay and poverty: evidence and policy review, The Work Foundation.

⁷ Bunyan, P. & Diamond, J. (2014) Agency in Austerity: a study of Fairness Commissions as an approach to reducing poverty and inequality in the UK, Webb Memorial Trust and Edge Hill University

Table 2: Lessons from local employment charters in the UK

| Theme | Lessons from charter initiatives |
|--|---|
| Partnership working | Charters depend on the quality of the networks on which they draw. Input from local authorities, businesses, employee representatives & other stakeholders on design, language and framing can help to achieve buy in. A degree of pragmatism may be necessary to arrive at a charter that will engage employers |
| Defining the local element of a charter | Defining 'local' benefit should be done sensitively; agreements and commitments may need to extend beyond local authority/administrative borders. Charters can define the terms of engagement across a region or vary across local authorities. Having a local element to delivery can be an advantage where it is possible to tap into local networks |
| Balancing flexibility and rigour | Many charters offer employers the chance to sign up whilst they are still working towards the commitments, seeing it as a means to open a conversation with interested employers. While this approach can enable wider engagement, if complicated assessment processes are required to differentiate full- and part- committed some employers may be put off |
| Incentives to engage | The accreditation process offers a basic incentive by enabling employers to mark themselves out as a good employer. Accredited schemes may also offer employers 'soft' incentives, such as access to networking events, publicity and toolkits and services that can support charter implementation. Other more 'hard' incentives might include offering employers privileged access to council procurement, encouraging charter employers to access skills funding (such as the Apprenticeship Grant for Employers), or offering a one-off business rate discount to small businesses that sign up |
| Design in monitoring | Charters tend to act as a link between different services and policy frameworks and often lack dedicated funding. Resource is needed to track outcomes and some form of monitoring is essential in ensuring that a charter is seen as a valuable on-going commitment and not a one-off box ticking exercise |



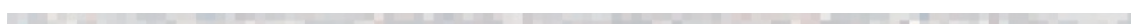
Applying these lessons: developing a city-region charter

There are many questions to consider when designing a local employment charter. This paper does not settle these questions, or set out what a Greater Manchester charter should look like. Instead it highlights some of the lessons that can be learned by reviewing current and previous charter arrangements.

Our conversations with stakeholders in Greater Manchester have highlighted a range of opinion on how to go about designing a city-region charter. One approach might be to develop a charter for the city that sets out key expectations for employers. This could either replace local charter initiatives or work alongside them, with the local charter setting out additional commitments. Alternatively, a city-region charter could set out a menu of commitments which could be negotiated on an individual- or local area basis to take account of the constraints and challenges facing employers in different sectors.

Further questions arise around the best way to balance flexibility with credibility. For example how might a charter act simultaneously as an engagement tool and as a valued marker, differentiating good employers from the rest? Is the aim to work with a small group of committed employers, perhaps accepting that there will be limited involvement from employers in some low-paid sectors? To support employers to change their practices, dedicated resource and a long-term commitment, alongside robust monitoring will be critical.

Wider consultation is recommended to consider these issues and determine the way forward. We set out some ideas on how to go about this in the next section.



What the mayor could do

A well-designed and implemented charter can help to initiate conversations and provide direction, tools and resources to employers in order to make more good jobs available to local people. The success of a local employment charter rests on the many choices that are made about its design and implementation. Places must choose which commitments they expect employers to make, the degree of flexibility on offer, and how they want to bring employers and others on board.

If the mayor does decide to develop an employment charter for Greater Manchester, they should start by consulting on what the aims and objectives of a Greater Manchester employment charter should be and how a GM-wide ask of employers can take account of local priorities, the wider social value agenda and learning from existing charters.

The first steps in developing this idea could be to:

- Establish a dedicated independent working group that draws together representatives from the ten local authorities, the GM Social Value Network, business and trade union representatives, campaigners, and others with experience of designing and implementing employment charters. The group could also reach out to low-paid workers to better understand the issues facing this group and inform the charter design;
- Ensure a dedicated resource is available to support charter engagement, and monitor accreditation, either by specifically writing these activities into council staff time or through partnership support;
- Be explicit about the impact that it is hoped the charter will achieve, what is required to make this happen and how the charter fits within a wider agenda for achieving inclusive growth. Are particular sectors or types of employer in view? How might employers operating in low pay sectors be brought on board?
- Build in robust monitoring from the start. The charter should include clear, deliverable and measurable commitments. The aim should be to understand the extent and level of engagement and how many workers have been affected across Greater Manchester.

How to find out more

The case study paper outlines several local charter initiatives that have been implemented across the UK.

In coming months the Inclusive Growth Analysis Unit will be conducting further research on the role of responsible businesses in relation to inclusive growth. Keep in touch and find out more about our work at www.manchester.ac.uk/inclusivegrowth.

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