

Fair Employment Charter

Consultation Document

Annex 3



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY

METROMAYOR
LIVERPOOL CITY REGION

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Foreword

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Our vision for the Liverpool City Region is for a vibrant and prosperous local economy where each person can contribute to our success and be fairly rewarded for doing so.

The Fair Employment Charter sits alongside our emerging Local Industrial Strategy and the Strategic Investment Fund as the tools we have available to build a more productive economy, that delivers inclusive growth across our city region.

This is important because we have to tackle the injustice of:

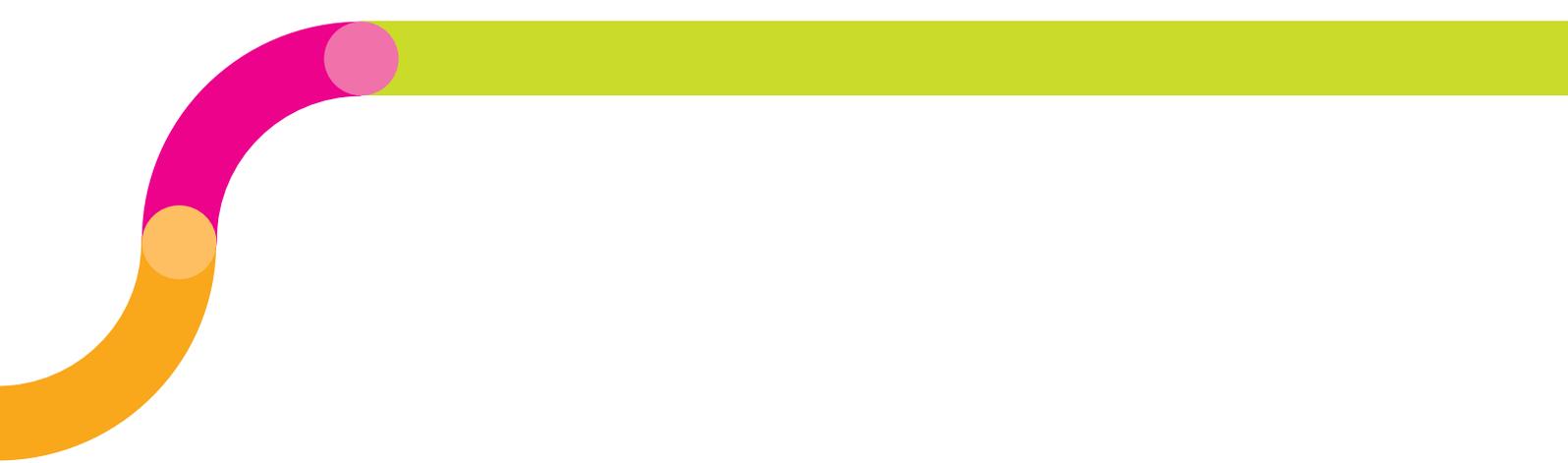
- 330,000 local people trapped in in-work poverty
- Over 25% of local workers paid less than the real living wage
- And the one in four local children who currently grow up in poverty

The charter will demonstrate that by working collaboratively with our businesses, public and third sector organisations, and trades unions on an agenda of fair employment practices and driving social value, we can develop inclusive growth that benefits everyone.



Steve Rotheram

Liverpool City Region Metro Mayor



Summary

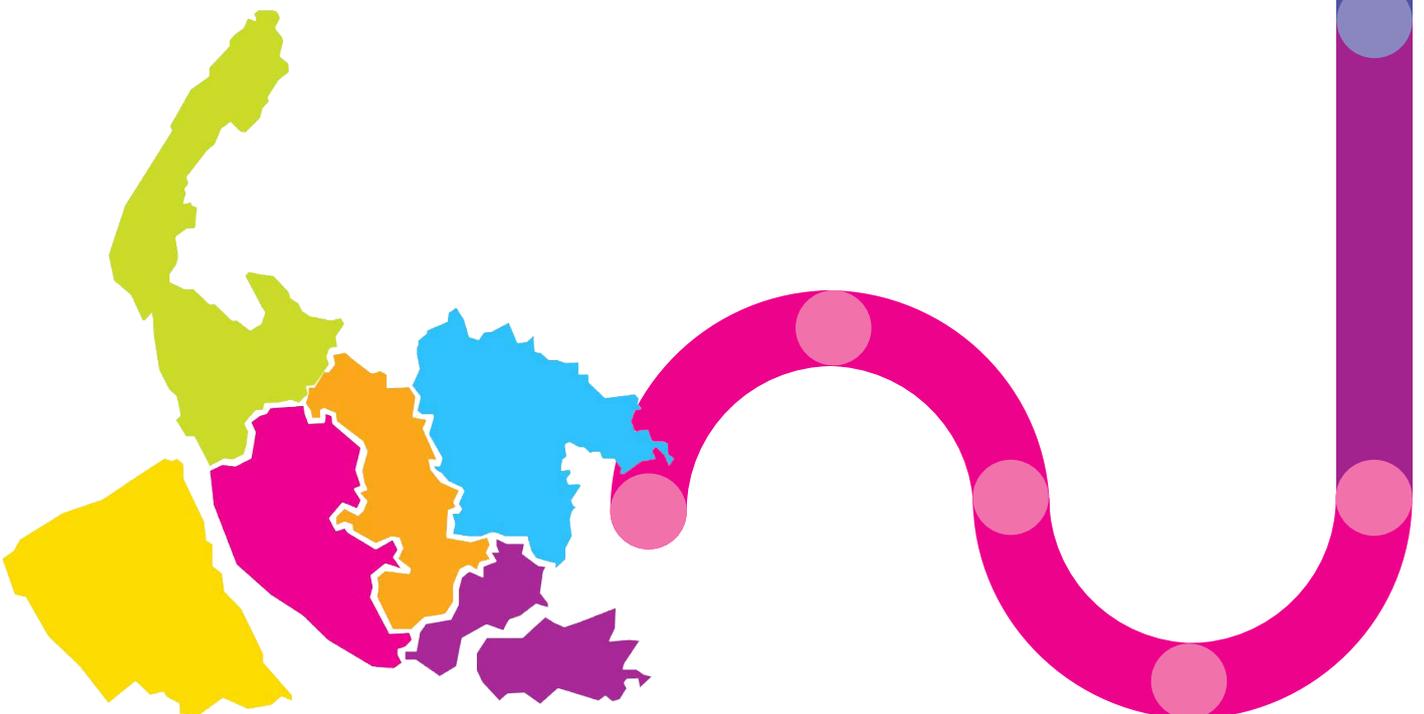
Why an Employment Charter?

Metro Mayor Steve Rotheram has set out a vision for a fair and prosperous Liverpool City Region where all can make their contribution to economic success and are fairly rewarded for doing so.

Liverpool City Region (LCR) is home to world class businesses and sectors that are investing, innovating growing, and are highly productive (for example, pharma, chemicals, transport equipment). They provide high-skill, high-quality employment opportunities. Public and third sector organisations, despite the impact of government austerity funding cuts, also provide good jobs that are well-paid and secure with opportunities for progression.

But paradoxically the overall economic productivity of the City Region lags behind the figures for the UK and London, and further behind compared to our international competitors. At the same time our public and third sector organisations grapple with social issues of increasing complexity. This situation is contributed to by rising in-work poverty and insecure employment, which prevents people fulfilling their potential, getting a home and providing a secure start for their children. The levels of child poverty in the LCR i.e 25.6% of all children are higher than in England as a whole (18.6%) and are highest compared to other northern city regions. These challenges are linked because fairly paid employees with security of employment will be happy employees, and happy employees will be productive employees, contributing to competitive, successful and growing organisations.

That's why Steve Rotheram and the members of the Combined Authority are developing a Fair Employment Charter to support employers reach best practice helping them grow and provide the good jobs our city region needs.



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The Charter will only work if it is developed collaboratively with employers, employees, trade unions and other interested parties, drawing on the best available expertise and experience. The Charter will therefore be co-designed, with active stakeholder engagement with employers and employees at every stage. Whilst the Metro Mayor and Combined Authority have set out their vision for a fair and prosperous city region, achieving it through the Charter can only be done working in collaboration across the local economy, drawing on the best available evidence.

What do other Charters include?

Existing employer charters elsewhere, for example, cover issues such as fair pay, promoting good job design and security, link to skills and training opportunities, employee engagement and voice, healthy workplaces and social value. Specific commitments often include the payment of the Real Living Wage, commitments to security in terms of hours worked, and developing the role of trade unions and worker representation. Other national challenges which charters seek to address include reducing the gender pay gap, ending differential rates of pay for young people and apprenticeships which do not match their contribution to wealth generation, and providing wider opportunities to increase diversity and make workplaces more representative and inclusive. They can also be used to achieve broader social and economic objectives, such as creating local opportunities to support people into jobs who may face barriers to employment (for example those with long-term health conditions), to encourage engagement with schools to raise aspirations, to retain profits locally through local procurement, and to improve environmental sustainability.

The evidence also shows that existing charters often attempt to combine ease of signing up for employers with commitments which are stretching. They can also look to vary their commitments by size of employer or the sector they are operating in.

How can you have your say?

Please use the link below to provide your experience/evidence in relation to a series of questions we have framed for the purpose of establishing the principles that will underpin our Fair Employment Charter. We're keen to hear from employers and employees of all sizes and sectors. Please therefore also share the link with your networks and contacts.

<https://www.liverpoolcityregion-ca.gov.uk/fair-employment-charter/>

26.7%
of workers in the
Liverpool City Region
earn less than the
Real Living Wage

The Ambition...

“successful modern cities are not built on low-skill economies or exploitative labour markets”

The Metro Mayor Steve Rotheram’s manifesto described how “successful modern cities are not built on low-skill economies or exploitative labour markets”, and detailed how Liverpool City Region needs to be “an exemplar for a fair, progressive and sustainable economy”, “that nurtures all its citizens, that ensures everyone has access to education, good public services, rewarding work and a decent affordable home”. The manifesto set out how the levers of devolution in policy areas such as transport, skills, business growth, strategic planning and housing, energy and culture would be combined with the Metro Mayor’s ‘soft power’ derived from being elected to serve 1.5million people to support the economic and social transformation of our city region. The manifesto included the commitment “to establish a City Region Fair Employment Charter that recognises and celebrates businesses that promote social value by paying the Real Living Wage, minimising the use of ‘zero hours’ contracts, recognising and working with trades unions, procuring locally where possible, engaging with the social economy, providing quality apprenticeships, investing in their workforce and promoting gender equality”.

Good jobs, with opportunities for people to progress and develop

Good quality, well-paid work – and connecting residents with these jobs – is critical for the economic and social success of the Liverpool City Region. Age, gender, sexual orientation, race, disability, caring responsibilities, or socio-economic background should be no barrier to success. Indeed it is our ambition to smash the glass ceilings that hold people back. Releasing the potential of all our residents who can get jobs and progress in work is not only in the interests of fairness, it is vital to growing our economy and increasing our productivity.

Employers need to be at the heart of creating good jobs. This means providing people with opportunities to train and progress in work, with secure work when they need it, but flexibility to fit their individual circumstances. The rights of employees and employers need to be protected and Liverpool City Region needs to be at the forefront of employment standards and workplace innovation so that it is universally recognised as a fantastic place to work.

A thriving and productive economy in all parts of Liverpool City Region

To create a thriving, inclusive economy we need to raise productivity by harnessing the strengths of the city region’s people, assets and places. This is the purpose of the Local Industrial Strategy being developed by the Combined Authority. This will provide a long-term vision for growth, based on robust evidence and focused on raising productivity and earning power in the area. It will set out how Liverpool City Region will work in partnership with Government to support the key foundations of productivity, such as raising skill levels across the area. The strategy will reflect the main themes of the national industrial strategy, taking a place-based approach that builds on our city region’s unique strengths.

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The Challenge...

Across the UK, real pay has stagnated since the financial crisis. Analysis by the Resolution Foundation has shown that nominal earnings experienced a dramatic shift at the start of the crisis in 2008, falling from a pre-crisis norm of around 4% annual rise to barely above 1% post-crisis. Rising prices have therefore squeezed living standards, with real pay falling sharply in the three years after the start of the crisis. There was a temporary rebound in 2015 but a further squeeze began in 2017. The past decade has therefore been historically bad for pay.

26.7% of Liverpool City Region's labour force are low paid (earning less than the Real Living Wage), one of the highest rates of any city region and amounting to over 150,000 employees. National data identifies 61% of employees paid less than the Real Living Wage as women, 56% are aged over 30, 54% are part-time, 48% work for firms employing more than 250 employees (so this is not simply an issue for small and medium enterprises), and the most significant sectors are wholesale/retail (25%), hotels/restaurants (17%), and health/social work (14%).

Furthermore, temporary and insecure work has become a growing part of the labour market – partly through the development of the 'gig economy' – which provides welcome flexibility for some, but insecurity and stress for others. Some evidence suggests non-standard employment, such as self-employment, agency and temporary work, and zero-hours contracts, represent a growing proportion of newly created jobs. Research by the TUC has found that insecurity is concentrated among those groups that already face labour market disadvantage: women, black and minority ethnic workers, and those living in low income communities.



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The Taylor Review of Modern Working Practises, commissioned by the Government (July 2017), found that while the UK's labour market is currently looking strong, and flexibility is likely to have played a role in its current success, there exist a number of factors that could lead to poorer outcomes at the individual level. It highlighted ongoing challenges around underemployment, continuing poor real wage growth, poor productivity performance, the emergence of new business models, skills mismatch and increasing automation.

Again these challenges are evident in Liverpool City Region. For example, an estimated 19,000 workers are on Zero-Hours Contracts. There is much more to do to ensure that there is a clear pathway for young people to follow to reach their full potential, while insecurity at work undermines other important priorities such as improving school readiness. As the Resolution Foundation have said, as the National Living Wage increases and covers more employees, creating progression opportunities in growing sectors such as retail, health and social care, and logistics is vital. Other sectors such as hospitality are also large employers but with relatively low pay.

Employment opportunities can also be limited both for specific communities and for young people, over 50s and disadvantaged groups. Almost one in three people aged 50-64 in the LCR are out of work significantly above the national average while more than a fifth who are in work are on low paid jobs such as warehousing or care work. Less than half of working-age disabled people are in work in the Liverpool City Region, and of our 6 local authority areas, only in one is the national average rate of employment for people with learning disabilities exceeded, whilst in most the figure is less than half. Healthy life expectancy in Liverpool City Region is currently 3 to 4 years below the national average for men and women and there are significant inequalities in the health outcomes between our most and least disadvantaged residents. Promoting good employment practises and healthy workplaces is therefore key to supporting workers to thrive, reducing sickness absence and improving productivity. There is a growing body of evidence showing the best approaches to dealing with (mental and physical) health problems and keeping people in work.





Evidence...

Evidence on Employer Engagement, Higher Productivity, and Better Services

Evidence that providing secure and well-paid work helps make firms more productive and profitable, and the public and third sectors improve their services is compelling, as the Government's response to the Taylor Review of Modern Working Practises set out. An assessment of the business case for adopting the living wage, carried out by the University of Strathclyde and the Living Wage Foundation, found a number of potential benefits that specific businesses can realise from implementing the Real Living Wage, which include financial savings from reducing staff turnover, increasing worker morale and loyalty, reducing absenteeism, productivity improvements, strengthening recruitment opportunities, and providing reputational benefits.

Studies into High Performance Working (HPW) – where more effective employee involvement and commitments aims to achieve high levels of performance – have also found evidence of a robust link between practises, productivity and profitability, and a range of other performance measures. These practises typically cover job content, degree of work autonomy, workplace environment including two-way communication between employees and management, flexible working, training opportunities, a sense of fair treatment, and support in coping with pressures outside the workplace, especially caring responsibilities.

Such employee engagement leads to marked improvements in both employee outcomes – well-being, lower absence, labour turnover, health and safety – and organisational performance measures ranging from productivity and profits, to innovation and customer satisfaction ratings. These results have been found in all types of sectors, including health, where employee engagement was found to be the best indicator of NHS trust outcomes. Research carried out for the Centre for Ageing Better has found that the factors which make work fulfilling are largely similar across all age groups, but older workers tend to look for employment that is personally meaningful, flexible, intellectually stimulating, sociable, age-inclusive and offers any adjustments needed for health conditions and disabilities.

However, there are challenges for employers where costs are immediate and measurable but the benefits are longer-term and more difficult to quantify. Recognition of this challenge is part of the motivation for the setting up of the Productivity Leadership Group, a business-led organisation created to boost management skills and close the UK's productivity gap. Backed by £13million of seed funding from Government, this initiative is engaging employees, managers and leaders in 'Be the Business', a movement to inspire businesses to be the best they can, providing practical tools to assist them and be a catalyst for change.



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Charters Elsewhere

The London Mayor is consulting on a 'Good Work Standard' that addresses the Real Living Wage and 'excellent work conditions' including inappropriate use of 'zero hours' contracts as high priority commitments, whilst also wishing to 'reach other developmental goals' on:

- Diversity and inclusion
- Work/Life balance
- Health and wellbeing
- Lifelong learning
- Employee voice

The GLA is currently moving towards a points-based approach to accreditation for the 'Good Work Standard'.

Greater Manchester Combined Authority has developed an Employer Engagement framework which is seen as a tool to develop good businesses that secure growth. To this end they have identified 5 pre-consultation priority areas:

- Business engagement with schools/colleges – addressing aspiration
- Workforce development – upskilling
- Employability – supporting long-term working age but economically inactive people back into employment
- Healthy workplaces – reducing sickness absence etc.
- Social value through procurement

These early priorities are intended to support the GM Mayor's Good Employer Charter which has been published for consultation. Much like the LCR Combined Authority, GMCA has also been accredited as a Real Living Wage employer.

Oldham Borough Council has a Fair Employment Charter that sets out the Council's expectations of what constitutes fair employment. Employers are encouraged to sign up to commitments such as paying a living wage, offering access to training and support which include health related benefits, supporting membership of trade unions and enabling employees to contribute to the local area by way of social value.

Salford City Mayor's Charter for Employment Standards contains a suite of pledges focused around three categories: creating training opportunities particularly for those facing the greatest disadvantage, buying goods and services locally, and promoting the best possible working practises and conditions. There are different levels of commitment to the Charter. Employers can sign up to be a 'charter supporter' if they are working towards implementation of the pledges. To become an accredited 'Charter Mark' holder employers must demonstrate that they are upholding the highest employment standards across the pledge areas. Accreditation is therefore based on achieving a very high bar requiring commitment and resource to achieve it, and it is a deliberate part of the Council's strategy to have this exemplar status as a select group of the highest achieving employers.

Preston City Council has also embraced the Public Services (Social Value) Act 2013, re-directing contracts such as printing services and food for council buildings, towards local businesses. The council has encouraged other organisations to reorganise their supply chains and identify where they could buy goods and services locally. By using spend analysis and social value criteria, the City Council doubled its procurement spend with Preston companies from 14% in 2012-13 to 28% in 2014-15. Lancashire County Council has since introduced a social value framework to inform all aspects of the procurement cycle, while the college, police and housing association that signed up to the City Council's programme have all committed to applying this framework to their projects. Preston had the joint-second biggest improvement in its position on the multiple deprivation index between 2010 and 2015. Although not formalised in a charter as such, since 2012 Preston has also paid, been accredited for and has promoted the Real Living Wage.

The Birmingham Business Charter for Social Responsibility, the Croydon Good Employer Charter, the Derby City Council Employment Charter, the Leeds Social Value Charter, the Nottingham City Council Business Charter, and the Sheffield Fair City Employer Charter are all variations on the themes highlighted above. Initiatives are also being developed at a devolved nation level, with the Scottish Government setting up a Fair Work Convention focused on five key principles of fair work: effective voice, opportunity, security, fulfilment, and respect.

Other charters are sector, rather than place, specific. Unison's Ethical Care Charter lays out specific principles designed to guide behaviour of employers of care workers. The objective behind the Charter is to establish a minimum baseline for the safety, quality and dignity of care by ensuring employment conditions which do not routinely short-change clients and ensure the recruitment and retention of a more stable workforce through more sustainable pay, conditions and training levels. The Charter is clear that its provisions constitute minimum and not maximum standards. These standards are accompanied by suggestions of potential savings for councils, which may assist in the case for signing the Charter. A study by the University of Greenwich found that the Charter had made a major impact, setting a 'new benchmark' for homecare employment.



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Academic Review of Charters...

The Inclusive Growth Analysis Unit (IGA), part of the University of Manchester, reviewed a series of such local employment charters, finding that the commitments they contain usually fall within two broad themes:

- Terms and conditions of employment encompassing fair pay, promoting good job design, offering skills and training opportunities, employee engagement and healthy workplaces.
- Creating local employment opportunities particularly for those residents furthest from the labour market e.g. long term unemployed or people with a long-term health condition and engaging with schools.

Specific issues around terms and conditions of employment which are often covered in Employer Charters are the payment of a Real Living Wage, commitments to security in hours worked, the role of trade unions and worker representation, access to opportunities to develop skills and the creation of healthy workplaces. Other national employment challenges include the gender pay gap and differential rates of pay for young people and apprenticeships which do not match their contribution. Other frequent themes are aspirations to retain profits locally, and to improve environmental sustainability. Through accreditation processes, Charters can attempt to give consumers a role in recognising and supporting good employers in the same way that consumer campaigns have driven business responses on other issues such as tax avoidance. They can also guide employers to sources of support to improve their productivity, such as that offered by ACAS.

Some of these Charters and similar initiatives have formal accreditation or registration processes, while others simply set out general aspirations. Some of the more developed models, such as the Ethical Care Charter, use a tiered approach to encourage employers to progress to more comprehensive practices. They also attempt to vary the application of the principles of the Charter in recognition that each member organisation will be unique and linked to the size of organisation and sector they operate in (for example the Croydon Charter). Links can be made to local government procurement, for example in the Birmingham Business Charter for Social Responsibility, although this only provides an incentive for the relatively small proportion of employers who are directly involved in the procurement of services and goods by local authorities.



IGAUs have identified the following specific lessons:

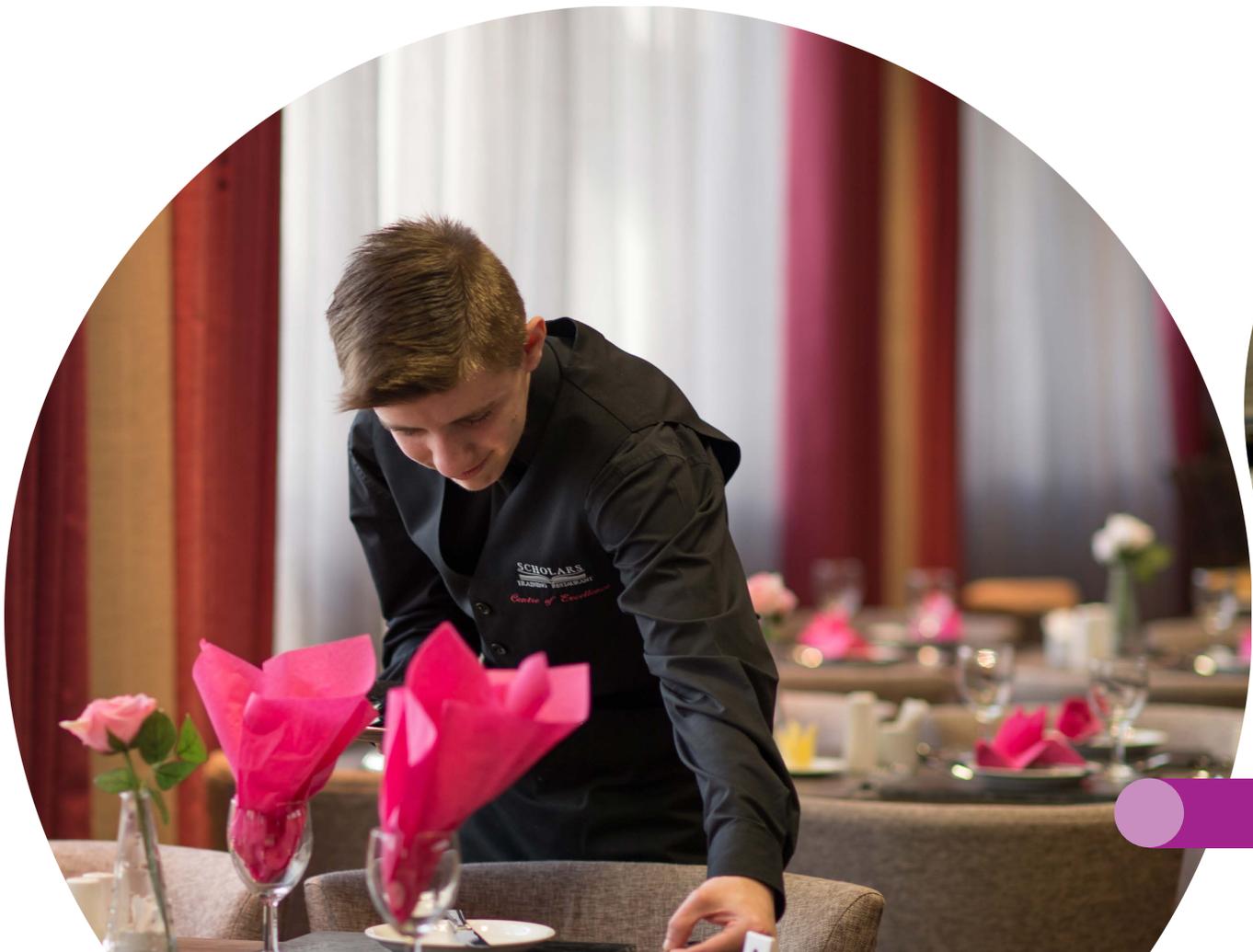
Partnership Working: Charters depend on the quality of the networks on which they draw. Input from local authorities, businesses, employee representatives and other interested stakeholders on design, language and framing can help to achieve buy in. A degree of pragmatism may be necessary to arrive at 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, although the approach of developing a charter across the functional economic area of a city region should help with the issue of geography. 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 commitment, some employers may be deterred.

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 support charter implementation. Other more 'hard' incentives might include offering 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 to ensuring that a charter is seen as a valuable on-going commitment and not a one-off box ticking exercise.



Our Consultation...

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Issues for consultation

The Fair Employment Charter will be co-designed by local employers, employees, and other parties with an interest in seeing all people at work realising their full potential, helping to create a fairer and more prosperous economy for our city region. This consultation will ensure that the charter draws on all the available evidence and experience to deliver this ambition.

We are therefore inviting views and evidence on what should be included in the Charter. We are interested in hearing from employers across all sectors, private, public and third sector – and of all sizes, and from trade unions, professionals and other experts on employment and workplaces within wider civil society and academic institutions.

As described above, existing charters cover a range of policy goals and different aspects of employment practice.

The Charter will be voluntary for employers and will need to have a clear relationship with other standards and charters. In order to be credible and effective, it will also need to encourage ongoing commitment for employers.

This consultation document has set out evidence on the link between employee engagement and higher productivity and better services as well as emerging lessons from charters and similar initiatives which have already been developed.

We invite you to take part in the online survey which can be accessed at:
<https://www.liverpoolcityregion-ca.gov.uk/fair-employment-charter/>



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