

## **UPDATE ON GM GOOD EMPLOYMENT CHARTER AND REAL LIVING WAGE**

### Report of the Deputy Chief Executive

#### **1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The Greater Manchester Good Employment Charter is a pioneering initiative designed to elevate employment standards across the region. Launched in 2019, the Charter emerged from a collaborative effort among local leaders, businesses, and stakeholders who recognized the need for a framework to promote fair and inclusive employment practices.
- 1.2 The Charter is a voluntary membership and assessment scheme that encourages employers of all sizes and sectors to commit to improving their employment standards. Its primary aim is to create good jobs that offer fair pay, secure work, and opportunities for progression and development. By fostering a supportive and productive work environment, the Charter seeks to enhance the overall economic and social well-being of Greater Manchester.
- 1.3 Supporters of the GM Good Employment Charter are employers who have committed to improving their practices in line with the Charter's principles and are at the beginning of their journey towards good employment. In contrast, Members have not only committed but have also successfully implemented these principles within their organizations, excelling in areas such as secure work, fair pay, and employee engagement. Members are recognized as leaders in promoting good employment practices.
- 1.4 Through its seven key characteristics—secure work, flexible work, fair pay, employee engagement, recruitment, people management, and health and well-being—the Charter provides a comprehensive approach to good employment. It supports employers in creating workplaces that are diverse, inclusive, and conducive to both personal and professional growth.
- 1.5 By adhering to these principles, the Greater Manchester Good Employment Charter aspires to build a thriving, resilient economy where both businesses and employees can flourish.
- 1.6 The Stockport Economic Plan includes a target of five hundred businesses to be signed up as either supporters or members of the Charter by 2030.
- 1.7 The Real Living Wage is a transformative initiative aimed at ensuring that workers receive fair compensation that reflects the actual cost of living. Originating in 2001, the scheme was spearheaded by Citizens UK, a grassroots community organization. The movement began in East London, where local institutions such as churches, mosques, and schools came together to address the pervasive issue of low pay.

- 1.8 The Real Living Wage is distinct from the government-mandated minimum wage, as it is calculated based on the actual cost of living, including essentials like housing, food, and transportation. This voluntary wage rate is designed to provide workers with a decent standard of living, enabling them to afford basic necessities and participate fully in society.
- 1.9 The primary aim of the Real Living Wage is to combat in-work poverty and promote economic justice. By encouraging employers to pay wages that meet the cost of living, the scheme seeks to improve the quality of life for workers and their families. It also aims to foster a more equitable economy where businesses benefit from increased employee satisfaction, reduced turnover, and enhanced productivity.
- 1.10 Since its inception, the Real Living Wage has garnered widespread support, with over 15,000 UK employers, including major corporations and small businesses, committing to pay their employees a fair wage. This movement continues to grow, advocating for a fairer, more inclusive economy where everyone can thrive.
- 1.11 The Stockport Economic Plan does not include a specific target for the number of Stockport businesses to be Real Living Wage Foundation Accredited Employers. However, businesses need to pay the Real Living Wage to be a member of the Greater Manchester Good Employment Charter. Charter Members are required to demonstrate that they pay the Real Living Wage to their employees and have plans to extend this to their contractors as well.
- 1.12 This report provides the latest available data and information on the progress made with getting Stockport businesses to sign up as supporters and members of the Charter and the number of Stockport businesses registered with the Real Living Wage Foundation. Details of the barriers and issues that businesses cite as reasons for not participating in the schemes are provided and suggestions made for actions that could improve the take up of the schemes by Stockport businesses.

## **2. STOCKPORT BUSINESSES' PARTICIPATION IN THE GOOD EMPLOYMENT CHARTER AND THE REAL LIVING WAGE**

- 2.1 The table below shows data on a comparison for the number of Stockport businesses signed up as supporters or members since the Stockport Economic Plan was Launched in December 2022, to date:

	<b>No. of Supporters</b>	<b>No. of Members</b>	<b>No. of Employees Covered (National)</b>	<b>No. of Employees Covered (GM Based)</b>
<b>December 2022</b>	32	4	Not provided	Not provided
<b>December 2024</b>	76	11	519,372	16,101

Data source: GMCA Good Employment Charter team.

- 2.2 Some progress is being made with increasing the number of Stockport businesses engaged with the Charter as either a supporter or a member. The Charter team at GMCA that conduct the assessments to accredit businesses as members is small and their capacity to conduct the required assessment of applications is limited. This factor inhibits the rate at which supporters can be converted to members.
- 2.3 The number of employees covered in the businesses involved with the Charter is shown as either national, to show workforce from businesses with a UK presence that will also benefit from their employer's participation in the Charter, and GM based workforce to demonstrate a more local impact.
- 2.4 The rate of increase achieved in the number of businesses signed up as supporters or members of the Charter over the twenty-four months of the Stockport Economic Plan being in place is too low to achieve the 2030 target of five hundred businesses.
- 2.5 As stated earlier, although there isn't a target in the Economic Plan for the number of Stockport businesses paying the Real Living Wage, it is a requirement for businesses to be working towards paying it (and encouraging their supply chains to do so also), to qualify as a Supporter, and to be paying it to qualify as a Member.
- 2.6 The table below shows data on a comparison for the number of Stockport businesses signed up as accredited by the Real Living Wage Foundation (it is possible for a business to be paying the Real Living Wage but not to have gone through the accreditation process so the data shown below may be under-reporting the actual numbers paying the Real Living Wage):

	<b>No. of Real Living Wage Accredited Businesses</b>	<b>No. of Employees Covered</b>	<b>No. of Employees with Increased Wages</b>
<b>January 2024</b>	72	10,656	2,599
<b>December 2024</b>	81	10,908	2,274

Data source: Real Living Wage Foundation.

- 2.7 Again, some progress is being made with increasing the number of Stockport businesses accredited by the Real Living Wage Foundation. However, the change in the data for the number of employees with increased wages reflects that despite an increase in the overall number of businesses accredited, there has also been a loss of accreditation for seven businesses, so the net impact has reduced as the new joining businesses have a lower number of employees compared to those lost.

### **3. ISSUES AND BARRIERS IMPACTING BUSINESSES CONSIDERING JOINING THE GM GOOD EMPLOYMENT CHARTER AND/OR THE REAL LIVING WAGE FOUNDATION.**

- 3.1 Increased Labour Costs: Paying the real living wage often means higher wages than the statutory minimum, leading to increased labour costs. This can be particularly challenging for small and medium-sized enterprises (SMEs) with tighter budgets.
- 3.2 Profit Margins: Higher wages can squeeze profit margins, especially in low-margin industries like retail and hospitality. Businesses may struggle to balance fair wages with maintaining profitability.
- 3.3 Price Adjustments: To offset higher wage costs, businesses might need to increase prices for their goods or services. This can be risky as it may reduce competitiveness and affect customer demand.
- 3.4 Staffing Levels: Some businesses may respond to higher wage costs by reducing staffing levels or cutting hours, which can impact service quality and employee morale.
- 3.5 Productivity Pressures: Employers might expect higher productivity to justify the increased wages, which can lead to increased work intensity and stress for employees.
- 3.6 Accreditation and Compliance: Becoming a supporter of the GM Charter or an accredited Living Wage employer involves administrative efforts and ongoing compliance, which can be resource intensive. Some Stockport Economic Alliance members reviewed the process for signing up as a GM Good Employment Charter supporter and commented: *"I don't think it's simple and quick, it seems quite onerous and there is a lot of fact-gathering you'd have to do to submit the form.....It put me off instantly..."* and *"As a Supporter, I would have expected the sign-up process to be much shorter. At this early stage, I don't see why so much detail is required..... I think I would have been more inclined to complete the process if, for example, there was a statement of intent to agree and sign"*.
- 3.7 Sector-Specific Challenges: Different sectors face unique challenges. For example, the hospitality and retail sectors, which employ many low-paid workers, may find it particularly difficult to absorb the increased costs.
- 3.8 Economic Uncertainty: In times of economic uncertainty, businesses may be more cautious about making commitments that increase their fixed costs. Economic downturns or market volatility can make businesses hesitant to adopt new standards that could impact their financial stability.
- 3.9 National Insurance and Business Rates: Increases in national insurance costs and reductions in business rates relief add to the financial burden. For instance, one business reported an additional £1 million to cover national insurance costs, while another faced an £800,000 increase due to changes in national insurance. The reduction in business rates relief from 75% to 40% also increases costs, with one business noting an additional £20,000.

- 3.10 Resistance to Change: Cultural resistance within the organisation can also be a barrier. Employees and management may be resistant to changes in wage structures and employment practices, especially if they are accustomed to the status quo. Overcoming this resistance requires effective communication and change management strategies.
- 3.11 The Stockport Economic Alliance discussed these issues at their meetings from September to December 2024, and the businesses represented advised that the recent budget changes to national insurance thresholds, levels, and contributions, along with the reductions to small business rate relief from 75% to 40% added considerable cost pressures into their businesses. Depending on the size of the business, the additional costs varied from around £8,000 to £800,000 per annum. This was seen as a significant disincentive to engaging with the Good Employment Charter process.
- 3.12 One Stockport Economic Alliance member also advised that *“The threshold change costs a flat £615 per employee earning above £9.1k which is the bulk of our increase of £43k on our existing payroll. Adding the 5% living wage increase in April too makes it even more difficult, especially when you need to keep space between the lowest earners and the rest of the team. We had several employee benefit initiatives we were looking to introduce in April but have had to reconsider most of them due to the budget.”*
- 3.13 Despite these challenges, many businesses are motivated to pay the real living wage because it is seen as the fair and right thing to do, and it can improve employee engagement, reduce turnover, and enhance the company's reputation.
- 3.14 Officers in the Economy, Work and Skills team offer support to businesses to help them register and complete the assessment paperwork for the Charter. This team are running an event in February 2025 to educate, inform, and promote the benefits of becoming a supporter and/or member of the Charter to support more Stockport businesses to become involved in the scheme.
- 3.15 Senior officers in the Council are making representations to the GMCA Charter team to see if there is any compromise possible around the Real Living Wage requirement for Charter membership to make it more viable for businesses to sign up as supporters in the current economic climate.

#### **4. CONCLUSIONS AND RECOMMENDATIONS**

- 4.1 The Greater Manchester Good Employment Charter and the Real Living Wage initiatives are pivotal in promoting fair and inclusive employment practices across Stockport. Despite some progress, the current rate of business engagement is insufficient to meet the ambitious targets set out in the Stockport Economic Plan.
- 4.2 The data indicates a positive trend in the number of businesses becoming supporters or members of the Charter and those accredited by the Real Living Wage Foundation. However, significant barriers, including increased labour costs, profit margin pressures, and economic uncertainties, continue to hinder broader participation.

- 4.3 The challenges faced by businesses, particularly SMEs, in adopting these standards are substantial. The additional financial burdens from recent changes in national insurance and business rates further exacerbate these challenges. Despite these obstacles, the commitment of many businesses to fair wages and good employment practices underscores the potential for positive change.
- 4.4 The support provided by the Economy, Work, and Skills team, along with planned promotional events, is crucial in encouraging more businesses to engage with these initiatives. However, there is a clear need for enhanced support mechanisms and potential policy adjustments to make these schemes more accessible and viable for businesses in the current economic climate.
- 4.5 The Council could consider discussing with GMCA whether they are able to allocate additional resources to the Charter team to expedite the assessment and accreditation process. This will help convert more supporters into full members, thereby increasing the overall impact of the Charter. However, GMCA are also operating under considerable financial strain, and it may not be viable for them to make this change.
- 4.6 The Council could advocate for policy adjustments at the GMCA level to provide more flexibility around the Real Living Wage requirement for Charter membership. This could include phased implementation plans or temporary exemptions for businesses facing significant financial challenges.
- 4.7 The Council should continue to educate and inform businesses about the long-term benefits of good employment practices through targeted events and campaigns. It is also important to highlight success stories and case studies to demonstrate the positive impact on employee satisfaction, productivity, and business reputation. This could be very effectively achieved through the Council's social media channels and Business Bulletin publication.
- 4.8 Financial incentives or support packages for businesses that commit to the Charter and the Real Living Wage, including grants, tax reliefs, or subsidies to offset the initial costs of implementation could be effective. However, there is little prospect of finding the funding to do these measures in the light of other, more pressing priorities for the use of public funds.
- 4.9 The Council should strengthen collaboration with local business alliances and chambers of commerce to leverage their networks and influence. This can help in reaching a broader audience and encouraging more businesses to participate in these initiatives.
- 4.10 The Council could review and reassess the target set for the Charter through its processes to set the next two-year delivery plan for the Economic Plan. However, having acknowledged the importance and benefits of the Charter, and the 500-target representing around 3.6% of the total number of businesses in Stockport, it should not be out of reach at that level if enough interest and support can be stimulated.
- 4.11 Stockport should be able to make significant strides towards achieving its goals for fair and inclusive employment, ultimately fostering a more resilient and equitable

local economy. However, the prevailing economic conditions and cost pressures for businesses may mean that the ambition for the pace at which progress is made needs to be moderated and pragmatic about what is realistically achievable for them.

4.12 The Committee is asked to note the report and comment on it.

## BACKGROUND PAPERS

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Richard Mortimer on telephone number Tel: 07800 617932 or alternatively email [richard.mortimer@stockport.gov.uk](mailto:richard.mortimer@stockport.gov.uk)