



EC-OECD Pilot Action: Regions in Industrial Transition



# Greater Manchester's High Impact Action:

The Greater Manchester Good Employment Charter

**In-depth assessment**

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# In Brief

## Industrial transition in Greater Manchester

As a post-industrial territory that has been transitioning to a service-led economy, the Greater Manchester City Region faces a number of economic challenges. Regional productivity lags the UK national average, while regional employment is increasingly concentrated in a number of low-productivity, low-wage sectors. Research has identified a number of factors that may be contributing to this productivity deficit, including poor skills utilisation by local businesses as well as poor health outcomes in the region, both of which are linked to low employment standards.

The powers of regional governments, such as Greater Manchester Combined Authority (GMCA), to solve these challenges are limited by the UK's assignment of subnational responsibilities. At the same time, however, regional multi-level governance arrangements do leave some room for experimental, subnational initiatives to support employment standards, productivity and wage levels.

## The Greater Manchester Good Employment Charter

The Greater Manchester Good Employment Charter is one such experimental initiative. The Charter is a GMCA-funded voluntary membership and assessment scheme that seeks to improve employment standards across the region. It aims to proactively encourage local employers from all sectors to promote fair pay, good working conditions and inclusive career opportunities. At the core of Charter-related activities is the charter document itself, which outlines seven principles of good employment to which employers in Greater Manchester should aspire, along with related criteria.

The Charter and its criteria provide the basis for inner and outer tiers of voluntary association with its principles by employers, which are known as the 'Supporter' and 'Member' tiers. The tier of inner association – or closest association – with the charter is the membership tier. Charter Members consist of employers that have undergone a rigorous membership application process and have been assessed to be demonstrating excellent employment practices across all seven principles of the Charter. The tier of outer association with the Charter is the supporter's tier. Charter Supporters consist of employers that have made a commitment to supporting the principles of the Charter and are working towards membership, but have not yet sufficiently improved their employment standards to be eligible for membership.

## Governance and management of the Charter

There are a number of key elements that have underscored the Charter's success. First, an extensive process of co-design and co-implementation involving stakeholders from a wide range of backgrounds has helped Charter stakeholders to define a collective vision of good employment that is both ambitious and realistic for employers. This has encouraged small, medium and large organisations, including non-governmental organisations (NGOS), from a wide range of sectors across Greater Manchester to involve themselves in its activities.

Second, a rigorous monitoring and evaluation system for Supporters has helped promote high employment standards in the Greater Manchester region. In addition to an extensive data-gathering process, where organisations must provide widespread evidence of their good employment practices,



aspiring Members are also assessed by the Charter Board, which draws on its extensive cross-sectoral expertise to evaluate an employer's application. This system has ensured that Charter activities lead to tangible results rather than a box-ticking exercise. Third, 'carrot' and 'stick' governance mechanisms associated with the Charter have helped ensure employer engagement and adherence to the standards. Carrot mechanisms include the positive marketing that is associated with Charter involvement, and the linkage of the Charter by GMCA with its criteria for public procurement tenders. Stick mechanisms, which are currently being implemented, will include the requirement for Supporters to consistently show they are improving their good employment practices, or face expulsion from the Charter.

## Results of the Charter and impact on industrial transition

There are over 120 000 employees across the Greater Manchester City Region that currently work for a supporter or member organisation of the Charter. Given that member organisations have met rigorous good employment criteria across each of the seven principles, while supporter organisations are required to regularly demonstrate that they are making progress in improving their organisational practices, this suggests the Charter has led to a material improvement in the region's employment standards in a relatively short space of time.

The Charter's success in encouraging companies across Greater Manchester to raise their employment standards is also helping to address industrial transition challenges in the region, such as a lack of skilled workers, the exclusion from the workforce of various groups and, by extension, low productivity. This is because a number of Charter criteria (e.g. those focused on skills development or health-related work support) are not only valuable from an employee welfare standpoint, but also have the added benefit of strengthening the region's economic competitiveness. Should the engagement of Greater Manchester employers with the Charter continue to grow, these economic benefits will continue to increase as well.

## Policy experimentation, lessons and scalability of the Charter

Given that England's Combined Authorities lack legal authority to affect employment regulation, the Charter represents an experimental attempt to improve employment standards and concurrently tackle industrial transition challenges by building societal consensus from the bottom-up, rather than relying on top-down legislative or regulatory avenues. As a voluntary initiative that requires only minimal financial support from the government, the Charter also provides excellent value for money as a vehicle for improving employee welfare. The policy experimentation by GMCA that led to the Charter's creation and implementation has also generated a number of valuable insights.

First, while the Charter has been very successful in engaging with organisations from different sectors overall, it has faced challenges in a minority of sectors that have a history of poor employment practices, notably hospitality and retail. The Charter's success in penetrating other sectors with a historically poor track record of employment standards suggests that outreach may sometimes be more successfully achieved through business-to-business activities, rather than through the Charter itself.

Second, encouraging a wider range of employers to engage with the Charter will depend on strengthening incentives for involvement. Taking steps to more clearly outline the business case for Charter engagement, while popularising the Charter more widely among employees in Greater Manchester, are two areas where additional progress could create a strong inducement for organisational involvement.

Third, a small number of adjustments to Charter implementation may be needed to improve its effectiveness. In particular, internal monitoring and evaluation activities need to be expanded to cover

Charter Members as well as Supporters, in order to ensure that Members continue to serve as role models for good employment standards.

With regards to scalability, the Charter concept shows particular promise at an EU regional level, given that a growing number of Combined Authorities across the UK are already developing comparable initiatives. At the same time, however, Charter initiatives may meet greater success in regions where administrative boundaries are well-aligned with economic needs, as this can help to forge multi-stakeholder consensus and facilitate engagement.

## Introduction to the HIA

The Greater Manchester Good Employment Charter is a voluntary membership and assessment scheme that seeks to improve employment standards across the Greater Manchester City Region. Through extensive and strategic outreach activities aimed at local employers, the Charter, which is managed by the Greater Manchester Combined Authority (GMCA)<sup>1</sup>, aims to proactively encourage local organisations to promote fair pay, good working conditions and inclusive career opportunities. Its ultimate objective is to scale-up to support good employment practices in all companies across the region (as of 2019, there were over 124 000 businesses in the Greater Manchester area) (Greater Manchester Combined Authority, 2019<sup>[1]</sup>; Crozier, 2022<sup>[2]</sup>).

The purpose of this case study is to highlight the value of experimental governance and policymaking for regions in industrial transition. The effectiveness of the Charter's engagement with local employers – a novel and ambitious tool for the region – has enabled it to make a valuable contribution to tackling challenges related to industrial transition in the late 20<sup>th</sup> and early 21<sup>st</sup> century, such as low productivity and low wages. Moreover, its voluntary nature has provided the GMCA with an innovative tool with which to influence a wide range of regional employment standards, despite the fact that the regulatory authority to deliver reform in certain policy areas (e.g. the minimum wage) is restricted to the national government.

In its first section, this case study considers the context of industrial transition in Greater Manchester and related challenges that the regional economy faces today. The second section looks at the role of the Charter and its contribution to addressing some of Greater Manchester's industrial transition challenges. The third section considers the experimental nature of the HIA that has characterised its design and implementation, while exploring lessons learned, including the initiative's scalability. The final section concludes the case study.

## Industrial transition in Greater Manchester

Greater Manchester, like much of North-West England, was at the forefront of the industrial revolution in much of the eighteenth, nineteenth and early twentieth centuries, with technological and organisational innovations spanning a range of industries, including textiles, chemicals and heavy industry. However, economic shifts that took place during the course of the late 20<sup>th</sup> century left its heavy industries unable to compete in a globalised world, leading to deindustrialisation and steep declines in manufacturing employment across the region (Holden and Sensier, 2021<sup>[3]</sup>).

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<sup>1</sup> A Combined Authority is a legal body set up using UK national legislation, which enables a group of two or more councils to collaborate and take decisions across council boundaries. The creation of a CA means that member councils can be more ambitious in their collaboration and can take further advantage of powers and resources devolved to them from national government.

Today, Greater Manchester is home to a number of high-productivity industries, including advanced materials, advanced manufacturing, health innovation, creative, digital and IT sectors, as well as financial and professional services (Coyle et al., 2019<sup>[4]</sup>; Holden and Sensier, 2021<sup>[3]</sup>). These successes notwithstanding, Greater Manchester's productivity performance, like much of North-West England, lags the national average. Overall, regional productivity, as measured by Gross Value Added (GVA) per hour worked, stood at GBP 31.78 in 2019, almost 10% below the UK average (Holden and Sensier, 2021<sup>[3]</sup>). In addition, GMCA's overall employment has increasingly concentrated in low-productivity sectors, such as retail, logistics, health and social care. According to Greater Manchester's 2019 Independent Prosperity Review, the share of low-productivity sectors in the region – those with less than GBP 30 000 GVA per worker, at 2013 prices, increased from 37.7% in 2005 to 41.8% in 2015 (Coyle et al., 2019<sup>[4]</sup>).

Research highlights a number of factors that may be contributing to Greater Manchester's productivity deficit. Evidence from the 2019 Greater Manchester Independent Prosperity Review suggests that poor skill utilisation has been a significant contributor to the region's lagging productivity performance in recent years, with a large number of low-productivity businesses in the public, private and third sectors not fully utilising the human capital that is available to them (Coyle et al., 2019<sup>[4]</sup>). The review notes that while productivity improvements will depend on improving the supply of skills in Greater Manchester, they will also be contingent on increasing demand for skills in the regional labour market.

Another challenge identified by the review relates to the role that ill-health, either mental or physical, can play in limiting worker productivity. The share of the Greater Manchester adult population that have long-term health conditions and are employed is nearly 13 percentage points lower than the total share of the Greater Manchester adult population that are employed. This suggests that poor health outcomes are a significant drag on regional productivity (Coyle et al., 2019<sup>[4]</sup>). Economic analyses of both Greater Manchester and the wider North of England region suggest that addressing ill health could lead to significant productivity improvements (Coyle et al., 2019<sup>[4]</sup>).

The productivity challenge in Greater Manchester is contiguous with other economic challenges that also characterise regions in industrial transition, most notably the low wage levels in certain sectors of the regional economy. A number of industries across Greater Manchester, in particular hospitality, tourism, retail and social care, suffer from both low worker pay and productivity (Coyle et al., 2019<sup>[4]</sup>). There is also evidence to suggest that wages in the Greater Manchester social care sector are lower, on average, than elsewhere in the North West or in England, for reasons which are not fully understood (Coyle et al., 2019<sup>[4]</sup>).

As highlighted above, the productivity and wage challenges facing Greater Manchester's economy present significant obstacles to regional prosperity and well-being. At the same time, however, the powers of Combined Authorities limit the tools available to them for solving some of these challenges. For example, the level of Statutory Sick Pay that employees are entitled to determines whether or not an employee with a long-term health condition is able to continue working when regular medical evaluations or procedures are required. It is set at the national government level (a fixed amount of GBP 99.35 per week for 28 weeks) (Gov.uk, n.d.<sup>[5]</sup>). In addition, there are some elements of the productivity puzzle that may be better solved by employers, rather than the Combined Authorities themselves. For instance, effective skills utilisation depends not only on improving the supply of skills, but also on strengthening the ability of managers to anticipate their skills needs. Improving demand for skills by managers and their ability to harness the productivity potential of high-quality job candidates is likely to depend more on effective internal training for managers than the prospect of government-backed programmes.

The Greater Manchester Local Industrial Strategy 2019 identifies “[improving] productivity, wages, and job creation in all sectors” as a core priority for the region. Notwithstanding the fact that much of the regulatory framework with the power to influence these objectives is set at the national level of government, there is still room for local initiatives to improve employment standards, productivity and wages through voluntary co-operation. Solving the industrial transition challenges facing Great Manchester will require a flexible, multi-stakeholder effort, which can be supported through effective policy experimentation.

## The Greater Manchester Good Employment Charter

The Greater Manchester Good Employment Charter could advance industrial transition, locally. Launched in 2019, the Charter aims to “support a thriving and productive economy in all parts of Greater Manchester”, while simultaneously helping deliver “good jobs with opportunities for people to progress and develop” (Lupton et al., 2021<sup>[6]</sup>). The Charter provides a significant opportunity for employers in all sectors to proactively and effectively contribute to: a) solving industrial transition challenges, like lower productivity and wages, and b) improving career opportunities and working conditions across the region. At the same time, however, it recognises that many employers may lack the organisational knowledge, capacity or will to meaningfully improve employment standards on their own, and it foresees a role for the Greater Manchester Combined Authority to support employers in this regard.

### Overview of the Charter and related activities

The Greater Manchester Good Employment Charter is a voluntary membership and assessment scheme that seeks to improve employment standards across the Greater Manchester City Region. Managed by the Greater Manchester Combined Authority, it aims to proactively encourage local employers from all sectors – including public sector authorities, service providers, the private sector and the third sector – to promote fair pay, good working conditions and inclusive career opportunities. At the core of Charter-related activities is the charter document itself, which outlines seven principles of good employment to which employers in Greater Manchester should aspire. Each of these principles is backed by detailed criteria that describe in detail what adherence to these principles actually means in practice (Table 1). Initial Charter activities took place between 2019 and 2021, and have been further scaled by the GMCA in subsequent years.

**Table 1. The seven principles of the Greater Manchester Good Employment Charter**

Principle	Commitment by employers (abridged)	Examples of Charter membership criteria
Secure work	<ul style="list-style-type: none"> <li>To give employees clarity over the hours they work.</li> <li>To not use unnecessary forms of insecure employment contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Contracts reflect actual hours worked, including the ability to have contracts reviewed and adjusted if actual hours regularly exceed contracted hours.</li> <li>“Zero hours” contracts are only offered to employees that want them. No exclusive zero hours contracts.</li> <li>Employees are guaranteed a minimum of 16 hours work a week (unless the employee requests otherwise).</li> </ul>
Pay	<ul style="list-style-type: none"> <li>To work towards paying the real Living Wage (RLW), set at the level recommended by the Living Wage Foundation.</li> </ul>	<ul style="list-style-type: none"> <li>Payment of RLW to employees.</li> <li>Sick pay is provided from day one of absence.</li> <li>Staff who are off sick are paid a replacement income of 100% of their usual earnings for as long as possible.</li> </ul>
Recruitment	<ul style="list-style-type: none"> <li>To develop recruitment practices that take full advantage of the diversity and talent across all Greater Manchester communities through transparent, inclusive and fair processes.</li> </ul>	<ul style="list-style-type: none"> <li>Selection processes are designed to eliminate unconscious bias.</li> <li>Recruitment processes, including job adverts, actively encourage the recruitment of a more diverse workforce.</li> <li>Job adverts give consideration to a wide range of flexible working arrangements that could potentially be made available to job applicants.</li> </ul>
Health & well-being	<ul style="list-style-type: none"> <li>To support the mental and physical health of all employees, including adjustments for people with long-term conditions and disabilities, delivering high standards of health and safety in the workplace.</li> </ul>	<ul style="list-style-type: none"> <li>Management of absences due to sickness is arranged in according to ACAS or equivalent guidelines.</li> <li>Systems exist to monitor staff wellbeing, with a requirement to act on feedback with real and</li> </ul>

		tangible outcomes.
<b>Flexible work</b>	<ul style="list-style-type: none"> <li>To give employees the opportunity to work flexibly wherever possible.</li> </ul>	<ul style="list-style-type: none"> <li>Jobs are designed with different types of flexibility in mind (e.g. where people work, when people work, how much people work).</li> <li>A flexible working policy exists to encourage flexible working where reasonable or appropriate.</li> </ul>
<b>Engagement &amp; voice</b>	<ul style="list-style-type: none"> <li>To improve engagement and voice, so that staff can fully contribute to the direction and success of their organisation, while shaping their own roles within it.</li> <li>To allow trade unions to facilitate employees' collective voice, wherever possible.</li> </ul>	<ul style="list-style-type: none"> <li>Employees are involved in decision-making, while change is managed through effective communication and consultation.</li> <li>Employers engage positively with trade unions (e.g. taking part in collective bargaining agreements where they exist, making new staff aware of potential trade union membership).</li> </ul>
<b>People management</b>	<ul style="list-style-type: none"> <li>To value all employees and invest in the training of the workforce, including managers.</li> <li>To motivate staff so that they contribute to making the organisation high-performing and successful.</li> </ul>	<ul style="list-style-type: none"> <li>An organisational training plan has been developed, which ensures that all staff (inc. managers) receive appropriate training, during paid time, to enable them to do their job effectively, while developing their skills and experience.</li> <li>Multi-source feedback and surveys confirm that the workforce feels valued, invested in and developed.</li> </ul>

Note: Full details of Charter membership criteria can be found on the Greater Manchester Good Employment Charter website.  
Source: (GM Good Employment Charter, 2022<sup>[77]</sup>)

The charter document and its associated criteria provide the basis for two concentric circles of voluntary association with its principles by employers, which are known as the 'Supporter' and 'Member' tiers association respectively. The tier of inner association with the Charter is the membership tier. Charter Members consists of employers that have undergone a rigorous membership application process and have been assessed to be demonstrating excellent employment practice across all seven principles of the Charter (OECD, 2022<sup>[8]</sup>). Thus far, approximately 80 companies across Greater Manchester have been approved as Members of the Charter (OECD, 2022<sup>[8]</sup>; GMCA, n.d.<sup>[9]</sup>).

The tier of outer association with the Charter is the supporter's tier. Charter Supporters consist of employers that have made a commitment to supporting the principles of the Charter and are working towards membership, but have not yet improved their employment standards to a sufficient degree for membership eligibility. Supporters benefit from valuable resources that can help them improve their employment practices across the seven principles, including toolkits on specialist topics, webinars with theory and practical experts, roundtables and mentoring by other businesses. Nearly 500 companies across Greater Manchester have so far committed to being Supporters of the Charter (OECD, 2022<sup>[8]</sup>). It is also possible for newcomers that are neither Members nor Supporters of the Charter to engage with its activities by registering and joining the mailing list; however, they are expected to become Supporters as soon as possible (OECD, 2022<sup>[8]</sup>; GMCA, n.d.<sup>[9]</sup>).

### ***Governance and management of the Charter***

Effective governance and management of the Charter has played a key role in its development and success. In particular, the principles of co-design and co-implementation have underscored all elements of the charter's development, and have encouraged employers in a wide range of different sectors across Greater Manchester to involve themselves in its activities. In addition, a rigorous monitoring and evaluation system for Supporters has supported the promotion of high employment standards in the region, in tandem with both 'carrot' and 'stick' governance mechanisms that help to ensure employer engagement and adherence to the standards.



### *Two key groups contribute to the implementation of Charter-related activities*

Two main groups of stakeholders contribute to the Charter's implementation. The Charter Implementation Unit, which consists of a single employee<sup>2</sup> i.e., the Charter Implementation Unit Manager, has three functions. First, it helps assess Supporters of the Charter against the various criteria for membership by asking them to provide evidence of organisational policies and practices that support the Charter's principles. Second, it supports activities related to the promotion of the Charter and its principles, including the availability of online resources for Supporters and Members on how to improve their employment practices, as well as the organisation of various events that raise the Charter's public profile and disseminate its principles through public fora. Third, it is in touch with employers not currently involved with the Charter, providing them with information about its activities. The Greater Manchester Combined Authority funds the Charter Implementation Unit, through funding that is allocated to a partner organisation, The Growth Company (OECD, 2022<sub>[8]</sub>). In the original funding allocation for the Charter, GBP 636 000 was provided across three years by GMCA, with an additional EUR 270 000 being provided by the European Commission.

The second main stakeholder group that contributes to the Charter's implementation is the Charter Board, which does not receive funding. The Board is made up of 15 representatives from trade unions, the public and private sectors, employee organisations and academia, who bring diverse expertise of employment practices in different sectors. Once a Charter Supporter has submitted evidence to the Charter Implementation Unit that they are meeting all the various criteria for membership, their application is reviewed by the Board, which evaluates the application against each Charter criterion and provides written feedback. When Supporters are found by the Charter Board to meet all the criteria for Charter membership, formal accreditation is granted. In addition to reviewing membership bids, the Charter Board also has the responsibility of agreeing new rules or amendments to Charter criteria on an evidentiary basis.

### *Strong political support provides a foundational basis for the Charter*

A foundational element that has contributed to the Charter's success in engaging regional employers has been its democratic legitimacy. Developing the Charter was a key commitment set out in the 2017 manifesto of Greater Manchester mayoral candidate Andy Burnham, which aimed to tackle labour market issues such as low pay and insecure work (OECD, 2022<sub>[8]</sub>). Given the lack of legal authority for England's Combined Authorities to affect employment regulation, the Charter represented a bottom-up policy proposal to encourage companies to voluntarily adopt higher employment standards. OECD interviews with local stakeholders suggested that the robust mandate that the mayor received at the ballot box in 2017 – nearly two-thirds of the vote in the first round of the election – in part reflected the strong public appetite for improving employment standards across Greater Manchester (OECD, 2022<sub>[8]</sub>). In turn, this mandate has provided him with a solid platform from which to encourage stakeholders from across Greater Manchester to engage with the initiative. Given that the Charter is a voluntary scheme that requires employers to sign up, the support and public profile that has been afforded to it by the mayor and GMCA has underpinned its outreach efforts.

### *An extensive co-design and co-implementation process has underscored the Charter's development*

Another element contributing to the Charter's success in securing the buy-in of employers is the extensive emphasis on developing a collective vision of good employment. A voluntary initiative to improve employment standards can only succeed if employers feel that the initiative is realistic and achievable.

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<sup>2</sup> According to GMCA, the Charter Implementation Unit hired a number of new staff members after the OECD fact-finding mission took place but before the report was shared with external stakeholders for comment.

Defining what principles and criteria should constitute good employment is an inherently subjective process, and what may seem realistic and achievable to one type of employer may be seen as impossible to another. Striking a balance between a charter document that sets high employment standards and also accounts for different employer realities was cited as a challenge early in the design process (OECD, 2022<sup>[8]</sup>).

In response to this early challenge, and to ensure that a wide range of employers would feel able to sign up for the Charter, significant efforts were made by GMCA to build broad multi-stakeholder consensus as to how good employment should be defined and what the Charter should include. To this end, a co-design process involving employers, business groups, trade unions, professional bodies, campaign groups and academics was launched in 2018, and consisted of two consultation rounds. The first round of consultation began in March 2018 with the publication of an Evidence and Consultation paper, which set out the academic literature on how better employee engagement can lead to higher productivity and better services. During this time, various actors were solicited for their opinion about what the Charter should contain (Lupton et al., 2021<sup>[6]</sup>). Responses were received from 120 actors in the public and private sectors, which fed the Charter's design, including the seven principles of good employment, the tiered association structure and the support for employers to help them improve their employment standards. A second, multi-stakeholder consultation was completed in October 2018, and informed the design of the Charter's criteria. Following these consultations, the Charter's design was finalised in spring 2019, with the Supporters network established in summer 2019 (Lupton et al., 2021<sup>[6]</sup>).

The broad, multi-stakeholder approach to the Charter's design adopted by GMCA has enabled it to set high standards for employment while also setting out guidelines that are flexible enough to account for the differing circumstances of organisations. A 2021 survey of Supporters, Members and other organisations that were engaged with the Charter found that only 6% of respondents felt the Charter's standards were not flexible enough to account for the different circumstances of organisations, while only 2% felt that they were not realistic or achievable for their own organisation (Lupton et al., 2021<sup>[6]</sup>).

The Charter's design approach was regularly cited during OECD interviews as being a factor that contributed to the Charter's success in engaging employers. Interviewees indicated that several draft criteria that were deemed by stakeholders to be unnecessarily burdensome were removed from the final Charter following consultation. For example, several interviewees noted that initial draft versions of the Charter had included union recognition as a membership requirement. However, the criterion was dropped from the final version after the consultation process revealed that a number of sectors across Greater Manchester have limited union representation, a decision that certain interviewees felt had made it easier for some employers to sign up for the Charter (OECD, 2022<sup>[8]</sup>).

### *Extensive outreach activities contribute to the Charter's effectiveness in raising employment standards*

The breadth of outreach activities that the Implementation Unit has pursued has also contributed to the Charter's success. Resources and activities available to Supporters and Members of the Charter include toolkits on specialist topics, blogs, articles, podcasts and case studies to share practical learning. Events available to Supporters and Members include award ceremonies, webinars with theory and practical experts, networking events and business-to-business mentoring for new Charter inductees (OECD, 2022<sup>[8]</sup>). Some 82% of respondents to the Manchester Metropolitan University 2021 survey indicated that they had attended Charter webinars and events (Lupton et al., 2021<sup>[6]</sup>). The highly interactive nature of Charter events was particularly beneficial for employers, enabling them to "bounce ideas" off both academic and practical experts across a range of employment-related topics (OECD, 2022<sup>[8]</sup>). The breadth of resources available through the Charter make it akin to a "free HR consultancy", according to one interviewee, which encourages engagement by employers who are new to the Charter seeking to improve their employment standards.

### *Rigorous monitoring and evaluation activities accompany Supporters' bids for membership*

Supporters of the Charter face three main performance measurement stages in their bids to become members: 1) an initial stock-taking exercise on their organisation's employment standards; 2) a data-gathering exercise where evidence of excellent employment practices is submitted to the Charter; and 3) an evaluation exercise that reviews their performance against Charter criteria. In the first two assessment stages, employers work with the Charter Implementation Unit, while the final assessment stage is carried out by the Board.

In the first and second stages of assessment, the Charter Implementation Unit works closely with the employer to both support and challenge them through the assessment process. In the first stage, a stock-taking exercise is undertaken in the form of a 'supporter readiness questionnaire', which helps the Implementation Unit assess the extent to which a potential member meets the minimum criteria for each Charter principle. In order to progress to the next stage of the assessment, organisations are required to be able to answer 'yes' to all questions as regards their employment practices (Crozier, 2022<sup>[2]</sup>).

In the second stage, the Implementation Unit gathers data to fill in an assessment template, which establishes the extent to which organisations are meeting membership criteria across the seven principles. This is a collaborative process involving both the Implementation Unit and the employer, and the former provides the latter with "a detailed narrative of their progress" towards each of the Charter's principles. One interviewee described the process as being "a bit like a tennis match, where [the Implementation Unit Engagement Lead] will identify [good employment] areas where employers are weak and make recommendations to address them" (OECD, 2022<sup>[8]</sup>).

In the third and final stage, a completed membership application is submitted to a technical panel, which evaluates the application against each criterion and provides written feedback. Stakeholders indicated that the technical panel will often use the evaluation to identify weak points in an organisation's application, and request further adjustments or additional information to ensure that membership criteria are being fully met (OECD, 2022<sup>[8]</sup>). At the same time, when carrying out its evaluation, the Charter Implementation Unit does account for the fact that many SMEs are unlikely to be able to provide certain types of relevant documentation that may exist in large multinational companies. Following approval by the Charter Board, the membership application is submitted to the full advisory Board for final approval.

### *Carrot and stick governance mechanisms have fuelled Charter engagement and adherence*

Several governance mechanisms have helped create incentives for employers to engage with the Charter and adhere to its principles. The first of these is the 'quality label' that comes with being a member of the Greater Manchester Good Employment Charter. While neither Members nor Supporters receive any financial benefits, they do receive extensive free marketing, both directly, through various Charter activities (e.g. awards ceremonies), as well as indirectly, for instance through media coverage of the Charter. Data from a Manchester Metropolitan University 2021 survey of Charter Members and Supporters suggests that the Charter's "positive marketing" has been a key draw for employers, with 97% of respondents indicating their reasons for joining the Charter included the opportunity to enhance their reputation as an employer (Lupton et al., 2021<sup>[6]</sup>).

The second governance mechanism that fuels Charter engagement is its linkage to public procurement in the Greater Manchester City Region area. Currently, businesses that receive investment through any of the GMCA's investment funds are required to become Supporters of the Charter. In addition, the GMCA's social value framework for public procurement gives additional weighting to bids that deliver social value in procurement processes, including areas that are covered in the Charter (GMCA, n.d.<sup>[9]</sup>). These elements encourage employers that wish to be financially involved with GMCA and other commissioning organisations across Greater Manchester to engage with the Charter and its principles. OECD interviewees indicated that there are also ongoing discussions between stakeholders involved in the

Charter and various regulatory bodies regarding ways in which the Charter can be embedded in the region's regulatory frameworks.

The third governance mechanism that supports Charter engagement relates to the veto power of the Charter Implementation Unit over employers in the Supporters tier that are not taking sufficient steps to adopt the Charter's principles. A new initiative, which is currently being implemented, will enable employers that are consistently found to be failing to make progress towards meeting Charter criteria to be expelled from the Charter. This will ensure that participation in the Supporters tier of the Charter must amount to more than an empty commitment, and will provide an additional incentive for organisations to comply with its prescriptions (OECD, 2022<sup>[8]</sup>).

### ***What the Charter has accomplished and how it contributes to industrial transition challenges***

Since the Charter's introduction in 2019, 491 employers have joined its Supporters tier, while a further 82 companies have received membership accreditation. According to the Charter, this means that there are now over 120 000 employees across the Greater Manchester City Region that work for a supporter or member organisation of the Charter (OECD, 2022<sup>[8]</sup>; GMCA, n.d.<sup>[9]</sup>). Given that member organisations are those that have been assessed to meet rigorous good employment criteria across each of the Charter's seven principles, while supporter organisations are required to regularly demonstrate to the Charter Implementation Unit that they are making progress in meeting membership standards, these data suggest a material improvement in the region's employment standards in a relatively short space of time.

This finding is also reflected in the perspectives of Charter Supporters and members. A Manchester Metropolitan University Survey found that across each of the Charter's seven principles of good employment, a majority of organisations (53%) reported an improvement in at least one area of employment practice, which they could attribute to the Charter. Improvements were highest in health and well-being, and people management categories (37 and 35%, respectively), and lowest in the secure work and flexible working categories (23% and 25%, respectively) (Lupton et al., 2021<sup>[6]</sup>). Some 70% of survey respondents also felt that their employment practices would continue to improve in the future as a result of Charter involvement (Lupton et al., 2021<sup>[6]</sup>).

#### *Higher employment standards are also helping to address low regional productivity and wages*

The Charter's success in encouraging companies across Greater Manchester to raise their employment standards is also helping to address industrial transition challenges in the region, such as low productivity. This is because a number of Charter criteria are not only valuable from an employee welfare standpoint, but also have the added benefit of strengthening the region's economic competitiveness. Should the engagement of Greater Manchester employers with the Charter continue to grow, these economic benefits will continue to increase as well.

For instance, as discussed above, a key factor constraining productivity across the region is poor skills utilisation by employers (Coyle et al., 2019<sup>[4]</sup>). In order to address this issue, a number of the Charter criteria support improving skills training by organisations. For example, Charter Members are expected to demonstrate evidence of "an organisation development/training plan, which ensures that all staff (including managers) receive appropriate training, including paid time, to enable them to do their job effectively, develop and use their skills and experience" and "multi-source feedback and surveys that indicate the workforce feels valued, invested in and developed" (GM Good Employment Charter, 2022<sup>[7]</sup>). These criteria have the potential to not only improve employee productivity, labour supply and wage-earning potential but also management quality, which can further encourage demand for high-skilled employees. In parallel, the Charter holds promise as a policy lever that could help regions in industrial transition meet challenges



such as a lack of skilled workers (OECD, 2019<sup>[10]</sup>). In particular, the formalisation of training requirements for managers could provide a foundation that helps senior employees to better anticipate their skills needs for the industrial transition.

Another regional productivity constraint, as highlighted above, is the effect of long-term health conditions on labour force participation, as well as mental health issues such as depression and adults reporting physical problems (Coyle et al., 2019<sup>[4]</sup>). In this regard, the Charter criteria commit Members to providing evidence of a number of health-related support policies, such as “[making] adjustments for people with long-term conditions and disabilities”, and providing sick pay entitlements for all staff, with a 100% replacement income from day one of their absence (GM Good Employment Charter, 2022<sup>[7]</sup>). These elements have the potential to help Greater Manchester employees deal with health issues in a more effective way, thereby also improving labour force participation, and productivity across the region. By the same token, the Charter has the potential to serve as a policy lever that could help regions in industrial transition meet challenges such as improving regional well-being (OECD, 2019<sup>[10]</sup>). To wit, the requirement for organisations to develop more accommodative health-related support policies could help to better integrate vulnerable populations into the labour market, thereby supporting their economic empowerment and inclusive economic growth. It could also be helpful for regions in industrial transition that face declining populations and wish to identify ways to attract labour supply from other regions.

In tandem with the productivity challenge, the Charter’s criteria seek to address related industrial transition characteristics, such as the region’s low-wage economy. A number of sectors across Greater Manchester, in particular hospitality, tourism, retail and social care, are characterised by low worker pay and productivity (Coyle et al., 2019<sup>[4]</sup>). Charter Members are expected to provide evidence that they pay all employees and contractors the real Living Wage, which adjusts the government minimum National Living Wage for what employees actually need to earn to meet current costs of living (GM Good Employment Charter, 2022<sup>[7]</sup>). There is evidence to suggest that even in certain traditionally low-wage sectors, the Charter’s voluntary nature has encouraged ‘race-to-the-top’ competition on pay among various employers. OECD interviews with local stakeholders indicated that there is a commitment from all constituent local authorities in Greater Manchester to commission for the real Living Wage in adult social care by the end of 2023 (OECD, 2022<sup>[8]</sup>). As such, the Charter may provide a policy lever that could assist regions in industrial transition with support for vulnerable workers while the transition period is ongoing (OECD, 2019<sup>[10]</sup>). In particular, the real Living Wage criterion ensures that workers in traditionally low-wage industries can enjoy a measure of social protection from inflation and the erosion of their living standards. It could also help regions that are contending with declining populations to attract workers from other territories.

## Policy experimentation, lessons learned and scalability of the Charter

The Charter represents an experimental attempt to improve employment standards and concurrently tackle industrial transition challenges by building societal consensus from the bottom up, rather than through top-down legislative or regulatory avenues. There are multiple benefits to the adopted approach from a labour policy perspective. For instance, the Charter represents excellent value for money as a vehicle for improving employee welfare. The Charter’s requirement that Members pay their employees the real Living Wage or more generous sick pay places the financial burden of higher employment standards on companies that volunteer to shoulder it, rather than on the taxpayer. Moreover, the Charter’s emphasis on the training and professional development of employees by organisations helps to promote skills development that is closely linked to sectoral needs.

The Charter’s experience also suggests that regions in industrial transition may meet more success when implementing their transition policies if there is experimentation and flexibility in how they seek to address persistent challenges. Interviewees noted that, at the time the Charter was launched, a number of previous attempts had been made by local authorities across England to launch similar initiatives, but none of them

before the Charter had succeeded in sustaining meaningful engagement (OECD, 2022<sup>[8]</sup>). Experimentation and flexibility during the design and implementation of the Charter – notably the co-production design process and the consensus-based assessment process for aspiring members – have played an important role in its success. Key in this regard has been the move by Charter stakeholders away from a Charter that reflects the priorities of GMCA, and towards a co-design process that also reflects the realities of employers. For example, one interviewee indicated that an early draft of the charter was viewed by some stakeholders as an “arrogant public sector pronouncement” (OECD, 2022<sup>[8]</sup>).

However, the broad multi-stakeholder consultation process that emerged in response to this feedback ensured that a wide range of employer perspectives was taken into account during the Charter’s design, which has made it more realistic for employers to sign up for while ensuring that high standards are maintained. By the same token, the multi-stakeholder assessment role that has been fashioned for the Charter Board, in addition to its responsibility for amending or adding new Charter criteria in light of new evidence, ensures that membership of the Charter is elevated beyond a box-ticking exercise. The Board’s deep cross-sectoral expertise of employment and its scope to consider employment practices on a case-by-case, consensus-led basis gives the assessment process flexibility to take sectoral considerations into account when evaluating a company against Charter principles (OECD, 2022<sup>[8]</sup>). As mentioned above, it was notable that only 6% of respondents to the Manchester Metropolitan University survey felt the Charter’s standards were not flexible enough to account for the different circumstances of organisations, which suggests that the broad consultation approach has been effective in ensuring that the Charter’s standards that are realistic for employers (Lupton et al., 2021<sup>[6]</sup>).

### ***Policy lessons from the Charter***

The GMCA’s policy experimentation to address industrial transition challenges that led to the Charter’s creation and implementation has generated a number of valuable insights. These insights can inform policy-makers in Greater Manchester as they look to strengthen the Charter’s effectiveness, while also providing lessons for other subnational authorities that are either interested in addressing similar industrial challenges. Some insights from the OECD’s analysis are outlined below.

#### *The Charter has been more successful at promoting good employment in some sectors than others*

Overall, the Charter has been very successful at engaging with organisations from different sectors. Interviewees indicated that Charter Members and Supporters include a wide array of regional small, medium and large organisations within the public, private and third sectors. While they noted that some of the sectors and employers currently engaged with the Charter historically have had good employment practices and were, to a certain extent, seeking public recognition for ‘homework’ that already had been done, interviewees were clear that the Charter has also been successful in engaging sectors that have traditionally been characterised by low pay and poor employment practices, such as social care. For example, as noted above, thanks to the Charter’s engagement with local authorities, commitment has been secured from all constituent local authorities in Greater Manchester to commission the real Living Wage in adult social care by the end of 2023 (OECD, 2022<sup>[8]</sup>).

At the same time, interviewees noted that the Charter has struggled to engage with organisations from other sectors that have a history of poor employment practices, notably the hospitality and retail sectors (OECD, 2022<sup>[8]</sup>). There was no consensus voiced as to why these sectors present a larger obstacle for the Charter than social care. However, one stakeholder observed that while social care is linked to public funding and requires engagement with a small number of easily-identifiable stakeholders, hospitality and retail are large private sectors that contain a wide range of employers, which makes engagement more difficult (OECD, 2022<sup>[8]</sup>). With regards to retail, it was also posited that many of the companies working in the industry are national chains, and they may not therefore be as interested in a subnational initiative like

the Charter. However, given that the Charter has been successful in attracting a number of global public companies as Members, its regional focus should not preclude national-level employer engagement. Other challenges cited that might explain the hospitality and retail sectors' lack of engagement included financial and human resource constraints stemming from the impacts of COVID-19 and Brexit. This reflects the explicit trade-off made by Charter stakeholders to demand high employment standards of all supporters and members, while recognising that these same high standards will entail organisational costs that may ultimately deter some employers (OECD, 2022<sup>[8]</sup>).

One lesson learned from the Charter's success in the social care sector, which may provide insight into how other problematic industries can be dealt with, relates to the importance of engaging with employers at their own pace. Interviewees acknowledged that the prospect of adopting all of the Charter's requirements might seem overwhelming and unrealistic to many organisations at the outset, and particularly those working in challenging sectors, which could risk making them reluctant to engage at all. In the case of social care, however, the Charter Implementation Unit was able to avoid this issue by encouraging local authorities to initially commit to a small number of Charter-related criteria. Once these goals had been achieved, they provided the Unit with a foundation from which to discuss the possibility of meeting additional Charter criteria (OECD, 2022<sup>[8]</sup>).

Another lesson learned from the Charter's success in penetrating other sectors was that engagement with the Charter is sometimes better achieved through business-to-business activities than the Charter's own independent outreach. Interviewees noted that a critical outreach challenge is that employers in certain sectors fear that adopting higher standards will undermine their own competitiveness (OECD, 2022<sup>[8]</sup>). The Charter has sought to change this mentality by first engaging with good employment 'star performers' and promoting their achievements through awards ceremonies and networking, thereby showing other organisations that good employment is achievable across a range of different sectors and different company sizes. This 'snowball effect' helped to draw in other organisations that might otherwise have feared that the adoption of good employment standards would be inconsistent with their business models. In fact, engagement has encouraged them to compete with other Greater Manchester organisations for a better reputation based on higher employment standards.

#### *Charter engagement with a wider range of employers will depend on strong incentives*

In order to ensure that a voluntary scheme such as the Charter has the opportunity to gain critical mass, incentives can provide a key impetus for employer engagement. Two important incentives for employers to engage with the Charter are its linkage with GMCA public procurement processes, and its ability to enhance an employer's reputation with various stakeholders. With regards to the latter, an important finding from the Manchester Metropolitan University survey was the positive effect that employers engaged with the Charter felt it was having on their organisation. To wit, 59% of employers indicated that the Charter had had a positive impact on their organisation's overall reputation, while 44% felt that it was having a positive impact on their reputation with customers. Around one-third of employers felt that the Charter had had a positive impact on their ability to recruit and retain staff (36% and 34% respectively) (Lupton et al., 2021<sup>[6]</sup>). This suggests that the Charter has had some success in engaging employers for reasons related to rational self-interest as well as their concern for employee welfare.

At the same time, there is additional work to be done to promote the Charter and its elements among the wider public. Although more than 120 000 employees across Greater Manchester are employed by organisations that are engaging with the Charter, one interviewee noted that "*people in the street probably haven't heard of it*" (OECD, 2022<sup>[8]</sup>). This insight is reflected in results from the Manchester Metropolitan University 2021 survey. A slim majority of respondents (55%) felt their employees had very little awareness of the Charter, while only 8% felt that their employees had a high awareness of it (Lupton et al., 2021<sup>[6]</sup>). Developing public campaigns to raise further awareness of the Charter amongst employees in the region could make Charter membership a more active factor in employment choices, thereby providing a strong

additional incentive for employers to engage with it. One interviewee noted that Charter stakeholders plan to leverage the forthcoming 2023 Good Employment Week in support of this objective (OECD, 2022<sup>[8]</sup>).

The business case for Charter engagement is an incentive that could be strengthened. Interviewees indicated that the value of the Charter can sometimes be difficult for company management to quantify, and felt that a wider range of employers might be persuaded to engage with its activities if more materials were developed to highlight its business benefits (OECD, 2022<sup>[8]</sup>). Such materials might include studies on how the Charter has created network effects among employers through the identification of customers or suppliers based on their Charter membership or support. They might also include, for example, case studies on how various changes to organisational practices that were encouraged by the Charter have led to improvements in business productivity and performance.

*Small adjustments to Charter implementation could have an outsize impact on its effectiveness*

Notwithstanding the current success of the Charter, there are a number of areas where implementation effectiveness could be further improved. The main challenges in this regard relate to monitoring and evaluation. One issue raised by a number of interviewees was the fact that, while the monitoring of organisations' adherence to Charter criteria was rigorous during the membership application process, no ongoing internal monitoring process exists for organisations that have already become Charter members. This lack of scrutiny heightens the risk that some Charter Members may feel emboldened to worsen their employment practices over time, thereby undermining the credibility of the Charter itself. One stakeholder indicated that there had been some internal discussion of the possibility of Charter Members being reassessed once every three years, in order to avoid this issue (OECD, 2022<sup>[8]</sup>). Ensuring resources and mechanisms to periodically or continuously undertake an *ex post* evaluation should be a priority for the Charter, in order to ensure that Members continue to serve as role models for good employment standards.

Another monitoring and evaluation issue of note relates to the "assessment template" stage of the membership application process, when employers exchange regularly with the Charter Implementation Unit to demonstrate evidence of their adherence to good employment criteria. Interviewees noted that these regular exchanges were highly resource-intensive for the Implementation Unit, which currently consists of a single, indispensable employee (OECD, 2022<sup>[8]</sup>).<sup>3</sup> Interviewees indicated that some recasting of budgets could support the recruitment of some professionally-qualified associate assessment staff (OECD, 2022<sup>[8]</sup>). In order for a wider range of employers across Greater Manchester to be able to complete the assessment process, additional resources will likely need to be deployed to support the Charter Implementation Unit.

### **Scalability of the Charter**

Two key questions emerge directly from the Charter's success. The first is whether achievements so far in Greater Manchester can be built on and sustained over time. The second is whether initiatives that are similar to the Charter might be able to enjoy the same success in other areas, or at other levels of government. With regards to the first issue, the significant growth in the number of organisations engaging with the Charter in recent years (including an almost fivefold increase in Charter supporters and a more than fourfold increase in Charter members since January 2021) suggests that there is a large potential for further upscaling within GMCA.

Growth of Charter membership is enabled by a highly proactive and strategic approach to stakeholder outreach, the Charter's flexible, two-tiered concentric circles of engagement, effective governance

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<sup>3</sup>According to GMCA, in the period between when OECD fact-finding mission was conducted and the report was shared with external stakeholders for comments, the Charter Implementation Unit has hired a number of new staff.



mechanisms and the high level of stakeholder consensus that has been forged in support of the Charter and its criteria. Interviewees unanimously agreed that the conditions are in place for Charter involvement and membership to continue to grow across the region (OECD, 2022<sup>[8]</sup>). Additional adjustments to incentives and implementation processes should lead to further employer engagement with the Charter. At the same time, with regards to whether the Charter might be able to enjoy the same success in other regions or at other levels of government, the high level of local consensus that has supported the Charter's growth in Greater Manchester might not exist to the same extent in other regions, which could make horizontal scalability or vertical scalability more challenging.

With regards to vertical scalability, OECD stakeholders suggested that a version of the Charter at a national level of government (e.g. Scotland, Wales, United Kingdom) would be unlikely to succeed, owing to the wider range of interest groups involved and the challenges that would be faced in trying to align them. One interviewee felt that implementing the Charter at the UK government level would necessarily result in its contents being watered down (OECD, 2022<sup>[8]</sup>).

Interviewees were more positive on the prospect of horizontal scalability and noted that a growing number of Combined Authorities across the UK were developing comparable initiatives. However, they noted that Greater Manchester had been more successful at signing up employers than other regions, which they attributed to a broad mutual consensus shared between many stakeholders across Greater Manchester regarding the region's economic challenges and the need to address them effectively. As one interviewee noted "Greater Manchester has a strong place-based, political and economic identity, while some of the other Combined Authorities across England are political but not economic constructs" (OECD, 2022<sup>[8]</sup>). These remarks suggest that initiatives of a similar nature to the Greater Manchester Good Employment Charter, while horizontally scalable, may meet greater success in subnational authorities where the administrative boundaries of a region are well-aligned with its economic needs, as this can help to forge multi-stakeholder consensus and facilitate engagement.

## Conclusion

In conclusion, the Greater Manchester Good Employment Charter is an innovative governance experiment that has already made a significant contribution towards addressing the region's industrial transition challenges, including skills deficits, workforce exclusion and, by the same token, low productivity. Charter stakeholders have forged a broad multi-stakeholder consensus among employers across Greater Manchester regarding what good employment means in practice, and overseen the adoption of a flexible, two-tiered model for Charter involvement. In so doing, they have created a strong foundation that encourages employers to participate voluntarily in Charter-related activities and improve their employment practices. Engagement is further fuelled through already strong governance mechanisms, including the Charter's linkage to public procurement processes in the region and the role it plays in enhancing employer reputations. Creating additional incentives for Charter engagement, while fine-tuning certain implementation processes, should further contribute to the adoption of good employment practices across the region. The Charter's success, and the various policy lessons that can be derived from its application to date, could also support the horizontal scalability of similar initiatives in the European Union, and beyond, at the regional level, provided that the areas for which such implementation is considered are united by economic as well as administrative geography.

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## Annex: The EC-OECD Pilot Action on Regions in Industrial Transition

In 2018, the European Commission/DG REGIO with support from the OECD launched the pilot action *Regions in Industrial Transition* to support ten regions and two countries<sup>4</sup> in industrial transition prepare their Smart Specialisation Strategies (S3) and innovation policies for the 2021-2027 period. The pilot action was designed in two phases. The OECD supported the first phase with a series of five thematic workshops held with two cohorts of participants, each including five regions and one country. The findings from these workshops were collated into an OECD synthesis report, *Regions in Industrial Transition: Policies for People and Places*.

As part of the project, eight of the original regions and the two countries received a EUR 300 000 grant from DG REGIO as well as tailored advisory services to design a High Impact Action that could support their industrial transition strategies.

The OECD is supporting the European Commission with an assessment of each High Impact Action. The aim is to take stock of the potential benefits of different types of High Impact Actions on industrial transition and of the policies that support them. Each assessment considers the actual or expected results of individual High Impact Actions through an understanding of their objectives, activities, governance mechanisms and experimental nature. The in-depth analysis also explores how each pilot region/country expects their individual High Impact Action to contribute to their industrial transition and advance their smart specialisation strategies and governance.

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<sup>4</sup> The regions are Cantabria (Spain), Centre-Val de Loire (France), East North Finland (Finland), Grand Est (France), Greater Manchester (UK), Hauts-de-France (France), North Middle Sweden (Sweden), Piedmont (Italy), Saxony (Germany) and Wallonia (Belgium). The countries are Lithuania and Slovenia.

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