

The impact of good employment on productivity and profitability in Greater Manchester

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About CLES

CLES is the national organisation for local economies. Established in 1986, we are an independent charity working towards a future where local economies benefit people, place and the planet. This will happen when wealth and power serve local people, rather than the other way around, enabling communities to flourish. We have an international reputation for our pioneering work on community wealth building and are recognised as the curators of the movement in the UK.

About the Greater Manchester Good Employment Charter

The Greater Manchester (GM) Good Employment Charter is a voluntary membership and assessment scheme which has been created to improve employment standards across all GM employers, regardless of size, sector or geography. Organisations – including public sector bodies, private sector businesses, service providers, the voluntary, community and social enterprise sector – can sign up to the charter.

About this report

This report summarises the findings from a study investigating the productivity and profitability impacts of being a good employer. It has been conducted in collaboration with the Greater Manchester Good Employment Charter, whose member and supporter base of good employers provide the test-case for this study.

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Foreword

Greater Manchester has the fastest-growing regional economy in the UK. From 2015 to 2023, our economy grew at double the UK rate, with Gross Value Added (GVA) per hour worked increasing by 31% between 2004 and 2023. Greater Manchester has long been recognised as a region of innovation, resilience, and ambition. At the heart of this success lies our people - their skills, creativity, and commitment. And as we look to the future, good employment is not just a moral imperative; it becomes a strategic advantage.

This report, *The Impact of Good Employment on Productivity and Profitability in Greater Manchester*, begins to explore that connection. Many thanks to our partners at CLES for undertaking such a thoughtful and balanced approach to this research.

We are building the evidence that organisations that invest in fair pay, secure work, employee voice, and inclusive practices will bring tangible business benefits. This report supports the Charter's experience that good employment fosters trust and engagement, reduces turnover, and unlocks the full potential of the workforce.

In a competitive economy, we know these factors contribute to higher levels of productivity. For Greater Manchester, this is more than just an economic argument - it is a vision for a thriving, inclusive city-region where embedding good employment principles creates workplaces where people feel valued, empowered, and healthy - driving innovation and sustainable growth.

As we will shortly witness a significant transformation in employment rights nationally, the Charter invites employers, policymakers, and stakeholders to reflect on the report's findings and consider the role they play in shaping our future employment landscape and how Greater Manchester can continue to deliver a place where good jobs are the norm, and where prosperity is shared by all.

Ian MacArthur

Director, GM Good Employment Charter

Summary and introduction

Employment charters are now being used across the UK to elevate employment standards and encourage a more equitable distribution of job opportunities. Research suggests that good employers - those who invest in employee wellbeing, satisfaction, good pay and supportive work environments - experience higher productivity and profitability.

CLES have recently tested these findings in Greater Manchester by gathering financial data from Greater Manchester Good Employment Charter affiliated organisations and by conducting a series of interviews.

Our financial analysis indicates that of the 50 affiliated organisations who had financial data reported in 2019 and 2023, **most accredited good employers in Greater Manchester experienced real-terms growth in turnover per employee** in that period.

The **findings from our interviews provide further support and context**. They highlight that **good employment practice has had a strong impact on organisational productivity and profitability**, particularly as a result of increased morale, staff retention and a reduction in sick pay.

The following report presents our findings in detail. We begin in section one with context setting. This includes a brief outline of what constitutes good employment and a summary of the wider evidence base. In section two we present our analysis of the financial data. The evidence from our interviews is presented in section three. Finally, in section four, we present our conclusions. Further detail on the methodology we used in our study can be found in the appendix.

Key messages from our research

For employers

- **Embed good employment principles.** Prioritise fair pay, flexible working, and employee voice as core business strategy.
- **Measure impact.** Track retention, absenteeism, and productivity metrics to demonstrate the business case for good employment practice internally.
- **Leverage charter membership to demonstrate social value commitment.** Use affiliation as a differentiator in recruitment and tendering processes.

For policymakers

- **Support voluntary charters.** Encourage uptake through incentives and recognition schemes.
- **Invest in evidence-building.** Fund longitudinal studies to strengthen the link between employment standards and economic performance.
- **Promote knowledge sharing.** Facilitate peer learning networks so businesses can exchange best practices on good employment.

1. Context

Employment charters tend to focus on several key good employment principles. In Greater Manchester (GM), the Good Employment Charter outlines these as follows.

1. **Secure work.** Stable and predictable jobs with permanent or predictable hours, **no barriers to additional work**, and protection from sudden cancellations.
2. **Flexible work.** Real flexibility for those who need it, **without compromising predictability** for others.
3. **Fair pay.** **Real living wages**, ensuring pay is sufficient for a decent standard of living.
4. **Engagement and voice.** **Giving employees a say** in decisions and influence over their roles.
5. **Recruitment and progression.** **Open, transparent recruitment**, ensuring fair opportunities and **paths for career progression**.
6. **People management.** **Supportive leadership and culture**, with effective policies, fair treatment, and development opportunities.
7. **Health and wellbeing.** Safe and healthy workplaces that support mental and physical wellbeing.

In GM, the employment charter was officially established in 2019 and it has three levels of involvement:

- **Supporter** – organisations pledge to improve practices across all characteristics.
- **Member** – organisations meet full criteria in all seven areas.
- **Advocate** – organisations meet membership excellence and actively promote the charter.

Many of the principles within the GM Good Employment Charter (and employment charters more generally) are currently set to be strengthened by the introduction of the government's [Employment Rights Bill](#) which, at the time of writing, is expected to receive royal assent in late 2025.

On the one hand, this raises the possibility of employment charters becoming a vehicle to push the envelope of progressive practice even further. The introduction of legislation has provoked a backlash from some commentators, however. The Office for Budget Responsibility, for example, have claimed that increased regulations to enforce good employment will "*affect the flexibility of businesses and labour markets*" and are likely to have "*material and probably net negative, economic impacts on employment, prices, and productivity*".¹

¹ C Doherty (2025). *Workers' rights plans could have 'negative' impact, watchdog suggests*. The Independent. [Read](#).

What does the existing evidence base say?

Nevertheless, research consistently shows that good employment practices - such as living wage employment, employee engagement initiatives and wellbeing programmes - are positively associated with productivity and profitability. Meta-analyses and longitudinal studies confirm that these practices improve employee outcomes, which in turn enhance operational efficiency and financial performance.

Key findings from the wider evidence base include:

1. **Employee wellbeing matters.** When people feel healthy and supported, they work harder and stay longer.²
2. **Training and involvement pay off.** Giving staff skills and a voice improves performance.³
3. **Living wages make a difference.** Paying enough to live on reduces turnover and boosts commitment and productivity.⁴
4. **Employee perception counts.** People respond positively when they believe the organisation cares about them.⁵
5. **Bundles work best.** Combining fair pay, development, and wellbeing programmes has the biggest impact.⁶

In GM, a recent evaluation by Manchester Metropolitan University has found that employees within Good Employment Charter affiliated organisations experienced increased job satisfaction, a greater sense of inclusion, and improved wellbeing.⁷

Impact to date on productivity and profitability is unknown, however. This is the gap that our study sought to address.

In the following sections, therefore, we present the findings of our analysis to understand the productivity and profitability growth journeys of business that have adopted the GM Good Employment Charter, as either a support or a member.

² C Krekel, G Ward and JE De Neve (2019). *Employee Wellbeing, Productivity, and Firm Performance*. London School of Economics. [Read](#).

³ G Saridakis, Y Lai and C Cooper (2017). *Exploring the Relationship Between HR Practices and Firm Performance: A Meta-Analysis*. Human Resource Management Journal. [Read](#).

⁴ See, N Emanuel and E Harrington (2025). *Labor Supply and Productivity Responses to a Voluntary Firm Minimum Wage*. Under peer review. [Read](#); and T Zeng (2016). *A study of living wage effects on employees' performance-related attitudes and behaviour*. Canadian Journal of Administrative Sciences. [Read](#).

⁵ D Hu and A Agolli. (2025). *A Meta-Analysis of Employee HR Attributions and Their Relationships With Employee-Perceived High-Performance Work Systems and Employee Outcomes*. Human Resource Management. [Read](#).

⁶ R Hull, L Rothenberg and J Vogt (2019). *The Financial Impact of High-Performance Work Practices*. Contemporary Management Research. [Read](#).

⁷ S Crozier (2022). *Evaluation of the Greater Manchester Good Employment Charter*. Manchester Metropolitan University. [Read](#).

2. Analysis of business productivity and profitability

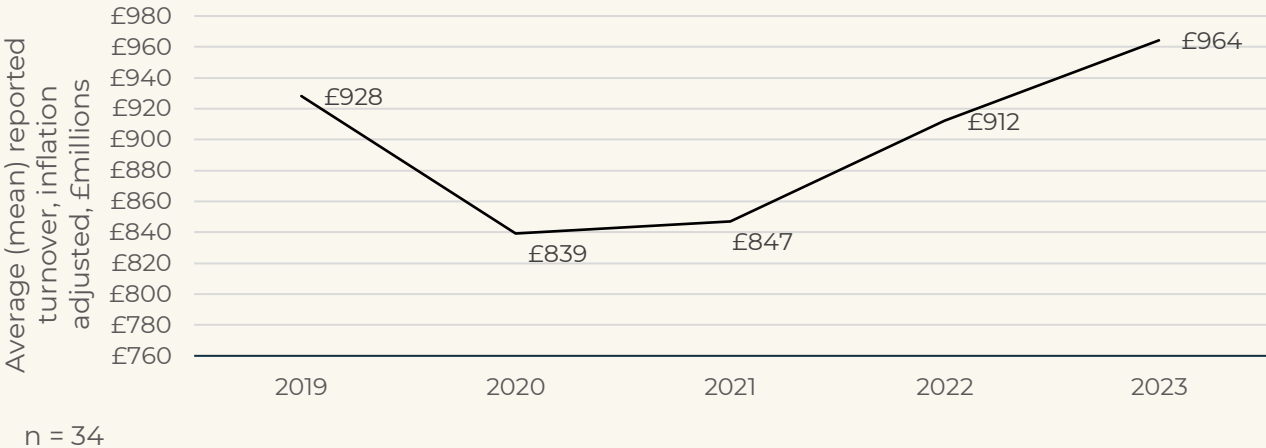
To understand productivity and profitability levels amongst GM's good employers, company financial accounts data on key growth and performance metrics were analysed. The analysis covered all GM Good Employment Charter businesses in the private sector that had data available on Companies House for all financial years since 2019 (when the charter was formed), including employee headcounts, turnover, productivity and profitability metrics.

Our analysis looked at average turnover, employee levels, labour productivity and profits. To provide further assessment, statistical modelling was used to explore whether the length of time as a supporter or member of the Good Employment Charter had an impact on financial performance in 2019 compared to 2023. We also used statistical modelling to explain variations and the overall trends in productivity and profitability over the years 2019-2023.

Average trends in business growth

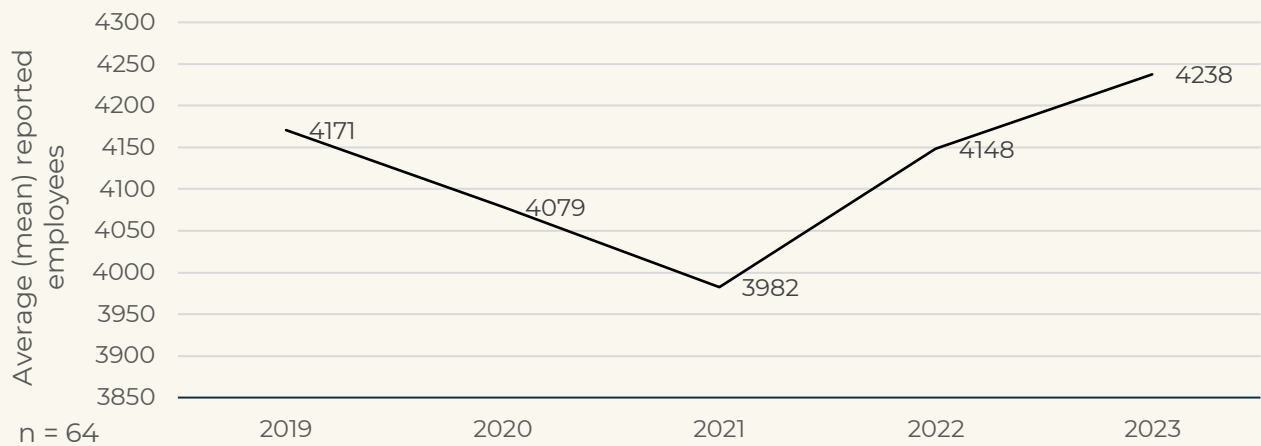
In our analysis, the impact of the Covid-19 pandemic years is very much apparent. During this time, many businesses experienced declines in their ability to generate revenues and retain employee headcounts. However, figures one and two (below) indicate positive signs of recovery for the average GM Good Employment Charter business in the sample, with average annual turnover and average annual employee headcounts returning to, and exceeding, pre-pandemic levels by 2023.

Figure 1: Average annual turnover for private sector GM Good Employment Charter supporters and members, 2019 to 2023



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

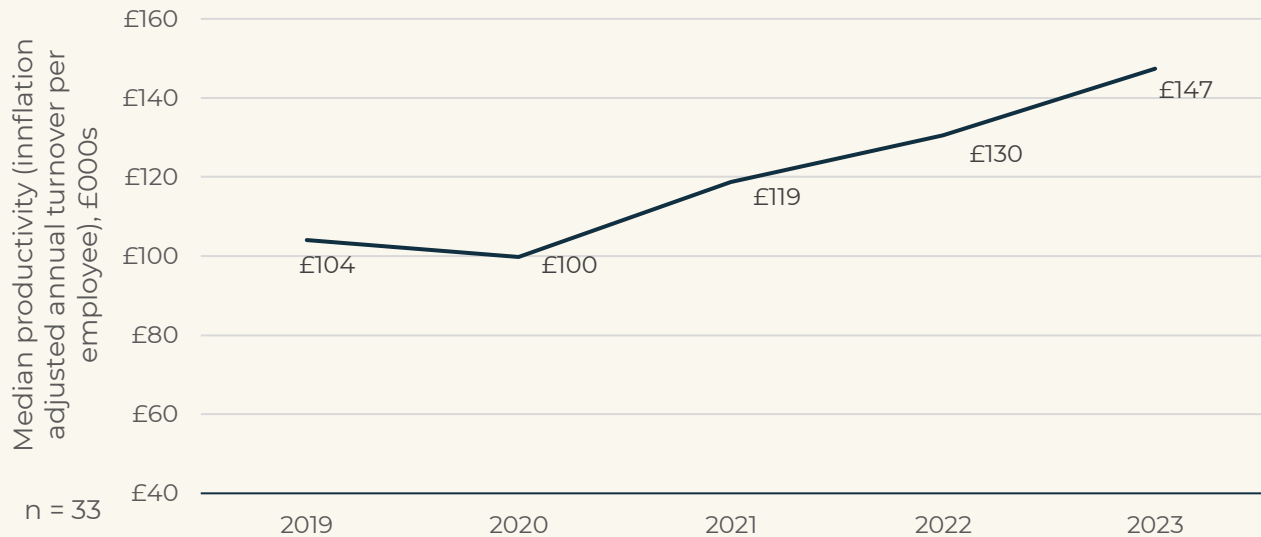
Figure 2: Average number of employees for private sector GM Good Employment Charter supporters and members, 2019 to 2023



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

The average labour productivity of GM Good Employment Charter businesses sampled (when measured as total annual turnover per employee) has climbed steadily since 2020. This indicates that the amounts of revenues raised per worker in the average GM Good Employment Charter business has risen in this timeframe, despite the pandemic challenges.

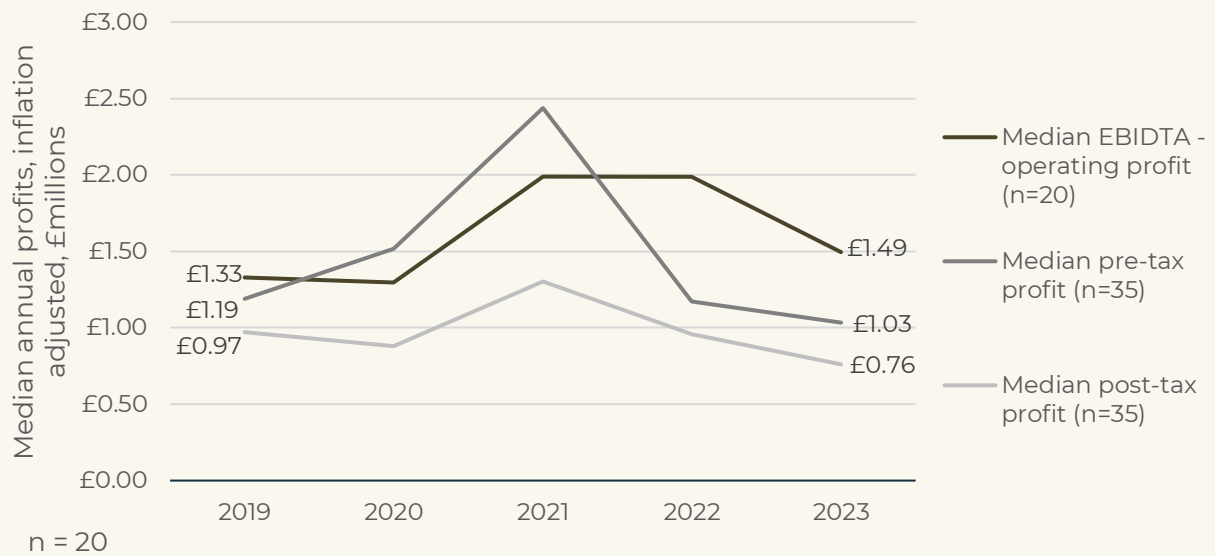
Figure 3: Average productivity (turnover per employee) for private sector GM Good Employment Charter supporters and members, 2019 to 2023



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

Looking at profitability, the picture is more mixed. Average profits recorded peak in 2021 before declining to 2023. While the median pre-tax and post-tax profits for the sample businesses were both lower in 2023 than 2019 levels, median EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation – a measure of a company's operating profitability) was higher in 2023 than 2019.

Figure 4: Average profits (pre-tax, post-tax and EBITDA) for private sector GM Good Employment Charter supporters and members, 2019 to 2023



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

Statistical modelling

Although averages provide a useful summary, they can often overlook or even misrepresent important variations hidden beneath them. To provide a more robust assessment, the regression analysis that follows further explains the variation and overall trends in GM Good Employment Charter business productivity and profitability over the years since the charter was formed.

Our regression analysis initially explored whether the length of time as a supporter or member of the Good Employment Charter had an impact on financial performance in 2019 compared to 2023, measured by productivity (turnover per employee) and operating profits (EBITDA) per employee. The modelling adjusted for inflation and accounted and controlled for the company's size, and whether the company is a private or third sector organisation.

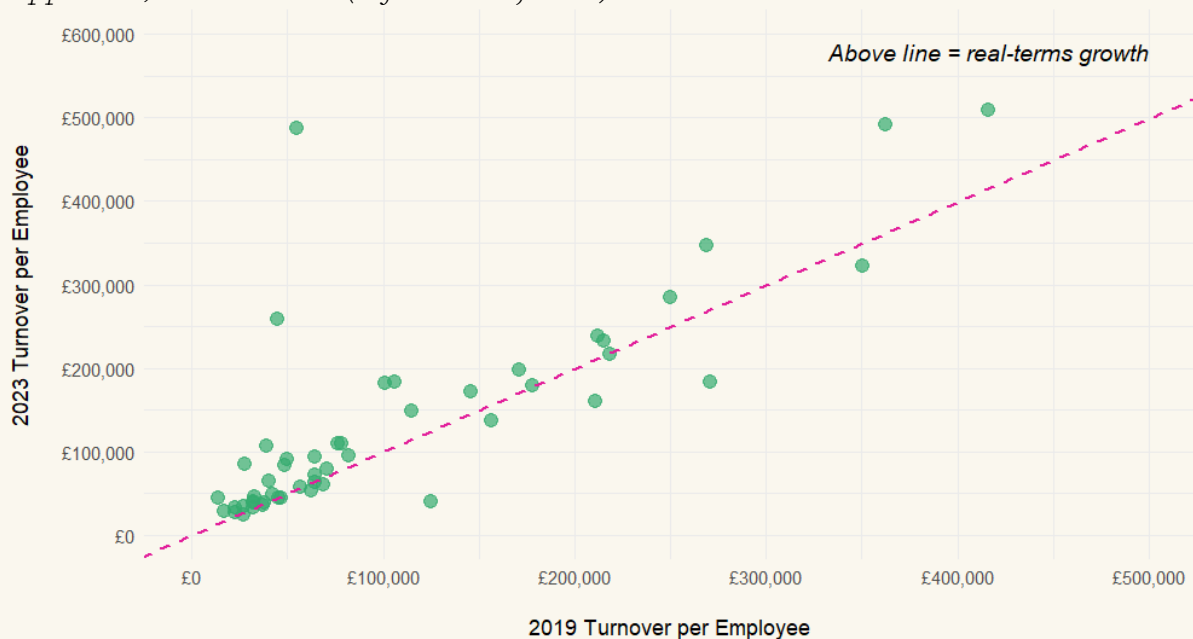
The modelling found that there was no evidence that the length of time as a Good Employment Charter member had an impact (either positive or negative) on a business's productivity or profitability. The model results suggest there are likely to be other factors, not directly related to being part of the Good Employment Charter, that would explain the variation in firm productivity and profitability metrics.

The modelling then allowed us to examine the following correlations. Although we cannot be too conclusive⁸, our modelling does indicate that, of the 50 businesses who were supporters or members of the Good Employment Charter who had 2019 and 2023 data

⁸ Productivity (turnover per employee) has risen for most of the firms we have data for from 2019 to 2023. One company isn't shown because its turnover was too high to fit on the chart. However, it's important to note that the data analysed represents only the 50 companies we have data for, so cannot claim to be fully representative of all GM Good Employment Charter members or supporters. It is showing us, however, that for Good Employment Charter businesses who have published data, their Good Employment Charter membership didn't coincide with a reduction in financial performance in terms of turnover per employee.

available, most of them saw real-terms productivity growth (as measured by inflation-adjusted turnover per employee) in that period.

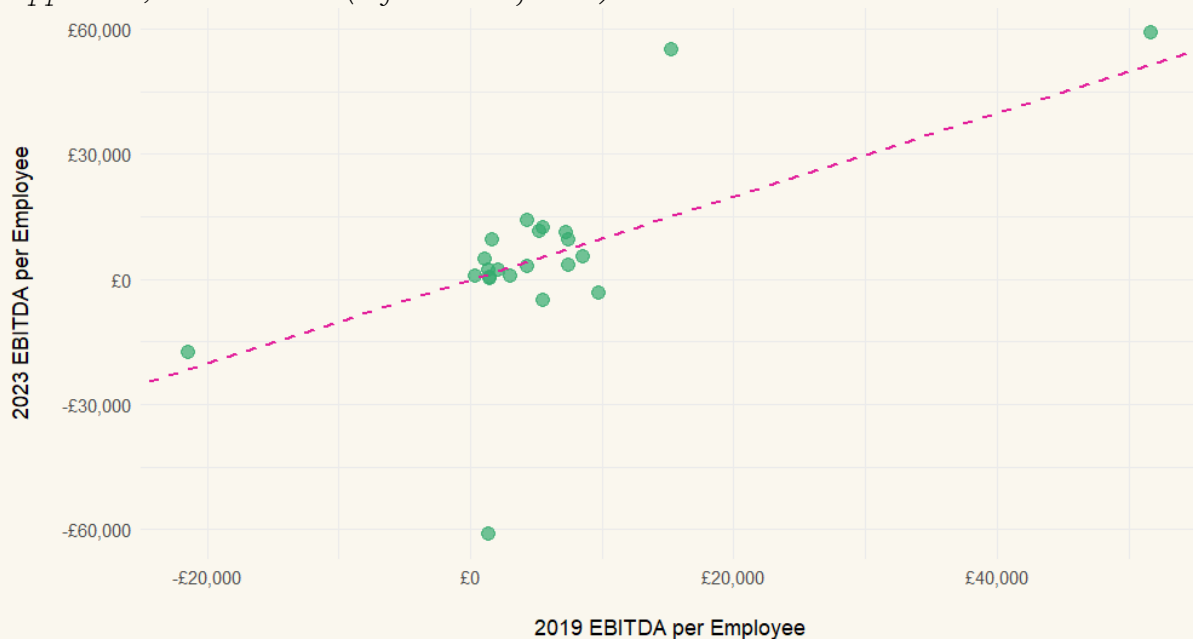
Figure 5: Productivity (turnover per employee) of GM Good Employment Charter members or supporters, 2019 vs 2023 (inflation adjusted)



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

Only a small number of companies (n=22) had information on EBITDA per employee in both years. The data does not indicate a strong pattern in changes in profitability over this period, but we are limited in what we can conclude due to the small sample size.

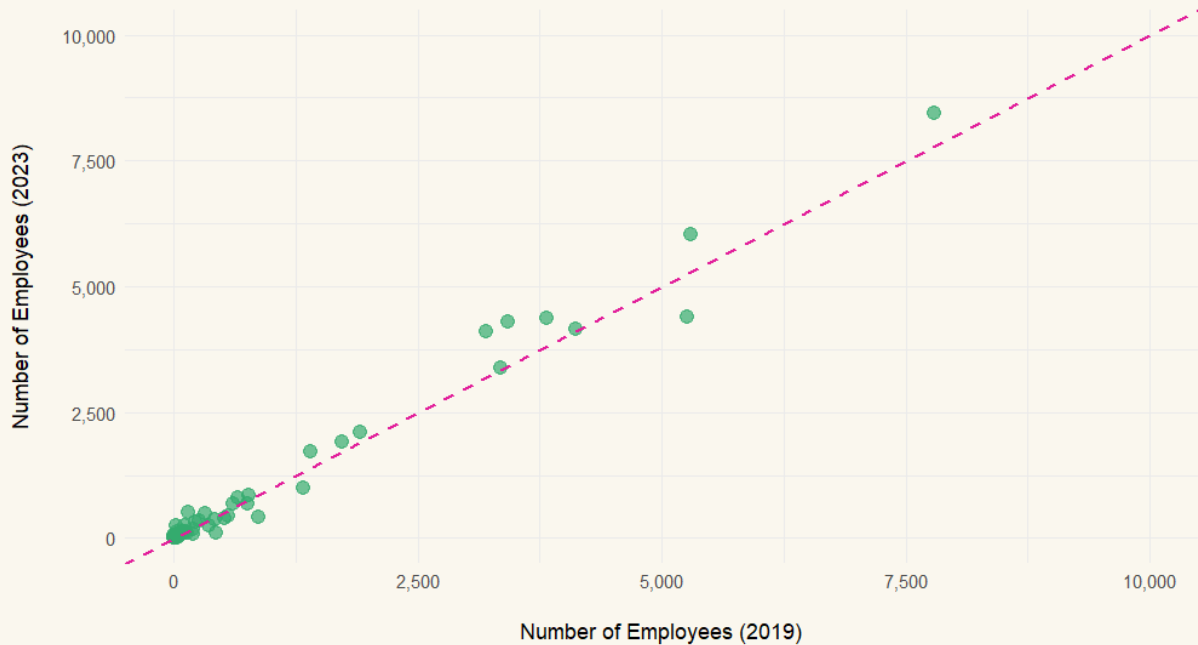
Figure 6: Profitability (EBITDA per employee) of GM Good Employment Charter members or supporters, 2019 vs 2023 (inflation adjusted)



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

Analysis indicates there doesn't appear to have been much change in the number of employees in member or supporter firms between 2019 and 2023 (n=80).

Figure 7: Employee headcounts of GM Good Employment Charter members or supporters, 2019 vs 2023



Source: CLES analysis of Companies House financial accounts via The Data City, 2025

Summary

Our statistical modelling has not found evidence that time spent as a member or supporter of the GM Good Employment Charter has had an effect (positive or negative) on businesses' profitability or productivity. However, the analysis has indicated that, for those businesses with data available, most saw real-terms productivity growth between 2019 and 2023.

Reflecting on the challenging economic climate that has characterised much of the four-year period covered by the analysis, this insight is a promising sign for the resilience, productivity and profitability of GM's good employers. In the future, this analysis could be replicated to allow for a larger sample size, longer analysis timeframe, and greater understanding of productivity and profitability growth for GM's good employers in (we hope) an absence of pandemic-related economic shocks experienced in the early 2020s.

3. Interview findings

To provide further context to the financial analysis set out in previous chapters, a cross-section of Good Employment Charter businesses were identified for interview (n=10). Saturation (the point at which no new themes or insights were identified) was reached after five interviews.

Our interviews explored what kind of good employment practices have been implemented since businesses joined the charter, as well as the impact this has had on productivity and profitability to date.

Good employment practice

In line with the Good Employment Charter principles, interview participants highlighted how they have implemented a range of interventions since joining the charter. These are summarised as follows.

Pay and financial wellbeing

Businesses improved pay by implementing living wage standards. Interest-free loans were provided to staff facing financial challenges.

"We signed up to the charter... and we signed up to being a real living wage accredited employer."

"We issued [loans] over a two-year period to about 16–17 people. It was an interest-free loan over a short period, and it made a real difference to those individuals. We found that people in the £30,000–40,000 bracket were struggling just as much, and that... [it] gave them a lifeline".

Employee voice and engagement

Staff forums were created to provide feedback channels.

"We decided to formalise that. So people did have a voice across the business, that was never there before. Now we have regular forums and updates where staff can share feedback and hear about what's happening."

Flexible working

Businesses expanded flexible working policies across sites and office roles, which boosted morale and retention.

"Flexible working has really impacted morale and job satisfaction. We've expanded that flexible working policy to sites and to office roles, and it's something our competitors aren't offering."

Diversity and inclusivity

Blind and values-based recruitment was introduced to drive inclusivity. Businesses achieved greater gender balance in apprenticeships.

"Our apprenticeship programme for 2024 was 50 per cent female intake, 50 per cent male. That's a big shift from previous years, and it shows our recruitment changes are working."

"We've appointed more people with disabilities and from underrepresented backgrounds. We changed our recruitment process to make it more inclusive."

"We're changing the way in which we advertise positions... they're broadly more friendly towards everybody..."

Mental health and wellbeing

Mental health stress prevention campaigns were introduced to support staff.

"We met one of the member organisations who was looking for advice, and we learned so much from what they were doing that we then changed our mental health campaign based on their approach."

"So we're on the menopause friendly accreditation process. We have buy in from our medical leads... we're doing wellbeing sessions, we've had nutritionists and we've had mental health practitioners come in doing sessions with the staff."

Professional development

More frequent performance reviews were introduced.

"Performance reviews are happening four times, not once a year... And we also have seen increase on employee engagement over the last few years and that reached 91 per cent last."

Impact

When asked directly about the impact that good employment practice has had, interview participants reported the following benefits.

Retention and absenteeism

Businesses experienced lower staff turnover rates and absenteeism.

"My [staff] turnover this year is lower than ever at 7 per cent."

"[Staff] Turnover remains low. I think we're like 15 per cent or something like that. So we're really low for the sector."

"Our vacancy ratio improved, and we're filling roles faster with better candidates."

"Absenteeism is a big issue nationally, with an average of 7–8 days. Ours is about 3 per cent, which is much lower, and that's down to our mental health support."

Productivity and profitability

Businesses reported consistent increases in both productivity and profitability.

"Profitability has increased consistently since 2022. We're seeing the benefits of better retention and engagement."

"Recruitment agency costs have gone down."

"Essentially, without a shadow of a doubt, I think it does impact the bottom line. It impacts productivity, it impacts engagement."

"Good culture and positive culture is linked directly to a bottom line."

Public procurement advantage

Charter membership was also said to have had a positive influence on tendering for new business.

"Our business is winning more public sector work and making about £3 million per year. That's a direct result of our charter membership."

"A Greater Manchester transport executive asked us directly: 'Are you a supporter of the Good Employment Charter?' That's now a key part of the tender process."

Summary

These interview findings highlight a strong link between adopting good employment practices and tangible business benefits. Organisations that signed up to the Good Employment Charter report improvements across multiple dimensions. Financial wellbeing initiatives such as living wage policies and interest-free loans have supported staff during the cost-of-living crisis, reducing stress and improving engagement. Formalising employee voice through forums and feedback channels has fostered transparency and trust, while flexible working arrangements have boosted morale and retention, setting businesses apart from their competitors.

Diversity and inclusion efforts such as blind and values-based recruitment, and gender-balanced apprenticeships have widened talent pools and improved representation. Mental health initiatives, including stress prevention campaigns and wellbeing programmes, have lowered absenteeism and enhanced productivity. Professional development has shifted from a tick-box exercise to meaningful engagement.

These changes have delivered measurable business outcomes: staff turnover rates have dropped significantly, recruitment agency costs have fallen, and vacancies have been filled faster with better candidates. Profitability has risen, aided by improved retention and engagement. Public procurement advantages and stronger alignment with social value have further strengthened competitiveness.

Overall, the evidence from these interviews shows that investing in people creates a virtuous cycle of wellbeing, productivity, and financial performance.

4. Conclusions

Our analysis of GM Good Employment Charter businesses suggests that adopting good employment practices is associated with resilience and productivity gains, even in a challenging economic climate. While statistical modelling did not find a direct causal link between charter membership duration and financial performance, most businesses experienced real-terms growth in turnover per employee between 2019 and 2023. Interview evidence reinforces this, highlighting tangible benefits such as improved retention, reduced absenteeism, and enhanced employee engagement, all of which contribute to profitability and competitive advantage.

Critics argue that strengthening employment standards could reduce flexibility and impose costs that harm productivity. However, our findings from GM alongside the wider evidence base challenge this view. Businesses implementing fair pay, flexible working, and wellbeing initiatives report lower turnover, higher morale, and improved operational efficiency.

These outcomes suggest that good employment practices are not a drag on growth but a driver of sustainable performance. Rather than constraining businesses, good employment practices create conditions for long-term competitiveness and resilience.

Investing in people is not only ethically sound but strategically beneficial, creating a virtuous cycle of wellbeing and business success. Future research with larger samples and longer timeframes will help deepen understanding of these impacts and further inform policy and practice.

Appendix – our methodology

Financial analysis

The source data for the sample of businesses used in this analysis originated from a Greater Manchester Good Employment Charter provided file containing the names of circa 150 businesses who are supporters or members of the charter and the date on which they joined.

This list was matched with Companies House financial accounts records using the data platform [The Data City](#) to obtain data on key financial business performance metrics for the financial years since 2019 (the charter launch year) to 2023 (the latest year of complete company accounts available at the time of the study).

To conduct the analysis, businesses were removed from the sample if they did not have reported figures for the years' being analysed for each metric. Public sector and not-for-profit organisations were excluded to avoid skew in profitability and productivity assessments designed to understand private sector growth models. Company accounts data available varied by metric, which resulted in sample sizes of 20-80. Sample sizes for each finding are referenced in the report as "n=X".

Annual price changes were adjusted for inflation using ONS' the Consumer Prices Index including owner occupiers' housing costs (CPIH).

NB. The analysis has found some important limitations to the modelling:

- Some of the companies in the sample are very large. Their financial performance may be heavily driven by factors outside of Greater Manchester, reducing the potential impact of the Good Employment Charter on overall company performance.
- The companies which had full data available may be larger and better performing than those for whom data was missing, so our findings cannot be considered as wholly representative of all Good Employment Charter members.
- The analysis does not separate members and supporters, due to small sample size, so is not currently capturing the variation between those two groups.
- There may be some reverse causation that isn't being captured. For example, if companies who joined the Good Employment Charter earlier tended to be stronger financially than those who waited a few years, this would potentially bias the findings of the models.

Interviews

Data analysis has also been supplemented with interviews with different private sector members/supporters of the Good Employment Charter. In conjunction with the Good Employment Charter team, a cross-section of 10 businesses were identified for interview. Businesses were interviewed by CLES staff. Saturation occurred after five interviews and we therefore stopped interviewing at this point. Our interview questions focussed on

activities since joining the Good Employment Charter, any impact on workers, and impact on productivity and profit.

