



Future-Fit

Business Benchmark

Action Guide

BE12

Employees are subject to fair employment terms

Release 2.2

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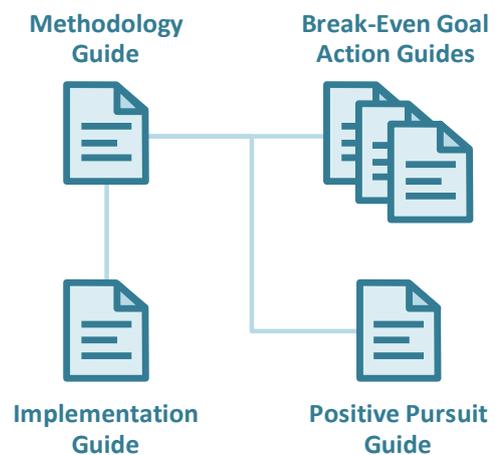
About this document

This document forms part of Release 2.2 of the Future-Fit Business Benchmark.

Action Guide

This document is an Action Guide, offering specific guidance on how to pursue future-fitness with respect to a particular aspect of the business.

The text is written to be accessible to a general business audience: no academic or technical knowledge about systems science, sustainability practices, or other specialist topics is assumed.



Documents included in Release 2.2

Methodology Guide

The scientific foundations and concepts underpinning the Benchmark, together with details of its key components and how they were derived.

Break-Even Goal Action Guides

Guidance on how to transform business operations, procurement practices, and products in pursuit of future-fitness. There is one Action Guide for each of the 23 Break-Even Goals.

Positive Pursuit Guide

The kinds of activities that any business may undertake – above and beyond its pursuit of Break-Even – to speed up society's transition to future-fitness.

Implementation Guide

Supplementary guidance on how to begin pursuing future-fitness and how to assess, report on and assure progress.

All Release 2.2 documents are available for download [here](#).

Contents

About this document	2
Contents	3
Employees are subject to fair employment terms	4
1. Ambition	4
1.1 What this goal means	4
1.2 Why this goal is needed	4
1.3 How this goal contributes to the SDGs	5
1.4 Related goals	5
2. Action	6
2.1 Getting started	6
2.2 Pursuing future-fitness	8
3. Assessment	10
3.1 Progress indicators	10
3.2 Context indicators	11
4. Assurance	11
4.1 What assurance is for and why it matters	11
4.2 Recommendations for this goal	12
5. Additional information	12
5.1 Example	12
5.2 Useful links	13
Appendix 1: References	14
Appendix 2: Licensing	15

Goal BE12

Employees are subject to fair employment terms

1. Ambition

A Future-Fit Business ensures that all its workers are treated fairly. Contracts between employer and employee afford individuals the basic protections, freedoms and rights expected in a prosperous and just society.

1.1 What this goal means

Employees who work reasonable hours, who feel secure in their employment, and who are afforded adequate time off are more likely to thrive physically, emotionally, and mentally – in and outside work.

This means that employees must have the right of association (e.g. the right to join – or refrain from joining – a union), the right to reasonable working hours, the right to leisure (e.g. holiday entitlements and overtime pay) and the right to maternity or paternity leave.

To be Future-Fit, a company must: (a) ensure the company does not use child labour, (b) ensure employees' freedom of association, (c) structure contracts to include fair working hours, and (d) accommodate appropriate periods of leave from work.

1.2 Why this goal is needed

As with all Future-Fit Break-Even Goals, a company must reach this goal to ensure that it is doing nothing to undermine society's progress toward an environmentally restorative, socially just, and economically inclusive future. To find out more about how these goals were derived based on 30+ years of systems science, see the [Methodology Guide](#).

These statistics help to illustrate why it is critical for all companies to reach this goal:

- **The increase in non-standard forms of employment since the 1990's is unprecedented and decreases job quality for workers.** More than half of the jobs

created since 1995 in the OECD’s 34 member countries are non-standard: part-time, temporary or self-employment arrangements. These formats tend to offer less training and reduced job security. [1]

- **Workers in these non-standard arrangements often face substantial wage penalties relative to comparable standard workers.** For temporary employment, such penalties can reach up to 30 percent. [2]

1.3 How this goal contributes to the SDGs

The UN Sustainable Development Goals (SDGs) are a collective response to the world's greatest systemic challenges, so they are naturally interconnected. Any given action may impact some SDGs directly, and others via knock-on effects. A Future-Fit Business can be sure that it is helping – and in no way hindering – progress towards the SDGs.

Companies may contribute to several SDGs by offering its employees fair employment terms, and actively encouraging their suppliers to do the same. But the most direct links with respect to this goal are:



Support efforts to secure women’s full and effective participation and equal opportunities for leadership at all levels of decision making.



Support efforts to achieve full and productive employment and decent work for all women and men, efforts to eradicate slavery, forced labour and child labour, and efforts to protect labour rights and promote safe and secure working environments for all workers, including migrant workers.

1.4 Related goals

The purpose of this section is to help clarify the scope for this goal. It will help you understand which issues are covered by this goal, and where other goals apply instead.

- **Procurement safeguards the pursuit of future-fitness:** The *Employment terms* goal applies to a company’s employees only. Suppliers’ employment terms are covered by the *Procurement* goal. To determine whether a worker should be considered to be an employee or an independent contractor (i.e. and so treated as a supplier) see the **Implementation Guide.**
- **Employees are paid at least a living wage:** The *Living wage* goal is meant to ensure that when employees are working, they are able to afford basic needs for themselves and their families. The *Employment terms* goal supplements this by incorporating considerations for ensuring that employment agreements are set up on reasonable terms and under fair and balanced circumstances, and to ensure that appropriate breaks from work do not result in employees and their families slipping into poverty.



- **Employee concerns are actively solicited, impartially judged and transparently addressed:** The *Employment terms* goal requires that companies proactively seek to ensure that employees are treated fairly. The *Employee concerns* goal seeks to supplement this and other employee-related goals, by ensuring that employees are empowered to raise any problems that do arise.
- **Business is conducted ethically:** Some companies might have contract terms that meet the guidelines set out in the *Employment terms* goal, but the reality for workers might not reflect what is written. For example, employees with zero-hour contracts may be contractually permitted to turn down shifts offered to them, but if they choose to do so, they may not be offered work again in the future. When there is evidence or a risk of situations like this occurring, the company should treat this as a hotspot issue under the *Ethics* goal, and respond accordingly.

2. Action

2.1 Getting started

Background information

The meaning of ‘fair’, and the way fairness is enshrined legally, can vary significantly across countries. The intent here is to assess the *minimum* that a company must do through its employment terms so as not to undermine its workers’ wellbeing. What follows draws significantly on the guidance of the [International Labour Organization](#) (ILO).

Questions to ask

These questions should help you identify what information to gather.

How does the company decide whether to use employees for a task, or to look externally for workers?

- When the company decides to use external labour, is it due to a lack of internal experience? Does the company have inconsistent (e.g. seasonal) demand for that type of work?
- Does the company benefit from using external labour specifically because it is not legally obliged to provide the same levels of protection as it is for employees?

What is the company’s approach to the format and content of employee contracts?

- Is the aim legal compliance, maximizing productivity and efficiency, or to attract top calibre workers? Does the company use employment terms to ensure the success of both the company and the employees?

- Does the company have different contract templates for particular groups of workers? What drives the need for these differences? Are some of these contract types (e.g. for part-time employees) more likely to be areas of concern than others?
- Does the company have any employees who are members of a union? Does the company operate in industries or regions with high rates of unionized workers? Do the rates of unionized employees in the company reflect those of the industry and region? If not, are there good reasons why the numbers differ?

How to prioritize

These questions should help you identify and prioritize actions for improvement.

In which areas could the company could have the biggest impact?

- Where does the company have the most employees under one type of contract? Where in the company are the greatest number of new hires, either through growth or due to staff turnover?
- Are there any employee groups that are more likely to be at risk of issues around contract terms? Does the company have any unusual or unique contract types with particular groups of workers? Are there any locations that routinely require employees to work overtime?
- Are there groups of workers who the company does not consider to be employees, and where this classification has been or might be contested? In such cases, does the non-employee classification help worker wellbeing (e.g. by offering workers more flexibility) or hinder it (e.g. by failing to deliver predictable income)?
- Are there areas where the company lags behind its competitors in terms of its employment terms and benefits? Are there areas where the industry lags behind global standards?
- Have any regions or operational divisions been highlighted as an area of concern by either internal or external groups?

In which areas could the company most easily make progress?

- Are there areas where the company might gain a competitive advantage, or protect itself from reputational damage, by addressing weaknesses in its employment terms?
- Are there new job types arising in the company requiring a new contract template? Is the company planning to expand into new areas, where new types of contract will be required?

Could the company find ways to *exceed* the requirements of this goal?

- Beyond what is required to reach this goal, is the company able to do anything to ensure that *people have the capacity and opportunity to lead fulfilling lives?*¹ Any

¹ This is one of the eight Properties of a Future-Fit Society – for more details see the [Methodology Guide](#).

such activity can speed up society’s progress to future-fitness. For further details see the [Positive Pursuit Guide](#).

The next section describes the fitness criteria needed to tell whether a specific action will result in progress toward future-fitness.

2.2 Pursuing future-fitness

Introduction

For a company to be Future-Fit with respect to this goal, all employees must be subject to contractual terms that fully satisfy all of the criteria described below.

Guidance on determining which workers are in scope as ‘employees’

There are many different types of working relationships between a company and those contributing labour to its activities. It is important to distinguish who qualifies as a direct employee, and who is part of an outside organization providing services to the company. See the [Implementation Guide](#) for details on determining who is an employee.

Fitness criteria

To be Future-Fit, the company must ensure that employment contracts for all employees include – at a minimum – the following six elements:

No child labour

- No underage workers may be employed. Companies should adhere to the minimum working age defined by [ILO Convention no. 138](#).²

Fair employment status

- Part-time employees must be hired on contracts that enable them to perform agreed work with protections and employment conditions proportionate to those accorded to a comparable full-time worker.³

Freedom of association

- The right of the employee to form and join trade unions⁴ of their choice (or to choose not to), and the right to bargain collectively, is established.

² The minimum working age as set out by this convention is generally 15, except in some places with exceptional circumstances where it can be lowered to 14. This minimum rises to 18 for types of work which are likely to present a risk to the health, safety, or morals of a worker, but again with some exceptions. Because of this nuance, it is recommended that companies consult the Convention directly.

³ In accordance with [ILO Part-time work convention, 1994 \(No.175\)](#).

⁴ Trade unions may not be relevant in all contexts. In such situations, a company can still fulfil this criteria by ensuring freedom of association and the right to bargain collectively through other channels.



Fair working hours

- The company must comply with national labour laws or widely adopted standards, with the following minimum conditions:
 - The employee should not be contractually obligated to work more than 40 hours per week, though they may choose to do so.⁵
 - The employee has the right to be compensated for overtime at a rate that is higher than their regular hourly wage.
 - If the company is not obligated to offer regular working hours (such as with a zero-hour contract), the employee must not be obligated to accept work when offered.
 - The employee must not be obligated to accept changes to work schedules without reasonable notice.

Holiday

- The employee has the right to annual paid leave of at least three working weeks for one year of service, during which they receive at least their normal or average remuneration for the corresponding period. People in their first year of employment are entitled to holiday with pay, proportional to their length of service during that year.⁶
- The employee has the right to take at least one unpaid rest day for every six consecutive days worked.

Maternity, paternity and parental leave

The company must comply with national labour laws or widely adopted standards, but as a minimum the employee, regardless of gender, has the right to:

- A minimum of 14 weeks of paid maternity or paternity leave;⁷ and
- Parental leave during a period following the expiry of maternity or paternity leave.⁸

Regardless of how an employee chooses to combine maternity/paternity and parental leave, the employee must have the right to be paid no less than two thirds of previous earnings for a minimum period of 14 weeks.

⁵ The 40-hour work week is generally considered standard, though some countries have adopted alternatives.

⁶ This conforms to the most recent ILO Convention in the area of paid leave, the [Holidays with Pay Convention \(Revised\), 1970 \(No. 132\)](#). A minimum period of service not exceeding six months may be required for entitlement to any annual holiday with pay. Public and customary holidays are not counted as part of the three-week minimum.

⁷ The employee has the right to be paid no less than two thirds of previous earnings. This is in line with the ILO's [Maternity Protection Convention](#), which has here been expanded to cover all genders.

⁸ Parental leave is the right to a leave of absence without relinquishing employment, following maternity or paternity leave. This criterion is in line with ILO recommendations. [3] The ILO does not specify recommended length or conditions but, as a minimum, a company should adhere to national labour laws or widely adopted standards.



3. Assessment

3.1 Progress indicators

The role of Future-Fit progress indicators is to reflect how far a company is on its journey toward reaching a specific goal. Progress indicators are expressed as simple percentages.

A company should always seek to assess its future-fitness across the full extent of its activities. In some circumstances this may not be possible. In such cases see the section *Assessing and reporting with incomplete data* in the [Implementation Guide](#).

Assessing progress

This goal has one progress indicator. To calculate it the following steps are required:

- Assess the fitness of each employee's contract terms against the fitness criteria.
- Calculate company-wide progress across all employees.

Assessing fitness of employment terms for each employee

Note that although fitness is measured on a per-employee basis, the assessment can be done by group (e.g. by location, job function, etc.), provided that all employees in a group have identical employment contracts with respect to the fitness criteria.

- **0% fit:** The company is 0% fit with respect to any employee whose employment terms *have not been assessed*, and also any employee whose employment terms *do not* live up to the two fitness criteria categories *No child labour* and *Fair employment status*.

Employees whose contracts *do* satisfy both the *No child labour* and *Fair employment status* categories are scored as follows:

- **20% fit:** *No child labour* and *Fair employment status* criteria categories are satisfied.
- **40% fit:** One additional criteria category is satisfied.
- **60% fit:** Two additional criteria categories are satisfied.
- **80% fit:** Three additional criteria categories are satisfied.
- **100% fit:** All additional categories are satisfied.

Calculating company progress

Overall progress is calculated as follows:

- Identify the total number of employees in the company during the reporting period.
- Calculate progress as the weighted average fitness of the company's employment terms across all employees.

This can be expressed mathematically as:



$$F = \frac{0(E_{0\%}) + 0.2(E_{20\%}) + \dots + 0.8(E_{80\%}) + 1(E_{100\%})}{E_T}$$

Where:

- F Is the progress made by the company, expressed as a percentage.
- $E_{x\%}$ Is the number of employees in the company for which the fitness score is $x\%$, based on which of the six fitness criteria categories are being met.⁹
- E_T Is the total number of employees in the company during the reporting period.

For an example of how this progress indicator can be calculated, see [here](#).

3.2 Context indicators

The role of the context indicators is to provide stakeholders with the additional information needed to interpret the full extent of a company's progress.

Total number of employees

In addition to the percentage of employees with fair contract terms, the total number of employees that worked for the company during the reporting period must be reported.

Note that for this indicator it is not appropriate to use the average number of employees (e.g. equating two employees working 20 hours per week each to one full-time employee, or three workers employed for four months each as one full time job) as such methods would risk obfuscating the impacts on one or more of the individuals concerned.

For an example of how context indicators can be reported, see [here](#).

4. Assurance

4.1 What assurance is for and why it matters

Any company pursuing future-fitness will instil more confidence among its key stakeholders (from its CEO and CFO to external investors) if it can demonstrate the quality of its Future-Fit data, and the robustness of the controls which underpin it.

This is particularly important if a company wishes to report publicly on its progress toward future-fitness, as some companies may require independent assurance before public disclosure. By having effective, well-documented controls in place, a company can help

⁹ For example, $E_{60\%}$ would be the number of employees for whom an employment contract is in place which covers the *No child labour* and *Fair employment status* criteria, plus two other criteria categories.

independent assurers to quickly understand how the business functions, aiding their ability to provide assurance and/or recommend improvements.

4.2 Recommendations for this goal

The following points highlight areas for attention with regard to this specific goal. Each company and reporting period is unique, so assurance engagements always vary: in any given situation, assurers may seek to evaluate different controls and documented evidence. Users should therefore see these recommendations as an illustrative list of what may be requested, rather than an exhaustive list of what will be required.

- Document the methods used to determine the number of employees of the company during the reporting period, and how these employees are categorized into groups for the purposes of the evaluation. Assurers may use this information to verify the accuracy of the calculated indicator.¹⁰
- Prepare a comparison between contract terms for part-time and full-time employees, demonstrating to what extent part-time workers' compensation and contract terms are proportionately equivalent to those of full-time employees. This can help assurers to ensure that this criterion is being met.
- Retain documentation of the national labour laws applicable to worksites regarding weekly hours worked, overtime compensation, work schedule changes, and maternity/paternity leave. Ensure that the company provides supplementary benefits in cases where these do not meet the fitness criteria. This can help assurers to verify that these criteria are being met.
- Document the method used to determine which of the company's sites, regions, and job types require unique employment terms assessments. Assurers may use this information to ensure that the company has grouped employees together appropriately for the context of calculating the indicators.

For a more general explanation of how to design and document internal controls, see the section *Pursuing future-fitness in a systematic way* in the [Implementation Guide](#).

5. Additional information

5.1 Example

ACME Inc. sells lemonade products. Its operations consist of two sites: a bottling plant and an office space. The company has a total of 250 employees: 50 working in the office and 200 at the bottling plant. The company assesses the employment terms of employees

¹⁰ This information is relevant for all employee-related Break-Even Goals.

working in the office and finds that 45 employee contracts live up to all of the required criteria and therefore are scored at 100%. However, it does not pay overtime for the remaining 5 employees, and therefore scores them at 80%.

It further finds that only the senior management at the bottling plant (20 people) have contracts which live up to all criteria and thus score 100%. The remaining 180 employees have contract terms which adhere to the *No child labour* and *Fair employment status* categories, and only one other category (*Fair working hours*), and therefore score 40%.

The company can now calculate its progress as:

$$F = \frac{0(E_{0\%}) + 0.2(E_{20\%}) \dots + 0.8(E_{80\%}) + 1(E_{100\%})}{E_T}$$

$$= \frac{45 \times 100\% + 5 \times 80\% + 20 \times 100\% + 180 \times 40\%}{250} = 56\%$$

Context indicator

Total number of employees: 250.

5.2 Useful links

Ethical Trade Initiative (ETI)

The ETI is a leading alliance of companies, trade unions and NGOs, working to promote the rights of workers across the world. The [ETI's Base Code](#) offers useful guidance.

International Labour Organization (ILO)

The ILO has [several conventions](#) that address labour standards and what constitutes decent employment terms.

The Global Social Compliance Programme (GSCP)

The GSCP is a business-driven program for the continuous improvement of working and environmental conditions in global supply chains. GSCP's [Reference Code](#) provides a common base of high-level labour requirements applicable across sectors and geographies, for companies to use to develop their own supplier codes of conduct.

Appendix 1: References

- [1] H. Stewart, “Temporary and part-time jobs surge promotes inequality, says OECD,” 21 May 2015. [Online]. Available: <https://www.theguardian.com/business/2015/may/21/temporary-and-part-time-jobs-surge-promotes-inequality-says-oecd>. [Accessed 30 October 2017].
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- [3] I. L. Organization, “Parental leave,” [Online]. Available: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/presentation/wcms_146350.pdf. [Accessed 18 09 2019].

Appendix 2: Licensing

The Future-Fit Business Benchmark is free to use, share and modify with a few conditions.

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Join the movement today

We must all play our part in society's journey toward future-fitness – and we'll get there faster if we work together.

For more information visit:
futurefitbusiness.org



Who we are

Future-Fit Foundation is the non-profit developer, promoter and steward of Future-Fit Benchmarks. Our vision is a future in which everyone has the opportunity to flourish. Given where we are today, this vision can only be realised through a rapid and radical shift in the way the global economy works.

Our mission is to catalyse that shift – by translating systems science into practical, free-to-use tools designed to help business leaders, investors and policy makers respond authentically and successfully to today's biggest challenges.

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