

Title: Day 1 unfair dismissal rights

Type of measure: Primary Legislation

Department or agency: Department for Business and Trade

IA number: DBT-025-24-CMRR

RPC reference number: ...

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1. Summary of proposal

1. The Government's Plan to Make Work Pay included a commitment to **make general unfair dismissal protection a day one right**. It included **a commitment to ensure that employers can still operate probationary periods**.
2. At present, after two years of employment, an employee qualifies for general unfair dismissal protection under Part X of the Employment Rights Act 1996 (ERA1996). Under this provision, an employee is unfairly dismissed if the reason for the dismissal is not one of the five specified 'potentially fair' reasons (conduct, capability, redundancy, a legal reason, another 'substantial' reason), or dismissing them on those grounds was not reasonable in all the circumstances (which includes following a fair procedure).
3. In the first two years of employment, an employee has only limited rights to make a claim for unfair dismissal. They can claim if they believe they were dismissed for most "automatically unfair" reasons. These reasons include having made a flexible working request, being pregnant or on maternity leave, wanting to take family leave, being a trade union member or representative, or doing jury service.
4. **The Government intends to introduce basic individual rights from day one to all employees**, ending the current system that leaves employees waiting up to two years to access basic rights, including protection against unfair dismissal.

5. The primary legislative action to achieve this is to repeal the power for Ministers to set a qualifying period for unfair dismissal in the Employment Rights Act 1996 through the Employment Rights Bill.
6. In line with repealing the unfair dismissal qualifying period, the Government also intends to amend the qualifying period for the right to written reasons for dismissal upon request, enabling this right for all employees who are dismissed after the statutory probation period has ended. The 14-day period for the employer to comply with a request for written reasons would remain unchanged. Currently, under the Employment Rights Act 1996, employees must have accrued two years' service with their employer in order to be entitled to written reasons for dismissal.
7. Government intends to make provision to “ensure that employers can still operate probationary periods”. The Bill will give Ministers:
 - a power to prescribe the duration of the statutory probation period; and
 - a power to modify the operation of the current test for what constitutes a ‘fair’ dismissal, in relation to dismissals during the statutory probation period, which are based on the suitability of the individual employee for the role they have been hired to perform.
8. To date, probationary periods are a concept found in employment contracts but not in legislation. The duration of probationary periods is set in employment contracts. Different contractual terms and conditions may apply during the probationary period, to support the employer in continuing to assess performance and suitability after hiring. For example, employees on probation may have a shorter notice period (for either the employer or the employee to end the relationship), or less access to some benefits, e.g. aspects of the occupational pension scheme, staff discounts, or salary sacrifice schemes). Legislation is not expected to interfere with these aspects of probation – it would still be for employment contracts to specify when notice periods or benefits change. The statutory probation period will be relevant only to the exercise of the statutory right to claim unfair dismissal. This period will set out a new balance for the early months of a job – providing new legally binding rights for employees from Day 1, whilst also delivering a lighter-touch and less onerous approach for businesses to follow to dismiss someone who is not right for the job.
9. Once commenced, this legislation would considerably alter the employment rights landscape in the UK. Government intends to consult ahead of the development of the secondary legislation. As a result, the legislation is not expected to come into effect until Autumn 2026 at the earliest.

2. Strategic case for proposed regulation

10. The Government intervenes in the labour market to extend individual employment rights for **efficiency and equity reasons**. A well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs whilst also empowering businesses to operate competitively.
11. According to Annual Population Survey statistics, between January and December 2023, there were close to 8.8 million employees with less than a two-year tenure (31% of all employees)¹. By making the right to claim unfair dismissal a day one right, the **policy redistributes the risk of taking up a new job between the employer and the employee**, ensuring it does not disproportionately fall on the latter.

¹ Department for Business and Trade analysis based on Office for National Statistics [Annual Population Survey](#)

12. It is also recognised that businesses need the confidence to expand and manage their workforce, including by operating probationary periods. By prescribing an initial period in legislation in relation to which there are powers to make it simpler to dismiss employees fairly when they fail probation, **the policy efficiently distributes the risk of employees' capability and conduct not matching the requirements of the role they have been recruited into.**
13. It is difficult to evidence what the optimal distribution of these risks between the employer and employee is. However, it is clear that the UK is an outlier compared to other OECD countries when it comes to the balance of risks and entitlements between the employer and the employee. Currently, the UK's labour market is one of the least regulated among advanced economies. Among OECD countries, in 2019 the UK ranked fifth-least-regulated out of 38 countries in terms of dismissing individual workers, and tenth-least-regulated in terms of making collective dismissals².
14. A full assessment of the economic rationale for intervention is included in the evidence base section of this Impact Assessment (IA).

3. SMART objectives for intervention

15. The aim of this proposal is to:

- Improve job security (and thus wellbeing) and ensure employees are protected from unfair dismissal from day one.
- Rebalance entitlements between employees and employers for employees with less than two years of employment.
- Reduce the risk (to employees) from switching jobs.
- Provide businesses with continued confidence in their ability to expand and manage their workforce.

16. The intended outcomes are:

- Employees have robust protections against unfair dismissal from day one.
- Businesses have a clear, coherent framework within which to expand and manage their workforce.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

17. The preferred option is defined as follows:

Option 1: Make general unfair dismissal protection a day one right and prescribe the duration of an initial period when the employer can more easily dismiss an employee fairly.

² Cominetti N and Slaughter H (2024), '[Job done? Assessing the labour market since 2010 and the challenges for the next government](#)', Resolution Foundation Briefing, June 2024 (Accessed October 2024)

- Use the Employment Rights Bill to repeal the qualifying period and amend the qualifying period for written reasons for dismissal. These changes would come into force only when commenced by regulations. Once the repeal comes into force, protection from unfair dismissal will be extended to all employees from the moment they start work.
- Use the Employment Rights Bill to provide a power to prescribe the duration of an initial statutory period, in secondary legislation, during which it would be easier for an employer to dismiss an employee for reasons related to the individual employee's suitability.
- Use the Bill to provide a power to modify the requirements for an employer to dismiss someone fairly during that initial period, again in secondary legislation. The Bill itself will set constraints on the power by specifying which types of dismissal would be subject to the lighter-touch expectations during the initial period.

18. The preferred option achieves the objectives by:

- Ensuring that employees have appropriate protection from unfair dismissal from day one and can bring unfair dismissal claims to the Employment Tribunal.
- Ensuring that businesses can expand and manage their workforce and ensuring productive employee-job matches.

5. Summary of long-list and alternatives

19. Given that there is further policy development and consultation to come, our IA at this stage provide high-level analysis of the impacts that could follow from primary powers and is not an assessment of a specific implementation approach. Nevertheless, consideration was still given to non-regulatory options and the inclusion of small and micro businesses.

20. The qualifying period for protection from unfair dismissal is set in legislation. As a result, a non-regulatory reform would be unlikely to meet the intended objective of the policy. Consideration was given to reducing the qualifying period, but it was noted that this would meet the policy objectives to a lesser extent.

21. The preferred option is expected to be applied to businesses of all sizes, including small and micro businesses (SMBs), in line with the principle that all employees deserve protection from unfair dismissal, irrespective of the size of the organisation they work for. A full SaMBA assessment can be found in the evidence base section of this IA.

22. The Government intends to consult before setting the duration of the initial statutory period, as well as setting the expectations that employers would have to meet to dismiss an employee fairly during that initial period for reasons relating to the employee's suitability. The consultation will consider whether mitigations for SMBs are necessary and appropriate.

6. Description of shortlisted policy options carried forward

23. Two options have been carried forward for the purpose of the analysis.

Option 0: Do Nothing

- "Status Quo" or "no change" option from the current system, keeping the current two-year qualifying period. This option would not meet the policy objectives but is included as a baseline for assessment of costs and benefits.

Option 1: Make general unfair dismissal protection a day one right and prescribe the duration of an initial period when the employer can more easily dismiss an employee fairly.

- Use the Employment Rights Bill to repeal the qualifying period and amend the qualifying period for written reasons for dismissal. These changes would come into force only when commenced by regulations. Once the repeal comes into force, protection from unfair dismissal will be extended to all employees from the moment they start work.
- Use the Employment Rights Bill to provide a power to prescribe the duration of an initial statutory period, in secondary legislation, during which it would be easier for an employer to dismiss an employee for reasons related to the individual employee’s suitability.
- Use the Bill to provide a power to modify the requirements for an employer to dismiss someone fairly during that initial period, again in secondary legislation. The Bill itself will set constraints on the power by specifying which types of dismissal would be subject to the lighter-touch expectations during the initial period.

Small and Micro Businesses Assessment (SaMBA)

24. Small and micro businesses (SMBs) are marginally underrepresented in cases of unfair dismissal at just 27%³ of Employment Tribunal cases compared to a share of total employment of 29%⁴. Nevertheless, it is recognised that SMBs might be less able to withstand additional costs and might be more impacted by unproductive employee-job matches (due to having fewer employees overall). A full SaMBA assessment is found in the evidence base section of this IA.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

The analysis presented below is an indicative representation of the costs and benefits of this policy change. Given that there is further policy development and consultation to come, our IA at this stage provide high-level analysis of the impacts that could follow from primary powers and is not an assessment of a specific implementation approach. Impacts have been quantified over a 10-year appraisal period.

(1) Overall impacts on total welfare		Directional rating
Description of overall expected impact	<p>Impact on businesses is expected to be net negative, and driven by the costs associated with additional early conciliation and tribunal cases, familiarisation costs, and admin costs from providing a written reason for dismissal.</p> <p>The impact on households is expected to be net positive, and driven by wellbeing benefits arising from increased job security for those under two years of</p>	<p>Uncertain</p> <p>Based on all impacts (incl. non-monetised)</p>

³ Department for Business, Energy and Industrial Strategy, ‘[Survey of employment tribunal applications 2018](#)’, published 9 July 2020 (Accessed October 2024)

⁴ Department for Business and Trade, ‘[Business population estimates 2023](#)’, published 5 October 2023 (Accessed October 2024)

	<p>tenure, as well as additional settlements and awards from early conciliation and Employment Tribunals.</p> <p>There may be wider economic impacts (both positive and negative). Overall, there is limited evidence to suggest that the policy will have a negative impact on employment rates and some evidence of negative impacts on hiring rates. The impacts on productivity and labour mobility are uncertain.</p>	
Monetised impacts	<p>Total £ NPSV is estimated between - £323.9 million and - £338.7 million over the 10-year appraisal period. It captures impacts on businesses, households and the Exchequer from additional early conciliation and tribunal cases, as well as business familiarisation costs.</p> <p>It should be noted that this is an indicative representation of the costs and benefits, and does not reflect the impact of the statutory probationary period which Government will consult on (which might mitigate for some of the costs).</p> <p>The monetised £NPSV does not include significant non-monetised benefits to employee. The £ NPSV also does not include indirect impacts associated with changes in employers' behaviour, such as changes in hiring, management and dismissal practices.</p>	<p>Negative</p> <p>Based on likely £NPSV of between - £323.9m and - £338.7m</p>
Non-monetised impacts	<p>Non-monetised impacts include wellbeing benefits to employees and wider economic impacts. Given that the policy is expected to benefit close to 9 million employees⁵, the unquantified benefits to employees are expected to be significant.</p>	Uncertain
Any significant or adverse distributional impacts?	<p>SMBs might be less able to withstand additional costs. There is some evidence of distributional impacts on young employees (both positive and negative). Distributional impacts are discussed in more detail in the next sections of the scorecard and in the evidence base section of this IA.</p>	Uncertain

(2) Expected impacts on businesses

⁵ Department for Business and Trade analysis based on Office for National Statistics [Annual population survey \(APS\)](#)

<p>Description of overall business impact</p>	<p>There will be small familiarisation costs associated with the policy change, and admin costs associated with providing a written reason for dismissal (on request) for employees under two years of tenure.</p> <p>The policy is expected to lead to additional early conciliation and Employment Tribunal cases which carry additional costs to the employer.</p> <p>There might be indirect impacts (both positive and negative) associated with changes in employers' behaviour, such as changes in hiring, management and dismissal practices, to minimise the risk of litigation and unproductive employee-job matches. These are highly uncertain and dependent on secondary legislation.</p>	<p>Negative</p>
<p>Monetised impacts</p>	<p>Total £ Business NPV is expected to be between - £357.4 million and - £372.2 million over the 10-year appraisal period. Annual direct costs to businesses are estimated to be £41.5 million and £43.2 million.</p>	<p>Negative</p> <p>Based on likely business £NPV of between - £357.4m and - £372.2m</p>
<p>Non-monetised impacts</p>	<p>Non-monetised impacts include those associated with changes to hiring, dismissal and management practices (indirect).</p>	<p>Uncertain</p>
<p>Any significant or adverse distributional impacts?</p>	<p>Small and micro businesses are marginally underrepresented in cases of unfair dismissal at 27%⁶ of Employment Tribunal cases compared to a share of total employment of 29%⁷. Nevertheless, it is recognised that SMBs might be less able to withstand additional costs and might be more impacted by unproductive employee-job matches (due to having less employees overall).</p>	<p>Negative</p>

(3) Expected impacts on households

⁶ Department for Business, Energy and Industrial Strategy, [Survey of employment tribunal applications 2018](#), published 9 July 2020 (Accessed October 2024)

⁷ Department for Business and Trade, [Business population estimates 2023](#), published 5 October 2023 (Accessed October 2024)

<p>Description of overall household impact</p>	<p>Employees who bring a claim will potentially benefit from a settlement or tribunal award. However, there will also be associated costs with early conciliation and Employment Tribunal cases.</p> <p>The policy is also expected to have positive wellbeing impacts on employees for those under two years tenure. Employees under two years of employment might also benefit from increased wages if the policy results in higher labour mobility for those employees.</p> <p>The extent to which employers respond by hiring less and/or hiring more temporary workers, workers on fixed term contracts, and self-employed contractors, will affect aggregate employee benefits deriving from job security.</p>	<p>Positive</p>
<p>Monetised impacts</p>	<p>Total £ Household NPV is expected to be £113 million over the 10-year appraisal period. This is based on annual direct costs of £9.6 million and annual direct benefits of £22.7 million. The quantified costs are those associated with bringing ACAS and Employment Tribunal claims. The quantified benefits are the estimated ACAS early conciliation settlements and awards from Employment Tribunal claims.</p>	<p>Positive</p> <p>Based on likely household £NPV of £113m</p>
<p>Non-monetised impacts</p>	<p>Non-monetised impacts include wellbeing benefits arising from job security, as well as potential impacts on wages and hiring rates. Given that the policy is expected to benefit close to 9m employees⁸, the unquantified benefits are expected to be significant.</p>	<p>Positive</p>
<p>Any significant or adverse distributional impacts?</p>	<p>Young employees are disproportionately represented among employees with less than two-year tenure and are more likely to switch jobs, suggesting they might disproportionately benefit from this policy. At the same time, employers might be discouraged to hire young workers and other candidates that might need more support to get up to speed in the first months of a new job. Evidence on this is currently limited.</p> <p>Employees with a limiting illness or disability, and black employees are overrepresented among employees who bring an Unfair Dismissal claim (across all tenures). This suggests that they might disproportionately benefit from</p>	<p>Uncertain</p>

⁸ Department for Business and Trade analysis based on Office for National Statistics [Annual population survey \(APS\)](#)

	the policy but also that they might be more affected by unintended consequences.	
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Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
<p>Business environment:</p> <p>Does the measure impact on the ease of doing business in the UK?</p>	<p>There is limited evidence to suggest that the policy will have significant impact on business investment. Increased burden on businesses might result in lower aggregate investment. Equally, employers might respond to the changes by improving their people management and hiring practices, which could result in additional investment. However, more evidence is needed on this.</p>	Uncertain
<p>International Considerations :</p> <p>Does the measure support international trade and investment?</p>	<p>From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations, nor will it introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned. As a result, there are no specific implications for trade partners or foreign businesses operating in the UK.</p> <p>From an economic standpoint, the impact of the policy on labour costs is not expected to be such that export competitiveness or ability to attract FDI will be impacted. Furthermore, the preferred option will not introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned.</p>	Neutral
<p>Natural capital and Decarbonisation:</p> <p>Does the measure support commitments to improve the environment and decarbonise?</p>	<p>We expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of these reforms. The regulation does not directly relate to environmental or decarbonisation goals.</p>	Neutral

8. Monitoring and evaluation of preferred option

25. The preferred option considered in this Impact Assessments falls outside of the statutory post implementation review requirements under the Small Business Enterprise and Employment Act 2015, as it will be delivered through primary legislation for which the full details of implementation will not be decided until secondary legislation is laid in Parliament.
26. Given the uncertainties associated with the preferred option and its implementation, the Government will develop more detailed plans once the secondary legislation is developed.
27. To determine whether the policy has met its objectives, we will be monitoring its impacts as well as undertaking a Post-Implementation Review (PIR) of this policy within 5 years following introduction. The PIR will summarise the evidence that we gather on the policy's effectiveness, as well as any learnings that can be applied to future policymaking.
28. The Ministry of Justice collects data on Employment Tribunal applications which can be monitored to assess the extent to which the policy has led to additional claims. However, it is noted that this data is not broken down by tenure of employment. More work is needed to identify relevant data sources for monitoring purposes.
29. The extent to which the policy has met its objectives can be further tested via surveys, including impacts on employees (to test perceived impacts on job security) and employers (to test impact on business costs, as well as wider impacts, such as on hiring rates).
30. Beyond information captured by quantitative survey, further indicators of success will be captured through feedback from stakeholders (primarily representatives of employer and employee groups) on questions assessing satisfaction with the reforms, and awareness and level of understanding.
31. The review will also consider wider economic impacts of the policy, including on hiring rates, employment rates, productivity and labour mobility, as well as unintended consequences. Where possible, the review will aim to test distributional impacts, including on SMBs and protected characteristics.

9. Minimising administrative and compliance costs for preferred option

32. Ways of mitigating the administrative burdens on businesses will be tested via consultation, including ensuring that businesses have access to guidance and advice to navigate the changes and prevent disputes from escalating to tribunal.
33. Recognising that smaller businesses may have limited resources compared to larger businesses, consideration will be given to whether specific provisions for smaller businesses are appropriate for secondary legislation.

Summary: Analysis and evidence

Price base year:

PV base year:

For this Impact Assessment, we assess costs over a 10-year appraisal period and present our estimates in present value costs for this period for business (NPV) and equivalent annualised net direct cost to business (EANDCB). All costs are given in 2024 prices and this Impact Assessment uses 2024 as the base year for the present value calculation. Impacts have been quantified over a 10-year appraisal period.

	0. Business as usual (baseline)	1. Preferred way forward (if not do-minimum)
<p>Net present social value</p> <p>(with brief description, including ranges, of individual costs and benefits)</p>	£0	<p>Total £ NPSV is expected to be between - £323.9m and - £338.7m over the appraisal period. It captures impacts on businesses, households and the Exchequer from additional early conciliation and tribunal cases, as well as business familiarisation costs.</p> <p>It should be noted that this is an indicative representation of the costs and benefits, and does not reflect the impact of the statutory probationary period which Government will consult on.</p> <p>The monetised £NPSV does not include significant non-monetised benefits to employee. The £ NPSV also does not include indirect impacts associated with changes in employers' behaviour, such as changes in hiring, management and dismissal practices.</p>

Public sector financial costs (with brief description, including ranges)	£0	Total public sector financial costs are expected to be £80 million over the appraisal period. These are costs associated with additional ACAS and Employment Tribunal cases.
Significant un-quantified benefits and costs (description, with scale where possible)	£0	Not-monetised impacts include wellbeing benefits arising from job security, as well as potential impacts on wages and hiring rates. Given that the policy is expected to benefit close to 9m employees, the unquantified benefits are expected to be significant.
Key risks (and risk costs, and optimism bias, where relevant)	N/A	The analysis of costs associated with additional ACAS and Employment Tribunal cases rely on assumptions. These are discussed extensively in the IA. There is limited evidence on how businesses will respond to the change in policy which could impact the scale of aggregate impacts.
Results of sensitivity analysis	N/A	Assumptions have been tested with relevant stakeholders. Where possible, evidence gaps will be tested during consultation.

Evidence base

Problem under consideration, with business as usual, and rationale for intervention

34. The Government intervenes in the labour market to extend individual employment rights for **efficiency and equity reasons**. A well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs, while also empowering businesses to operate competitively.
35. According to Annual Population Survey statistics⁹, between January and December 2023, there were close to 8.8 million employees with less than two year tenure (31% of all employees). The economic rationale for intervention in this space is to **ensure that the risk of taking up new jobs is distributed fairly and efficiently between the employee and the employer**.
36. By making the right to claim unfair dismissal a day one right, and also reducing the qualifying period for written reasons for dismissal (on request), the policy:
- Effectively distributes the risk of taking up a new job between the employer and the employee, ensuring it does not disproportionately fall on the latter.
 - Ensures that reasons for dismissal are related to how well someone performs in the job (enhancing market efficiency).
 - Corrects for asymmetric information and market power once an employment relationship has been entered, by compelling employers to follow some degree of disciplinary and dismissal processes from day one.
37. At the same time, businesses need to have the confidence to expand and manage their workforce, including by operating probationary periods to ensure productive employee-job matches. By setting an initial period in legislation during which employers can more easily dismiss an employee fairly for reasons of performance, the policy:
- Efficiently distributes the risk of the job match being not a good fit for the employee recruited into new role.
 - Mitigates for potential unintended consequences, such as employers adopting greater reliance on temporary staffing instead of recruiting permanent employees, thus ensuring that the policy objectives are met.
 - Corrects for asymmetric information where there may be little or no process applied to disciplinary decisions and dismissals during the current qualifying period.
38. It is difficult to evidence what the optimal distribution of these risks between the employee and the employer is. However, the UK is an outlier compared to other OECD countries when it comes to the balance of risks and entitlements between the employer and the employee. Currently, the UK's labour market is one of the least regulated among advanced economies. Among OECD countries, in

⁹ Department for Business and Trade analysis based on Office for National Statistics [Annual population survey \(APS\)](#)

2019 the UK ranked fifth-least-regulated out of 38 countries in terms of dismissing individual workers, and tenth-least-regulated in terms of making collective dismissals¹⁰.

39. In addition, some academic evidence suggests that job insecurity is increasing in the UK. For example, the UK Insecure Work Index¹¹ estimates that in 2023, **an estimated 6.8 million workers were in severely insecure work**, with the number increasing by 600,000 people between 2021 and 2022, and by 500,000 people between spring 2022 and spring 2023¹². While there are many reasons why workers might experience job insecurity - such as being in a low paying job or being on a zero-hour contract, being with the current employer for less than two years is listed among the reasons why workers experience job insecurity due to lack of day one rights.

Policy objective

40. The aim of this proposal is to:

- Improve job security (and thus wellbeing) and ensure employees are protected from unfair dismissal from day one.
- Rebalance entitlements between employees and employers for employees with less than two years of employment.
- Reduce the risk (to employees) from switching jobs.
- Provide businesses with continued confidence in their ability to expand and manage their workforce.

41. The intended outcomes are:

- Employees have robust protections against unfair dismissal from day one.
- Businesses have a clear, coherent framework within which to expand and manage their workforce.

Description of options considered

42. The Plan to Make Work Pay sets out a vision for better, modernised, and fairer employment protections that will set the country up for the future. The Bill is the first phase of delivering the Plan to Make Work Pay, supporting employers, workers, and unions to get Britain moving forward and fulfilling a commitment to introduce legislation within 100 days.

43. Given that there is further policy development and consultation to come, our IA at this stage provide high-level analysis of the impacts that could follow from primary powers and is not an assessment of a specific implementation approach. This means our analysis should be interpreted as indicative of the possible impacts using the best available evidence at the time of drafting, rather than a firm assessment of the final policy design. As the measure requires secondary legislation to implement, the analysis will be updated and refined following the consultation based on additional evidence to inform policy options and impacts .

¹⁰ Cominetti N and Slaughter H (2024), [Job done? Assessing the labour market since 2010 and the challenges for the next government](#), Resolution Foundation Briefing, June 2024 (Accessed October 2024)

¹¹ Florisson R (2024), [The UK Insecure Work Index](#), published February 2024 (Accessed October 2024)

¹² Although it should be noted that current numbers are lower than 2019 when 6.9 million people were estimated to be in severely insecure work).

44. Consideration was still given to non-regulatory options and the inclusion of small and micro businesses.
45. The employment rights framework is underpinned by regulation. This means that the Government is able to set the minimum terms of the relationship between employers and employees, providing clarity and protection to both employees and employers, and creating the basis for enforcement of rights. This regulation is underpinned by Government and ACAS guidance, which plays a role in increasing the understanding of rights and supporting employers to comply. Accordingly, we believe the objectives set out in Section 3 would not be achieved without regulation.
46. Specifically, the qualifying period for protection from unfair dismissal is set in legislation. As a result, a non-regulatory reform would be unlikely to meet the intended objective of the policy to ensure employees have appropriate protections against unfair dismissal from day one, and that employees can bring an unfair dismissal claim to an Employment Tribunal if necessary.
47. Consideration was given to reducing the qualifying period, but it was noted that this would fail to achieve the policy objectives to rebalance entitlements between employees and employers, improve job security, and reduce the risk associated with switching jobs for employees with less than two years tenure. Nevertheless, it is recognised that businesses need to have the confidence to expand and manage their workforce, including by operating probationary periods to ensure productive employee-job matches.
48. The preferred option is expected to be applied to businesses of all sizes, including small and micro businesses, in line with the principle that all employees deserve protection from unfair dismissal, irrespective of the size of the organisation they work for. While it is recognised that smaller businesses may face disproportionate challenges due to their limited resources, the broader societal benefits of increased job security and fairness in the labour market justify the policy's scope. Additionally, this policy change aims to prevent potential abuses that may disproportionately affect employees in smaller businesses, where employment practices may be less formal.
49. Two options have been carried forward for the purpose of the analysis.

Option 0: Do Nothing

- “Status Quo” or “no change” option from the current system, keeping the current unfair dismissal period of two years. This option would not meet the policy objectives but is included as a baseline for assessment of costs and benefits.

Option 1: Make general unfair dismissal protection a day one right and prescribe the duration of an initial period when the employer can more easily dismiss an employee fairly.

- Use the Employment Rights Bill to repeal the qualifying period and amend the qualifying period for written reasons for dismissal. These changes would come into force only when commenced by regulations. Once the repeal comes into force, protection from unfair dismissal will be extended to all employees from the moment they start work.
- Use the Employment Rights Bill to provide a power to prescribe the duration of an initial statutory period, in secondary legislation, during which it would be easier for an employer to dismiss an employee for reasons related to the individual employee's suitability.
- Use the Bill to provide a power to modify the requirements for an employer to dismiss someone fairly during that initial period, again in secondary legislation. The Bill itself will set constraints on the power by specifying which types of dismissal would be subject to the lighter-touch expectations during the initial period.

Summary and preferred option with description of implementation plan

50. The preferred option achieves the objectives by:

- Ensuring that employees have appropriate protection from unfair dismissal from day one and can bring unfair dismissal claims to the Employment Tribunal.
- Ensuring that businesses can expand and manage their workforce and ensuring productive employee-job matches.

51. The primary legislative action to achieve this is firstly to repeal the two-year qualifying period for unfair dismissal from the Employment Rights Act 1996 through the Employment Rights Bill.

52. The Government also intends to amend the qualifying period for the right to written reasons for dismissal on request. Currently under the Employment Rights Act 1996, employees must have accrued two years' service with their employer in order to be entitled to written reasons for dismissal. The right to written reasons for dismissal on request would arise if an employee is dismissed after the end of their statutory probation period. The 14-day period for the employer to comply with a request for written reasons would be maintained.

53. Secondly, provision is needed to “ensure that employers can still operate probationary periods”. The Bill will give Ministers powers to make regulations on two key issues, in order to achieve the overarching policy aim:

- A power to prescribe the duration of the statutory probation period; and
- A power to modify the operation of the current test for what constitutes a ‘fair’ dismissal, in relation to dismissals during the statutory probation period which are based on the suitability of the individual employee for the role they have been hired to perform.

54. These powers related to probation would mean considerable alterations to employment rights in the UK. The Government is committed to consulting fully ahead of the development of the secondary legislation.

NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)

55. It is difficult to fully estimate the potential impacts of this measure because final policy detail will only be set when subsequent secondary legislation is brought to Parliament. Therefore, we assess the possible impact of the broad policy framework and will refine our analysis as policy development continues.

56. We do not have sufficient evidence to monetise all impacts – particularly those that are less tangible or indirect. In addition, many of the impacts and risks depend on the specific policy design, therefore, are particularly uncertain until further policy decisions are made after consultation with stakeholders. This means our quantified estimates are only a partial assessment, and more weight should be given to our qualitative discussion of benefits and costs.

57. Impact on businesses is expected to be net negative and driven by the costs associated with additional early conciliation and tribunal cases, familiarisation costs, and admin costs from providing a written reason for dismissal for employees with less than a two-year tenure.

58. It should be noted that the analysis does not take into account **the new lighter-touch expectations on employers dismissing an employee for performance reasons during the initial statutory period**. This is because the new expectations have yet to be developed and as a result it is not possible to estimate the impacts with certainty. It is reasonable to assume that the initial statutory period will mitigate for some of the additional costs and unintended consequences.

59. The Government has also committed to identify ways to signpost and support employees to ensure they have proper recourse if they are unfairly dismissed, but also make clear where bringing claims might be successful. It also intends to consult on what a compensation regime for successful claims during the probation period will be, with consideration given to tribunals not being able to award the full compensatory award currently available. The analysis will be updated following consultation to reflect any changes to the policy.
60. The impact on households is expected to be net positive and driven by wellbeing benefits arising from increased job security for those under two years of tenure, as well as additional settlements and awards from early conciliation and Employment Tribunals.
61. There may be wider economic impacts (both positive and negative). Overall, there is limited evidence to suggest that the policy will have a negative impact on employment rates and some evidence of negative impacts on hiring rates. The impacts on productivity and labour mobility are uncertain.

Costs and benefits to business calculations

Costs to businesses

62. Employers would need to familiarise themselves with the change in qualifying period and provision for probationary periods. There would be a cost of taking additional Employment Tribunal (ET) cases and early conciliation notifications through the system for employers, as well as settlements and awards. It is important to note that **these costs are dependent on secondary legislation**. There might also be additional costs associated with providing a written reason for dismissal on request for those under two years of tenure.
63. Employers might be inclined to devote more resource to dismissing employees under two years of tenure to minimise the risk of litigation, as well as invest more in hiring and management practices to mitigate the risk of unproductive employee-job matches. It should be noted that there could be benefits associated with employers improving their hiring and management practices.

Familiarisation costs

64. It is estimated that employers would need to familiarise themselves with the change in qualifying period and definition of probationary periods. This is a small legal change, and employers should already be familiar with unfair dismissal law. The below summarises the approach taken for the analysis.
65. Removing the qualifying period for unfair dismissal means that, broadly, unfair dismissal rights will apply to all employees, irrespective of their length of service. Employers should already be familiar with unfair dismissal. However, we recognise that elements of the policy relating to the initial statutory period and the process for an employer to dismiss someone fairly for individual reasons during that initial period, could add complexity to the familiarisation process. As such, we have estimated **familiarisation time between 10 minutes (low scenario) and 30 minutes (high scenario)**. This estimate will be refined following consultation.
66. We have assumed the same time taken to familiarize for SMBs and non-SMBs. Furthermore, we have assumed that employment lawyers do not need to familiarize themselves as the policy won't impact them directly, it is their responsibility to review the material to fulfil their advisory obligations.

67. There are **1,472,284 employers in scope**¹³. We assume that the number of employers is the same as in 2023 from the DBT business population estimates for the UK.
68. **Labour costs** of those familiarising themselves with the policy are estimated to be **£31.83**. Labour cost is calculated based on the value of the median hourly wage rate of human resource managers and directors (£26.31) from the 2023 Annual Survey of Hours and Earnings (ASHE)¹⁴. The wage is then multiplied by the UK non-wage labour costs as a percentage of wages (21%)¹⁵.
69. As a result, we estimated **total familiarisation costs** to be **£7,811,492 in the low scenario and £23,434,478 in the high scenario**.

Cost of additional early conciliation notifications and Employment Tribunal cases (excluding settlements and awards)

70. There would be a cost of taking additional ET cases and early conciliation notifications through the system and from additional awards and settlements. The below summarises the approach taken for the analysis. Making protection from unfair dismissal a day one right, would bring around an additional 9 million employees in scope of this protection, which would result in additional cases being brought to ACAS and the Employment Tribunal.
71. It should be noted that the analysis assumes **that the rate of unfair dismissal claims and cases is not affected by the new lighter-touch expectations on employers dismissing an employee for performance reasons during the initial statutory period**. This is because the new expectations have yet to be developed and as a result it is not possible to estimate how they will affect unfair dismissal cases. Other changes to the policy following consultation (such as compensation regime) will also be reflected in the analysis. As such, the impacts presented in this section should be seen as indicative and will be refined following consultation. Key assumptions behind the analysis are detailed in the next section.
72. It is also important to note that we are unable to infer causality between changes in the qualifying period and changes in the number of unfair dismissal claims. There are numerous factors other than the qualifying period for unfair dismissals that would impact the number of unfair dismissal claims. These will be explored further during consultation. The analysis presented here is meant to illustrate the potential impact of the policy.

Estimated number of additional ACAS claims and Employment Tribunal cases

73. We estimate the additional ACAS claims and ET cases by estimating an **'estimated jurisdictional ET claim per employee'** which is applied to the employees that come into scope following a removal of the qualifying period for unfair dismissal protections.
74. The **rate of jurisdictional ET claim per employee** is estimated as follows:
- We take the ratio of the total number of employees with at least two years tenure from the Annual Population Survey¹⁶, and the number of unfair dismissal ET cases for MoJ statistics,

¹³ Department for Business and Trade, [Business population estimates 2023](#) (Accessed October 2024)

¹⁴ Office for National Statistics, [Annual Survey of Hours and Earnings \(ASHE\)](#) (Accessed October 2024)

¹⁵ Department for Business and Trade analysis using Office for National Statistics (2024) data: [UK sector \(S.1\): Employers' social contribution \(D.12\): Resources: Current price: £million: Not seasonally adjusted](#) and [UK sector \(S.1\): Wages and salaries \(D.11\): Resources: Current price: £million: Not seasonally adjusted](#) (Accessed October 2024)

¹⁶ Office for National Statistics, [Annual Population Survey](#), April 2022 to March 2023 (Accessed October 2024)

for 2022/23¹⁷. It should be noted that the number of unfair dismissal claims captures both instances where unfair dismissal (UD) is the main jurisdiction and instances where UD is not the main jurisdiction.

$$ET \text{ claim per employee } (A) = \frac{\text{Unfair dismissals ET claim } (X)}{\text{Employees with } > 2 \text{ year's tenure } (Y)}$$

$$\text{claim per employee } (A) = \frac{X}{Y} = 0.084\%$$

$$\text{Additional ET claim } (B) = \text{claim per employee } (A) \times \text{Additional employees in scope } (Z)$$

$$\text{Additional ET claim } (B) = 0.084\% \times Z = 7,398$$

- The number of additional ET claims is estimated by applying the estimated jurisdictional claim per employee estimated above (0.084%) to the additional population in scope (i.e. those with tenure between 0 and 2 years based on the most recent available data (January to December 2023)¹⁸, which is 8,788,697. This results in 7,398 estimated additional ET cases.

75. To estimate the number of cases resulting from the policy change, we then need to **control for claims with multiple jurisdictions**, i.e. isolate the claims where UD is the main jurisdiction. This is done to isolate cases that are affected by a change to unfair dismissal qualifying periods. If the main reason for the dismissal is a different jurisdiction, it is more likely that the case would be unaffected by the change in qualifying period.

76. The rate of single UD cases with UD as main (or only) jurisdiction is 0.45. This is calculated using the SETA 2013¹⁹ dataset by taking a proportion of the number of unfair dismissals as a main jurisdiction from where unfair dismissal is listed as a jurisdiction (regardless of a main jurisdiction or not). We use SETA 2013 as opposed to the more recent SETA 2018 so that the effect of tribunal fees is not reflected²⁰.

¹⁷ Ministry of Justice, [Tribunals statistics quarterly: Main Tables, July to September 2023](#), published 14 December 2023 (Accessed October 2024)

¹⁸ Office for National Statistics, [Annual Population Survey](#), April 2022 to March 2023 (Accessed October 2024)

¹⁹ Department for Business, Innovation and Skills, [Survey of employment tribunal applications 2013](#), published 11 June 2014 (Accessed October 2024)

²⁰ We assume that fees would increase the expected costs of bringing forward a claim, thus encouraging claimants to attach multiple jurisdictions to a claim. This would result in a lower number of single jurisdiction claims.

77. Therefore, we apply the rate of single UD cases to the above estimate of 7,398 to estimate 3,339 ET single cases²¹ that are additional UD main jurisdictional claims.

78. We then need to calculate additional **ACAS early conciliation claims**. Based on data from October to December 2023, we assume that for every 100% claims ACAS receives, 32 proceed to Employment Tribunal²². As a result, a rate of claims that ACAS receives but where a ET1 submission is avoided (68%) is applied to the estimated number of ET cases (for both single and multiple cases) to estimate a number of ACAS claims. The number of claims ACAS is estimated to receive is calculated by inflating the number of cases that go to the ET by the respective proportion (1/(1-68%)). This results in an estimated 10,434 additional claims to ACAS.

79. As a result, we estimate the following number of additional cases:

Table 1. Estimated additional single unfair dismissal claims and cases with Unfair Dismissal as Main Jurisdiction 2022/23

ET single cases²³	3,339
ACAS claims	10,434

Key assumptions

80. The key **assumptions and limitations** of the analysis are summarised below.

81. We assume **that the rate of unfair dismissal claims and cases is not affected by the new lighter-touch expectations on employers dismissing an employee for performance reasons during the initial statutory period**. This is because the new expectations have yet to be developed and as a result it is not possible to estimate how they will affect unfair dismissal cases.

82. We assume that **additional claims and cases resulting from unfair dismissal are cases that have unfair dismissal as a single jurisdiction or where unfair dismissal is the main jurisdiction**. This is done to isolate cases that are affected by a change to unfair dismissal qualifying periods. If the main reason for the dismissal is a different jurisdiction, it is more likely that the case would be unaffected by the change in qualifying period. It is plausible that the measure will lead to more cases having unfair dismissal as a secondary (i.e., not main) jurisdiction which could add to the complexity of the case (and thus the costs). However, we would expect this impact to be small.

83. We assume that **unfair dismissal claims have the same rate of claim per employee for all years of tenure**. This is because we do not have sufficiently robust data on claims by tenure. It should be noted that it is possible to assume that some variation exists depending on tenure. For example, it is possible to assume that those with less than two years of tenure are more likely to be dismissed. If this is the case, it would be reasonable to expect a higher number of ACAS claims and ET cases than what estimated in our analysis²⁴. At the same time, it is possible to assume some positive correlation between settlements and length of tenure, suggesting that incidence of cases brought forward by those under two years of employment might be lower. We do not have sufficient

²¹ Cases where an ET1 form is submitted.

²² ACAS, [Early conciliation and employment tribunal data for England, Scotland, and Wales: January to March 2024](#), published 4 June 2024 (Accessed October 2024)

²³ Number of cases which submit an ET1 form.

²⁴ This is because the analysis presented here does not control for frequency/likelihood of dismissal at different tenures.

data to comment on how this limitation affects the analysis (i.e. whether there is a risk of over or underestimating the number of claims).

84. We assume that **all unfair dismissal claims are single** (i.e., brought by one claimant against one employer) and there are no multiple claims (i.e., brought by multiple claimants against one employer). This is because we do not have recent data on the number of multiple and single claims. By not controlling for multiple claims the estimates of the costs may be somewhat higher. This is because we assume that the costs per claim from multiple cases are lower (because they combine multiple claims). The 2018 Survey of Employment Tribunal Application²⁵ suggests that in 2018, 13% of total UD claims were multiple claims, suggesting that our analysis might slightly overestimate the costs to employers.
85. There might be a small number of unfair dismissal claims that occur before the qualifying period when a case for unfair dismissal is attached to another jurisdiction. As we are not able to isolate these, we assume that all claims within the MoJ tribunal statistics for unfair dismissal are unfair dismissal claims that require a qualifying period. This is a fair assumption especially considering that unfair dismissal claims before the qualifying period are less likely to have unfair dismissal as a main jurisdiction, so we can assume that our analysis already controls for these.

Legal costs associated with ACAS claims and Employment Tribunal cases

86. Legal costs associated with ACAS claims and ET cases should only be counted as business costs when the business incurred the cost despite complying with the regulation.
87. For ACAS early conciliation, there isn't robust evidence on the share of claims raised against compliant businesses. Even in the event of a settlement, we cannot assume non-compliance as the business might have chosen to settle to avoid the case progressing to Employment Tribunal. Given lack of reliable evidence, we have assumed that all ACAS claims are against compliant businesses for the purpose of this analysis. As such, the costs presented here should be seen as an upper estimate of the potential costs based on the evidence available.
88. For ET cases, we assume non-compliance for those cases where the claimant was successful at trial. Based on the proportion of total ET cases that are awarded compensation where unfair dismissal was the main jurisdiction (10.7%²⁶), we estimate 355 instances of non-compliance, and thus 2,984 additional ET cases (from 3,339 estimated in the previous section). It should be noted that the actual number of cases involving non-compliant businesses is likely to be higher. As such, the costs presented here should be seen as an upper estimate of the potential costs based on the evidence available.
89. By applying a unit cost²⁷ associated with handling each case of £310 for ACAS claims and £6,000 for ET cases, we derive the annual costs below.

Table 2. Costs to employers (excluding awards)

ACAS claims	ET cases
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²⁵ Department for Business, Energy and Industrial Strategy, [Survey of employment tribunal applications 2018](#), published 9 July 2020

²⁶ Department for Business and Trade analysis based on Ministry of Justice, [Tribunals statistics quarterly: Main Tables, July to September 2023](#), published 14 December 2023

²⁷ Based on Department for Business and Trade internal analysis based on ACAS research, and the 2018 Survey of Employment Tribunal applications revised to take account of the change in the distribution of claim jurisdictions received since the abolition of fees in August 2017.

Average legal cost of one case	£310	£6,000
Number of claims/cases involving a compliant business	10,434	2,984
Total annual cost	£3,234,540	£17,903,000

Costs of ET awards and early conciliation settlements

90. The proposed policy change will benefit individuals who achieve a settlement or a tribunal award.

91. The costs of Employment Tribunal awards resulting from the additional claims would primarily affect non-compliant employers and, as such, have not been included in the analysis of business costs.

92. However, most employment disputes are settled without a tribunal case being raised. As mentioned in the previous section, even in the event of a settlement, we cannot assume non-compliance as the business might have chosen to settle to avoid the case progressing to Employment Tribunal. Given lack of reliable evidence, we have assumed that all ACAS claims are against compliant businesses for the purpose of this analysis. As such, the costs presented here should be seen as an upper estimate of the potential costs based on the evidence available.

93. In 2020/21, 32% of unfair dismissal complaints were settled through ACAS conciliation²⁸²⁹. Based on the estimated additional cases as a result of this policy, we estimate there would be an additional 3,339 ACAS conciliated settlements.

94. The latest available data for median settlement is based on 2016 and 2017 claims – with median settlement offered to claimants being £5,200³⁰. By adjusting this figure for inflation, we derive a median settlement of £6,517. By applying the median settlement to the estimated number of additional ACAS conciliated settlements, we derive a total cost to employers of £21.6m per year.

95. It should be noted that there are several factors influencing the settlements and awards received by the claimants, including length of tenure. As a result, the analysis presented here might overestimate the cost to businesses associated with settlements and awards. At the same time, guidance on awards and settlements might need to be adjusted in line with the changes brought about by this policy. We are not able to estimate the net impact of these effects on median awards and settlements at this stage.

Table 3. Costs to employers (settlements and awards)

	ACAS claims	ET cases
Median settlement amount	£6,517	N/A

²⁸ Ministry of Justice, [Tribunals statistics quarterly: Main Tables, July to September 2023](#), published 14 December 2023 (Accessed October 2024)

²⁹ It should be noted that more recent data from ACAS suggests that the share of ACAS conciliated settlements might be slightly higher (see [Early conciliation and employment tribunal data for England, Scotland, and Wales: January to March 2024](#)). However, we use MoJ tribunal statistics for consistency.

³⁰ Department for Business, Energy and Industrial Strategy, [Survey of employment tribunal applications 2018](#), published 9 July 2020 (Accessed October 2024)

Number of claims/cases involving a compliant business	3,339	N/A
Total annual cost	£21.8m	N/A

Cost of providing written reason for dismissal (ongoing costs)

96. Employers will incur costs associated with providing a written reason for dismissal on request. The burden associated with applying the requirement for a written reason for dismissal after the end of the statutory probation period is not monetised as we do not have robust data on the incidence of dismissal for those under two years of employment, nor on how often employees who are dismissed actually request written reasons for dismissal. Nevertheless, we assume the costs to be negligible. It is also possible to assume that some or most employers already provide written reasons for dismissal to employees on request, although we do not currently have robust evidence on this.

Additional admin costs associated with dismissing employees

97. Employers might be required to update their internal dismissal policies as a result of the policy. This would only be true in the case of employers having two distinct processes in place, one for dismissing employees with tenure of less than two years, and one for dismissing employees with tenure of two years or more, with the latter being more burdensome. As of today, there is not sufficient evidence to infer as to whether businesses will incur additional admin costs when dismissing employees under two years of tenure. However, this will be tested via consultation.

Indirect costs to businesses

98. The Chartered Institute of Personnel and Development (CIPD)'s spring 2024 *Labour Market Outlook* survey³¹ found that:

- 21% of employers suggested that reducing the qualifying period will make managing employees' performance more difficult.
- 19% highlighted worries that it could become harder to ensure a good fit for employees recruited into new roles.
- 15% were concerned it could lead to an increase in ET claims.

99. The findings above suggest that businesses might be prompted to invest more in hiring, management and dismissal practices to mitigate the risk of unproductive employee-job matches and the increased risk of ET claims being brought forward by employees.

100. While these costs would be indirect and difficult to monetise, as they depend on uncertain behavioural change, they could potentially be significant. Impact on hiring practices will be tested during consultation.

101. While we are not able to provide a robust estimate for the costs, evidence suggests that median average cost per hire in 2024 (including in-house resourcing time, advertising costs, agency or

³¹ Suff R and Willmott B, [Labour's plan for day-one rights – getting the balance right](#), Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

search fees) is around £1,500³². Between July 2022 and June 2023 (the last four quarters for which data is available), there were around 3.5 million job to job moves³³. This does not include those who move from unemployment or inactivity to employment, and, as such, it should be seen as conservative estimate of total hires in a year. While we can't predict the extent to which the policy will increase hiring costs, based on this data, it is clear that even a small increase in hiring costs would result in significant burden on businesses.

102. It should be noted that this assessment does not take into account the new lighter-touch expectations on employers dismissing an employee for performance reasons during the initial statutory period. This is because the new expectations will be set out in regulations following consultation and as a result it is not possible to estimate how they will affect unfair dismissal claims. Similarly, other potential changes to the policy following consultation (such as compensation regime) have not been accounted for. As such, it is plausible to assume that, to some extent, these impacts will be mitigated in secondary legislation.
103. Investment in hiring and management practices could also bring benefits to employers. These are discussed in the next section.

Benefits to businesses

Indirect benefits to businesses

104. As mentioned above, employers might respond to abolition of the unfair dismissal qualifying period by improving their people management and hiring practices which could deliver medium to long-term benefits such as higher labour productivity. The CIPD's spring 2024 *Labour Market Outlook* survey³⁴ asked 2000 employers how changing the unfair dismissal qualifying period would positively affect their organisation and found that:
- 48% reported potential positive impacts of reducing the qualifying period.
 - 25% of respondents said it would encourage them to improve how they manage performance.
 - 24% said it would prompt them to improve how conflict is prevented and managed.
 - 23% said it would encourage them to invest more in training managers to manage people properly.
 - 20% said it would prompt them to enhance the support they provide for the health and wellbeing of their people.
105. These potential benefits will be investigated further during the consultation. It should be noted that these are indirect effects since they are not immediate and unavoidable consequences of the legislation.

³² Chartered Institute of Personnel and Development, [Resource and talent planning report 2024](#), published September 2024 (Accessed October 2024)

³³ Office for National Statistics, [X02: Labour Force Survey flows estimates](#) ONS, [X02: Labour Force Survey flows estimates](#), published 13 August 2024 (Accessed October 2024)

³⁴ Suff R and Willmott B, [Labour's plan for day-one rights – getting the balance right](#), Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

Impact on small and micro businesses

106. The preferred option is expected to be applied to businesses of all sizes, including small and micro businesses. Exemption would undermine the objectives of this policy package and violate the underlying principle that all workers have the right to better working practices no matter who they work for. Non-exemption of SMBs also minimises the complexity for businesses to understand and comply with these measures as their situation changes, as well as any enforcement costs. Furthermore, exempting small and micro businesses from these measures could create perverse incentives, where small businesses seek not to grow to avoid being captured by this legislation, undermining the policy objectives.
107. While it is recognised that smaller businesses may face disproportionate challenges due to their limited resources, the broader societal benefits of increased job security and fairness in the labour market justify the policy's scope. Additionally, this policy change aims to prevent potential abuses that may disproportionately affect employees in small and micro businesses, where employment practices may be less formal.
108. Unless otherwise specified, all the figures presented below are based on the latest Survey of Employment Tribunal Applications (2018) based on claims between 2016 and 2017³⁵.

Employment Tribunal Experience

109. Small and micro businesses are marginally underrepresented in cases of unfair dismissal at just 27% of ET cases compared to a share of total employment of 29%³⁶. As such, the cost to small and micro businesses is not expected to be disproportionate following the proposed policy. The following assessment provides further supporting evidence.
110. Smaller businesses are less likely to have previous experience of ET cases as they make up a smaller number of claims, compared with larger businesses. For example, in businesses employing fewer than 25 staff, 83% had not dealt with any claims in the previous two years. In comparison, in businesses with 250 or more employers, only 16% had dealt with any claims in the previous two years.

Insurance Coverage

111. Employers with fewer than 25 employees and with between 25 and 49 employees were more likely than other employers to be covered either through insurance or membership of an organisation (44% and 48% respectively, compared with 32% for businesses with 250 or more employees). This coverage can mitigate the financial burden of dealing with Employment Tribunal claims.

Legal Cost to SMBs

112. The median total cost to businesses of advice and representation across all Employment Tribunal jurisdictions are slightly lower for smaller businesses, with median costs for large businesses with more than 250 employees being around 33% higher than costs for small and micro businesses. However, the mean total cost per case is far more variable, likely due to a small number of very high-cost cases in the survey sample. While the costs are similar across SMBs and larger businesses, it is noted that SMBs might have more limited resources compared to larger businesses.

³⁵ Department for Business, Energy and Industrial Strategy, [Survey of employment tribunal applications 2018](#), published 9 July 2020

³⁶ Department for Business and Trade, [Business population estimates 2023](#)

Indirect costs to SMBs

113. This IA has noted that businesses might be prompted to invest more in hiring, management and dismissal practices to mitigate the risk of unproductive employee-job matches and the increased risk of Employment Tribunal claims being brought forward by employees. While these costs are not quantified, it is recognised that SMBs might be less able to withstand these additional costs and might be more impacted by unproductive employee-job matches (due to having less employees overall).

Potential Mitigations

114. Recognising that smaller businesses may have limited resources compared to larger businesses, the consultation will test whether specific provisions for smaller businesses are necessary for secondary legislation. These could include; providing smaller businesses with easier access to advisory services to help them navigate changes to employment law and prevent disputes from escalating to tribunal; and encouraging businesses to acquire insurance coverage to offset potential legal costs arising from unfair dismissal claims.

Costs and benefits to households' calculations

Costs to households

Cost of Employment Tribunal cases

115. The costs of the ACAS claims and ET cases that households incur depend on the number of claims that are submitted, and on the time and legal fees involved per case. The additional number of claims and cases has been estimated in the previous section.

116. The average legal cost of an ACAS Early Conciliation for claimants is £140, while for ET cases, the cost for claimants is £2,600³⁷.

117. By applying these costs to the total number of claims cases estimated earlier in this IA, we estimate the following costs to claimants.

Table 4. Costs to claimants

	ACAS claims	ET cases
Average legal cost of one case	£140	£2,600
Number of claims/cases	10,434	3,339
Total annual cost	£1,460,800	£8,681,400

Benefits to households

Award settlements

³⁷ Based on Department for Business and Trade internal analysis based on ACAS research, and the 2018 Survey of Employment Tribunal applications revised to take account of the change in the distribution of claim jurisdictions received since the abolition of fees in August 2017.

118. The proposed policy change will benefit individuals who achieve a settlement or a tribunal award. Benefits associated with ACAS early conciliation settlements have already been estimated in the costs and benefits to businesses' section, as these represent a cost to the employer as well as a benefit to the employee.
119. In addition to the above, we calculate the benefits arising from Employment Tribunal awards. These represent a benefit to the claimant but are not captured as costs to businesses, because it is assumed that if the claimant is awarded compensation, it follows that the business was not compliant.
120. According to MoJ data, for the period from 1 April 2022 to 31 March 2023, the median total award for unfair dismissal was £6,201³⁸. Based on the proportion of total ET cases that are awarded compensation where unfair dismissal was the main jurisdiction (10.7%³⁹), there would be 355 additional awards for unfair dismissal per year at a total benefit to claimants of £2.2m.
121. The benefits to claimants from awards and settlements are summarised in the table below.

Table 5. Benefits to households (settlements and awards)

	ACAS claims	ET cases
Median settlement amount	£6,517	£6,201
Number of claims/cases	3,339	355
Total annual benefits	£21.8m	£2.2m

Wellbeing benefits

122. Evidence indicates that this policy may positively impact employees' wellbeing and therefore their physical and mental health. Employees with tenure under two years will benefit from increased job security and confidence that they will be treated fairly by their employer. This could reduce stress and improve wellbeing.
123. Generally, having a job is good for wellbeing and considered one of the most important factors linked with wellbeing. According to *What works Wellbeing*⁴⁰, whether we have a job or not is the third biggest factor associated with wellbeing, after physical health and personal relationships. Job quality is also linked to wellbeing. While defining job quality is complex, job security is generally considered a key component of job quality, including by the Taylor Review⁴¹. The Business in the Community (BITC) *Seizing Momentum: Mental Health at work* 2018 report⁴² surveyed over 4,000 employees and found that 66% say that their mental health and wellbeing is affected by their

³⁸ Ministry of Justice, [Tribunals statistics quarterly: Main Tables, July to September 2023](#), published 14 December 2023 (Accessed October 2024)

³⁹ Ministry of Justice, [Tribunals statistics quarterly: Main Tables, July to September 2023](#), published 14 December 2023 (Accessed October 2024)

⁴⁰ [What Works Wellbeing](#)

⁴¹ Department for Business, Energy and Industrial Strategy, '[Good work: the Taylor review of modern working practices](#)', published 17 July 2017 (Accessed October 2024)

⁴² Business in The Community (2018), '[Seizing the Momentum: Mental Health at Work 2018 Report](#)' (Accessed October 2024)

personal job insecurity. By increasing job security, strengthening protections from unfair dismissal can impact job quality and thus wellbeing.

124. It is important to note that the scale of aggregate benefits depends on the extent to which businesses respond to this policy change by hiring less staff. This is discussed in more detail later in this section.

Indirect benefits to households

Wage benefits

125. The ONS⁴³ finds that between April 2012 and April 2021, average hourly earnings growth was consistently higher for workers who had changed job. In April 2020, average hourly earnings growth for changers and stayers was 6.5% and 2.1%, respectively. Extending protections to employees from day one could encourage more to switch jobs, which is associated with higher wages and productivity growth. However, more work is needed to understand the extent to which making protection from unfair dismissal a day one right would incentivise more people to leave their current jobs. This is discussed further in the wider economic impacts section.
126. It is also important to note that job stayers on average earn a higher hourly wage compared with individuals who change jobs⁴⁴. This may be partly because of the skills and experience gained by staying in a job and the nature of more secure, longer-term employment. Another explanation for this difference is the age profile of these two groups: younger workers on average have lower earnings but higher earnings growth when they change jobs. More work is needed to understand net impact on wages for employees.
127. Those who leave their job involuntarily tend to take longer to return to the workforce and experience a reduction in pay. Based on UK data from 1995 to 2020, the Resolution Foundation⁴⁵ estimates that those who have an involuntary period of absence from work earn on average 1.1% less on re-entry. These benefits would only accrue if the policy led to a reduction in the incidence of involuntary job separations.

Risks and unintended consequences

Hiring rates

128. Employers might feel that the need to demonstrate fairness when dismissing staff as a result of the policy change, would mean that recruiting carries more risk. This in turn might inhibit some hiring and/or incentivise changes in hiring practices, for example by increasing reliance on temporary workers, workers on fixed term contracts and self-employed contractors (however, employees on fixed term contracts will also receive unfair dismissal protection from day one).
129. It is important to note that the initial statutory period – as well as any other measures introduced in secondary legislation - might mitigate for some of these negative impacts, and further analysis will be conducted ahead of secondary legislation.

⁴³ Office for National Statistics (2022) [Job changers and stayers, understanding earnings, UK: April 2012 to April 2021](#), published 19 May 2022 (Accessed October 2024)

⁴⁴ Office for National Statistics (2022) [Job changers and stayers, understanding earnings, UK: April 2012 to April 2021](#), published 19 May 2022 (Accessed October 2024)

⁴⁵ Cominetti N and others (2022) Changing jobs? Change in the UK labour market and the role of worker mobility, Resolution Foundation, The Economy 2030 Inquiry, January 2022 (Accessed October 2024)

130. At the macroeconomic level, the OECD⁴⁶ noted that more stringent dismissal and hiring policies involve an inherent trade-off between job security for workers who have a job, and firm adaptability to changes in demand conditions or technology. Cross-country evidence suggests a correlation between ease of dismissal and hiring rates. According to the Resolution Foundation⁴⁷, in countries where dismissing workers is harder – including where qualifying periods for unfair dismissal are lower – employers tend to hire workers at lower rates.
131. Similarly, several empirical papers confirm that strict dismissal regulation dampens the scope for worker reallocation⁴⁸. For example, Martin and Scarpetta (2011⁴⁹) examined the relationship between employment protection and labour reallocation and productivity growth, finding that employment protections often reduce job reallocation and creation if it raises the costs of reallocation, or the ideal ratio of temporary and permanent contracts.
132. At this stage, we are not able to quantify the likelihood of these consequences materialising. The CIPD's spring 2024 *Labour Market Outlook* survey asked 2000 employers how they would be affected by reducing the unfair dismissal qualification period and found that⁵⁰:
- 15% of respondents stated it could lead to a greater reliance on temporary workers and fixed-term contracts.
 - 9% thought it would lead them to use more self-employed contractors.
 - 14% reported it would make them more reluctant to hire people.
133. Such response from businesses would result in lower aggregate employee benefits deriving from job security, as long as temporary workers and self-employed contractors do not enjoy the same rights. Employees on fixed term contracts have the right to bring an unfair dismissal claim after two years of continuous employment.
134. It is also important to note that employers might respond to this policy by hiring fewer young workers or 'riskier' hires, for example, those with long-term health conditions or ex-offenders. Anecdotal evidence from HR leaders (based on focus groups discussions with HR leaders) highlights a potential risk of discouraging employers from hiring young workers and other candidates that might need more support to get up to speed in the first months of a new job⁵¹. This has been discussed in more detail in the public sector equality duty assessment.
135. Overall, more evidence is needed to assess the impact of the measure on hiring rates, including the extent to which the initial statutory period will allow for some of these impacts to be mitigated. Further evidence will be collected via the consultation.

Business environment

136. There is limited evidence to suggest that the policy will have significant impact on business investment. Increased burden on businesses might result in lower aggregate investment. Equally,

⁴⁶ OECD (2020), [Recent trends in employment protection legislation](#), published 2020 (Accessed October 2024)

⁴⁷ Cominetti N and Slaughter H (2024), '[Job done? Assessing the labour market since 2010 and the challenges for the next government](#)', Resolution Foundation Briefing, June 2024 (Accessed October 2024)

⁴⁸ OECD, [OECD Employment Outlook 2020. Worker Security and the COVID-19 Crisis](#), OECD Employment Outlook, published 7 July 2020 (Accessed October 2024)

⁴⁹ Martin JP and Scarpetta S (2011), '[Setting It Right: Employment Protection, Labour Reallocation and Productivity](#)', De Economist: volume 160, issue 2, pages 89-116. (Accessed October 2024)

⁵⁰ Suff R and Willmott B, '[Labour's plan for day-one rights – getting the balance right](#)', Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

⁵¹ Suff R and Willmott B, '[Labour's plan for day-one rights – getting the balance right](#)', Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

employers might respond to the changes by improving their people management and hiring practices, which could result in additional investment. However, more evidence is needed on this.

137. We do not expect the market share for products and services provided by either the private or public sector to be affected by this policy as the policy will apply to all employers.

Trade implications

138. From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations, nor will it introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned. As a result, there are no specific implications for trade partners or foreign businesses operating in the UK.

139. From an economic standpoint, the impact of the policy on labour costs is not expected to be such that export competitiveness or ability to attract FDI will be impacted. Furthermore, the preferred option will not introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned.

Environment: Natural capital impact and decarbonisation

140. We expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of these reforms. The regulation does not directly relate to environmental or decarbonisation goals.

Other wider impacts

Public Sector Impacts

Cost of Employment Tribunal cases

141. The costs of the ACAS claims and ET cases that the Public Sector will incur depends on the number of claims and cases submitted. The additional number of claims cases has been estimated in the business impact section of this IA.

142. The average cost of an ACAS Early Conciliation for the Public Sector is £170, while for ET cases, is £2,400⁵².

143. By applying these costs to the total number of cases estimated earlier in this IA, we estimate the following costs to claimants.

Costs to the Public Sector

	ACAS claims	ET cases
Average legal cost of one case	£170	£2,400
Number of claims/cases	10,434	3,339

⁵² Based on ACAS. '[Acas Annual report and accounts 2023-2024](#)'. 2024; Employment Tribunal data- Total receipts by jurisdiction- 22/23 (Accessed October 2024)

Total annual cost	£1,773,780	£8,013,600
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Public Sector Equality Duty

The duty

117. The Equality Act 2010 protects against unlawful discrimination based on the following protected characteristics:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex and sexual orientation

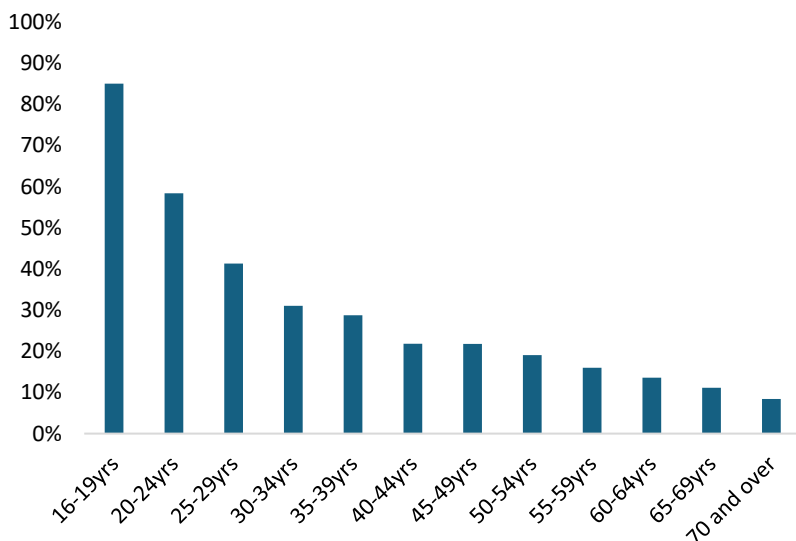
118. The Department for Business and Trade is subject to the public sector equality duty (PSED) set out in the Equality Act 2010. It requires public bodies to have due regard to the need to:

- a) Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
- b) Advance equality of opportunity between people who share a protected characteristic and those who do not, and
- c) Foster good relations between people who share a protected characteristic and those who do not

119. An equality analysis is an important mechanism for ensuring that we gather data to enable us to identify the likely positive and negative impacts that policy proposals may have on certain groups, and to estimate whether such impacts disproportionately affect such groups. Detailed parameters of the policy will be set in secondary legislation and are subject to consultation. Therefore, at this stage it is not possible to provide a final equalities assessment. Government will undertake more detailed analysis in advance of subsequent secondary legislation and take this into consideration for any monitoring and evaluation plans.

Assessment

Figure 1. Proportion of employees with job tenure less than two years by age group



Source: ONS, Labour Force Survey Quarterly, October to December 2023

This is a bar chart showing Proportion of employees with job tenure less than two years by age group. Overall, it shows a decreasing trend. The percentages shown are: 85% (16-19 yrs); 58% (20-24 yrs); 41% (25-29 yrs); 31% (30-34 yrs); 29% (35-39 yrs); 22% (40-44 yrs); 22% (45-49 yrs); 19% (50-54 yrs); 16% (55-59 yrs); 14% (60-64 yrs); 11% (65-69 yrs).

144. Data from the Labour Force Survey⁵³ suggests that younger employees are more likely to benefit from this policy change. In the fourth quarter of 2023, 85% of employees aged 16-19 years old and 58% of employees aged 20-24 years old, had worked for their current employer for less than two years, compared to the average across all employees of just 30%.
145. This is partially due to the fact that younger employees are more likely to switch jobs. According to ONS⁵⁴ data, between April 2012 and April 2021, younger employees were more likely to change jobs than older employees, suggesting that younger employees might benefit more from this policy change. In the year to April 2021, 14.2% and 14.1% of those aged between 16 and 20 years, and aged between 21 and 24 years, respectively, had changed jobs. This is compared with 5.1% of employees aged between 35 and 49 years who changed jobs.
146. Younger people also experience higher earnings growth on average when they change jobs, as well as male job changers (although it should be noted that median earnings growth was very similar for male and female job changers in the period between April 2019 and April 2020). In April 2021, average earnings growth for male job changers was 0.9% higher than female job changers.
147. Current job tenure (across all age bands) also differed, though less significantly, by ethnicity and nationality. In the fourth quarter of 2023, the share of employees who had been with their current employer for less than two years was lowest for White British and Irish employees (at 28% and 23% respectively) than any other ethnicity⁵⁵. However, we note that this data presents some limitations⁵⁶.

⁵³ Office for National Statistics, Labour Force Survey Quarterly, October to December 2023 (Accessed October 2024)

⁵⁴ Office for National Statistics (2022) '[Job changers and stayers, understanding earnings, UK: April 2012 to April 2021](#)', published 19 May 2022 (Accessed October 2024)

⁵⁵ Office for National Statistics, [Labour Force Survey Quarterly](#) , October to December 2023

⁵⁶ Where respondents haven't provided a start date, the start date is assumed to be January.

148. At the same time, young employees could be more affected by unintended consequences. Anecdotal evidence from HR leaders collected by CIPD⁵⁷ (based on focus group discussions with HR leaders) highlights a potential risk of discouraging employers from hiring young workers and other candidates that might need more support to get up to speed in the first months of a new job.
149. Another factor to consider is whether any protected characteristics are over-represented among those who bring a claim for unfair dismissal to the Employment Tribunal. Employees with a limiting illness or disability are overrepresented at 22% of unfair dismissal cases despite comprising just 13% of employees. Black employees are also overrepresented at 9% of unfair dismissal cases despite comprising just 3% of employees⁵⁸.

Wider economic impacts

Employment rates

150. While hiring rates might be affected by this policy (as discussed in the Costs and benefits to households' calculations section), there is limited evidence to suggest that protecting employees from unfair dismissal is associated with lower employment rates. Meta-analysis by Brancaccio and others (2019)⁵⁹ on the relationship between labour market deregulation and unemployment shows 28% of studies find labour market deregulation increases employment and reduces unemployment. The remaining articles report either ambiguous results (21%) or a negative impact on labour market outcomes (51%).
151. Empirical evidence from OECD countries suggests that in countries that have higher hiring and firing costs, such as France, Spain and Italy, regulation has not noticeably reduced employment⁶⁰: moving all the way from a score of 1 on the OECD's regulation index (lower than any country except the US) to a score of 3 (a similar level to Latvia and Portugal, and higher than France) is associated with a 0.6 percentage point rise in the unemployment rate⁶¹.
152. It is important to note that this data does not tell us why employment rates do not seem to be affected by ease of dismissal. One possible explanation is that when ease of dismissal is reduced, employers respond by hiring more temporary workers, agency and workers on fixed term contracts (thus substituting for one type of employment to another) or that they simply aim to retain employees for longer. However, more evidence is needed on this.

Wages

153. The impact of this policy on wages has been discussed under benefits to households. It has been noted that average earnings growth is consistently higher for workers who have changed jobs, but

⁵⁷ Suff R and Willmott B, [Labour's plan for day-one rights – getting the balance right](#), Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

⁵⁸ Department for Business, Energy and Industrial Strategy, [Survey of employment tribunal applications 2018](#), published 9 July 2020 (Accessed October 2024)

⁵⁹ Brancaccio E and others (2019), '[A Meta-analysis on Labour Market Deregulations and Employment Performance: No Consensus Around the IMF-OECD Consensus](#)', Review of Political Economy, Volume 32, 2020, Issue 1 (Accessed October 2024)

⁶⁰ Cominetti N and Slaughter H (2024), '[Job done? Assessing the labour market since 2010 and the challenges for the next government](#)', Resolution Foundation Briefing, June 2024 (Accessed October 2024)

⁶¹ The Employment Flexibility Index ranks a total of 41 countries that are members of the European Union (EU) or the Organization for Economic Cooperation and Development (OECD). It measures a set of indicators that cover the regulation of hiring, working hours, and redundancy rules and costs.

that job stayers on average earn a higher hourly wage compared to individuals who change jobs⁶². More evidence is needed to understand how this policy will impact wages in the wider economy.

154. As noted in the household impacts section, the extent to which wage benefits are realised depends on how employees react to this policy change. In other words, it depends on whether abolishing the qualifying period leads to higher labour mobility. This is discussed in the next section.

Labour Mobility

155. The relationship between employment protections and labour mobility is complex. In principle, lack of day one rights from unfair dismissal might hinder labour mobility by making employees reluctant to change job and lose accrued benefits, At the same time, low employment protections can heighten workers' perceptions of job insecurity, potentially increasing their efforts and willingness to seek better job opportunities, and thus labour mobility.
156. Limited empirical evidence suggests a potential relationship between pay and job quality, and labour mobility. As labour security increases, labour mobility might be reduced for those in low-pay, low quality jobs– as the incentive to seek better paying jobs is reduced, while workers in high-paying sectors might be more incentivised to take on the risk of changing jobs.⁶³
157. However, it is important to note that the evidence is very limited, and more work is needed to understand how changing the qualifying period for unfair dismissal would affect job mobility.

Productivity

158. Labour mobility can have a positive impact on productivity by facilitating efficient allocation of resources. However, as mentioned above, the impact of this policy on labour mobility is unclear.
159. Assessing the impact of job security on productivity is complex and is generally understood through the lens of the relationship between productivity and job quality (of which job security is a dimension of).
160. Overall, it is unclear how job security impacts productivity. While there is generally good evidence on the relationship between other dimensions of job quality and productivity⁶⁴⁶⁵, evidence on the impact of job security on productivity is limited, with some empirical studies finding that job insecurity increases productivity in the short run (possibly due to greater productivity performance among those who think they might lose their job)⁶⁶.

⁶² Suff R and Willmott B, '[Labour's plan for day-one rights – getting the balance right](#)', Chartered Institute of Personnel and Development, published 25 July 2024 (Accessed October 2024)

⁶³ Bertoni, M and others (2023), '[Employment Protection, Job Insecurity, and Job Mobility](#), IZA Institute of Labour Economics, IZA DP Number 16647 (Accessed October 2024)

⁶⁴ Health, safety and psychosocial wellbeing; job design and the nature of work; and work-life balance; voice and representation; terms of employment (which includes job security); social support and cohesion.

⁶⁵ Bosworth D and Warhurst C (2021), '[Does good work have a positive effect on productivity? Developing the evidence base](#)', Warwick Institute for Employment Research (Accessed October 2024)

⁶⁶ Bosworth D and Warhurst C (2021), '[Does good work have a positive effect on productivity? Developing the evidence base](#)', Warwick Institute for Employment Research (Accessed October 2024)

161. At the same time, there is some limited evidence to suggest that job insecurity is associated with lower employee engagement⁶⁷ (which could in turn affect productivity), and good evidence on job stress and job strain (which could be worsened by job insecurity) and productivity⁶⁸.

Sectoral and regional impacts

162. Although the policy is expected to affect all industries, some industries contain a higher share of employees with less than two years of tenure. These are 'accommodation and food services', and 'arts, entertainment and recreation' industry⁶⁹.

163. There is some indication that 'manufacturing' and 'wholesale & retail' are disproportionately represented among ET cases of unfair dismissal compared to their share of employment⁷⁰. However, similar evidence was not found for ACAS claims. This is based on 2016-17 data and more recent data is not available. As such, we cannot determine with certainty whether these sectors will be disproportionately impacted.

Risks and assumptions

Unquantified costs and benefits

164. The evidence available does not allow to precisely estimate the extent to which the policy will impact hiring rates, employment rates, labour mobility and productivity. These are largely dependent on employees and employers' response to the policy. For example:

- Impact on labour mobility will depend on the extent to which employees respond to the policy by switching jobs more often.
- Impact on hiring rates will depend on the extent to which employers respond to the policy by hiring less.

165. Each of these have been discussed extensively earlier in the IA, including limitations of the analysis. Where it was not possible to estimate the impact quantitatively, the IA has relied on academic evidence. This has been supplemented – where possible – with views from stakeholders.

166. Evidence gaps around how stakeholders will respond to the policy will be tested further during consultation. In addition, DBT will continue to engage with relevant stakeholders, such as businesses, Trade Unions, professional organisations, and public sector bodies, to gather relevant insight. Where feasible and proportionate, DBT will commission external research.

Quantitative analysis

167. The assumptions, risks and limitations of the quantitative analysis have been discussed extensively in other sections of the IA. We note that there is a risk of the number of additional ACAS and ET cases not being accurate, with some evidence to suggest that the costs might be lower than presented in this IA.

⁶⁷ Asfaw AG and Chang C (2020), '[The association between job insecurity and engagement of employees at work](#)', J Workplace Behav Health. 2019; 34(2) (Accessed October 2024)

⁶⁸ Arends I and others (2017), '[Job quality, health and at-work productivity](#)', OECD Social, Employment and Migration Working Papers, Number 195 (Accessed October 2024)

⁶⁹ Based on DBT own analysis of the Labour Force Survey, January to March 2024.

⁷⁰ Department for Business, Energy and Industrial Strategy, '[Survey of employment tribunal applications 2018](#)', published 9 July 2020 (Accessed October 2024)