

## What is the current policy/legal framework?

The Employment (Allocation of Tips) Act 2023 came into effect on 1 October 2024. This makes it mandatory for all tips, gratuities and service charges that employers have “control or significant influence” over to be passed on to workers in full.

Where qualifying tips, gratuities and service charges are paid at (or are attributable to) an employer's place of business on “more than an occasional and exceptional basis”, the employer must have a written policy on how it deals with tips. Meanwhile, an accompanying statutory Code of Practice offers additional guidance about fair and transparent distribution of tips and encourages (but does not mandate) consultation with workers.

## Policy Intent

The policy intention behind this proposal is to support worker participation in distribution of tips, gratuities and service charges, and to enhance the voices of workers, especially those who have traditionally had less of a voice in the workplace.

## How will it work?

The Bill will strengthen the law on tipping to make it mandatory for employers, when developing their tipping policies, to consult with workers at the place of business.

The clause states that this consultation should take place with recognised trade union representatives or other elected representatives where possible, but, if absent, directly with the workers affected.

The clause will also mandate that employers review their policy on tipping at least once every three years. Employers will be required to make an anonymised summary of the views expressed in the consultation available to all workers of the employer at the place of business where the policy applies.

These measures will be enforced via the employment tribunal system. If an employer fails to consult properly with their workers, the workers will be able to present a complaint to an employment tribunal. A tribunal will be able to order an employer to compensate workers by up to £5,000 for financial loss sustained by the worker and attributable to the employer's failure.

## Key Stats

It is estimated that the current Act will ensure workers receive around £200 million worth of tips each year that was previously retained by employers.<sup>1</sup> As the intention of the clause is to enhance worker participation in the distribution of tips, the new measure could particularly benefit groups of workers who have less voice in the workplace in the ‘business as usual’ scenario.

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<sup>1</sup> - [Impact assessment: strengthen existing tipping law](#)

## Common Questions

*Why are you not handing full control of tip allocation to workers, as you pledged?*

- These measures are a significant step forward in promoting the voices of trade union representatives and other workers.
- Employers will be legally required to consult with their workers when developing their policy on tipping. This must represent a genuine consultation – not simply a paper exercise – something which will be ensured by the new right for workers to view a summary of the views expressed within it.
- Direct worker control of the tipping distribution, without the guardrails of consultation and accompanying statutory and non-statutory guidance, could risk certain groups of workers being disadvantaged by a ‘tyranny of the majority’ or even indirect discrimination against workers with certain protected characteristics, while such an approach could also be impractical to enforce. Our approach of requiring consultation and guidance, whilst being backed by a robust enforcement through the employment tribunal system, will prevent these potential negative consequences.

*The Government has only recently changed the law on tipping. Why are you adding another burden for businesses/causing confusion by changing the law again?*

- The Employment (Allocation of Tips) Act 2023, which was granted Royal Assent in May 2023 and came fully into effect on 01 October 2024, ensures that all tips, gratuities and service charges are passed to workers.
- However, whilst the Act requires employers to use a fair, clear and reasonable set of factors to decide upon the allocation of tips to employees, the accompanying Code of Practice only *encourages* consultation with workers in deciding on this allocation.
- The Government was clear in its commitment to going further, by making it mandatory for employers to consult with workers in developing (or updating) their tipping policies, including how tips are allocated. The benefit will be to support worker participation in the distribution of tips they have earned.
- Once the Employment Rights Bill has been approved by Parliament, the Department will be carrying out a consultation with stakeholders on updating the existing statutory Code of Practice.
- We recognise that the existing measures, which came into effect in October 2024, do contain important protections for workers. It would have been wrong to delay these new rights for workers from coming into effect while the new measures progress through the parliamentary and consultation stages.