

Overview

The Government's Plan to Make Work Pay is a core part of the mission to grow the economy, raise living standards across the country and create opportunities for all. It will tackle the low pay, poor working conditions and poor job security that has been holding our economy back.

On Monday 21 October 2024, the Government published a comprehensive package of analysis on the impact of the Employment Rights Bill. This is available at: [Employment Rights Bill: impact assessments - GOV.UK](#)

This package shows that there are clear, evidence-based benefits from tackling issues holding back the UK labour market. The Impact Assessments conclude this Bill could have “a positive but small direct impact on economic growth” and “help to raise living standards across the country and create opportunities for all”.¹

This analysis is based on the best available evidence and consultation with external experts and stakeholders, including academics and thinktanks. For example, Simon Deakin, Professor of Law, University of Cambridge said²:

- “The research we have done in Cambridge shows that on average, strengthening employment laws in this country in the last 50 years has had pro-employment effects.”
- “The consensus on the economic impacts of labour laws is that, far from being harmful to growth, they contribute positively to productivity. Labour laws also help ensure that growth is more inclusive and that gains are distributed more widely across society.”

Our Impact Assessments provide an initial, indicative assessment of the impacts that could result from primary legislation. Government will publish further analysis, both in the form of an Enactment Impact Assessment when the Bill secures Royal Assent and further assessments when we consult on proposed regulations, to meet our Better Regulation requirements.

Key Findings from the Impact Assessments

State of the Labour Market

Whilst employment and unemployment rates are strong by historical standards, millions of workers are stuck in low paid, insecure and poor-quality work. These jobs can often be detrimental to their financial stability, as well as their health. The number of workers on zero hours contracts has risen significantly over the last decade to over 1 million,³ and evidence suggests that as few as 1 in 6 low paid workers move into and then stay in better paid work.⁴

The UK has seen a productivity slowdown that is more pronounced than other advanced economies. This has had a direct impact on the amount of money in working people's pockets.

¹ HM Government, ‘[Employment Rights Bill economic analysis](#)’. 2024.

² HM Government, ‘[Employment Rights Bill to boost productivity for British workers and grow the economy](#)’. 2025.

³ Office for National Statistics. ‘[EMP17: People in employment on zero hours contracts](#)’. 2024.

⁴ Resolution Foundation and Social Mobility Commission. ‘[The Great Escape? Low pay and progression in the UK's labour market](#)’. 2017.

Average salaries have barely increased from where they were 14 years ago - the average worker would be over 40% better off if wages had continued to grow as they did leading into the 2008 financial crisis.⁵

The current trade union framework has proven to be ineffective and has contributed to industrial unrest. In 2022 and 2023, the UK lost more days to strike in any year since the 1980s⁶ and in 2023 NHS strikes alone cost the taxpayer more than £1 billion.⁷ Moreover, too many workers do not get what they are entitled to in the labour market due to a minority of non-compliant employers and failures in the enforcement system in tackling it.⁸ This weighs on the living standards of the lowest-paid and hurts those businesses that do the right thing by their workers.

Benefits

The Bill will strengthen working conditions for the lowest-paid and most vulnerable in the labour market, increasing fairness and equality across Britain. It will have significant positive impacts on workers who are trapped in insecure work, face discrimination, or suffer from unscrupulous employer behaviour like 'fire and rehire' practices.

Analysis from our Impact Assessments also show that:

- The Bill is expected to benefit people in some of the most deprived areas of the country by saving them up to £600 in lost income from the hidden costs of insecure work.⁹
- Over 2 million people on zero or low hours contracts could benefit from the right to guaranteed hours, and the right to payment for shifts cancelled, moved or cut at short notice.
- The 9 million employees who have been with their employer for less than two years will benefit from protections against unfair dismissal from day one.
- Up to 1.3 million employees will get a new entitlement to Statutory Sick Pay. These reforms will increase the amount of sick pay workers receive by around £400 million a year.
- At least 900,000 workers will benefit from bereavement leave following the death of a loved one every year.

The Bill will deliver benefits beyond the direct improvements in worker rights. For example:

- Measures to improve worker wellbeing will result in happier, healthier and more productive workers, which could be worth billions of pounds a year.
- This will benefit their employers too, as stress, depression or anxiety accounted for 17.1 million working days lost in 2022/23,¹⁰ equivalent to a loss of £5.2bn in output per year.¹¹

⁵ DBT analysis of Office for National Statistics. 'EARN01: Average weekly earnings'. 2024.

⁶ Office for National Statistics. '[Labour disputes: working days lost due to strike action; UK \(thousands\)](#)'. 2024.

⁷ National Health Service England. '[Financial performance update](#)'. 2023

⁸ Resolution Foundation. '[Enforce for good](#)'. 2023.

⁹ Living Wage Foundation. '[Six Million Face Cost of Living Crisis in Insecure Jobs, with Health and Social Care Workers Worst Affected](#)'. (2023). This research finds that many shift workers end up spending money on expensive childcare or transport to cover last minute shifts or losing out on this money altogether after short notice changes or cancellations. These costs add to more than £600 a year for almost a fifth (17%) of workers experiencing this 'insecurity premium'.

¹⁰ Health and Safety Executive. '[Working days lost in Great Britain](#)'. 2024.

¹¹ Office for National Statistics. '[Output per hour worked, UK](#)'. 2024. Note, this assumes working 31.9 hours a week (the average according to the ONS' '[Actual weekly hours worked \(seasonally adjusted\)](#)'), there are vacancies for those workers to fill, and they do not displace other workers who would otherwise fill the role. Given that there are persistence shortages in the labour market, we believe this a reasonable assumption for this illustrative analysis.

- Reducing workplace conflict would have significant benefits, which ACAS estimate the annual cost of workplace conflict for UK employers to be almost £30 billion a year,¹² equivalent to around £20,000 per employer.¹³

Costs

Delivering those benefits will place a direct cost on employers. These costs are expected to represent no more than a modest increase (less than 0.4%) on total employment costs, most of which will represent a transfer from businesses to their workers. However, the size of this impact will ultimately depend on policy decisions taken at secondary legislation and so our estimates will be refined over time.

- We expect the policies covered within the Bill to impose a direct cost on business in the low billion pounds per year (i.e., between £0.9 billion and £5 billion annually).
- The £5bn figure is a top-end estimate of the costs and includes both monetised and non-monetised costs that result from delivering the benefits to workers, employers familiarising with new legislation, admin and compliance costs, as well as the other costs such as the loss of flexibility for employers who use variable hours contracts to manage variable demand.
- The costs therefore are likely to be under 0.4%¹⁴ of our national wage Bill and could even be as low as 0.1%.
- Costs will be proportionately higher for small and micro businesses due to the fixed costs of admin and compliance burdens, but most measures need to apply in the same way to all businesses as we cannot create a “two-tier” workforce (i.e. where some workers get access to rights and others do not). Not only would this be unfair on those workers that lose out, but it would provide a disincentive for those small businesses to grow.
- Improving worker wellbeing, supporting productivity, reducing workplace conflict, and creating a more level playing field for good employers would grant significant benefits worth billions of pounds per year. That is why delivering the benefits of this Bill would offset the costs.

Overall, our analysis concludes that the package will be significantly positive for society (i.e., the benefits will outweigh the costs) if policy implementation is well-targeted, and the risks of unintended consequences are mitigated through consultation and policy design.

We already intend to publish further analysis, both in the form of an Enactment Impact Assessment when the Bill secures Royal Assent and further assessments when we consult on proposed regulations, to meet our Better Regulation requirements.

¹² ACAS. '[Estimating the costs of workplace conflict](#)'. 2021.

¹³ Department for Business & Trade. '[Business Population Estimates](#)'. Table 3. 2024; Calculated by dividing the cost of workplace conflict by the number of employers in the UK. Due to data availability, this calculation only considers private sector employers.

¹⁴ Total wage costs in the UK were £1.3 trillion in 2023 in nominal terms meaning an increase in the cost to business of £0.9-£5 billion represents less than 0.4% of total employment costs across the UK economy.

HM Government [Employment Rights Bill summary impact assessment](#). Page 71. 2024.

DBT analysis of Office for National Statistics. '[UK \(S.1\): Compensation of employees \(D.1\) Uses: Current price: £m: SA](#)'. 2024.

Common questions

What are the impacts on growth and employment?

- The Government is clear that the mission to grow the economy and raise living standards is a top priority and that you cannot build a strong economy whilst having people in insecure work.
- The evidence in our Impact Assessment suggests that the package could have a direct and positive impact on growth. Furthermore, by boosting protections and the quality of work for the lowest paid in the labour market, who are concentrated in more deprived areas of the UK, the package will help to raise living standards across the country and create opportunities for all.
- Likewise, we believe the risks to hiring and employment is small, but Government will use extensive consultation with trade unions and businesses to ensure the detail is right before changes are implemented.

Will these changes cost employers £5 billion per year?

- The £5bn figure from our Impact Assessment is a top-end estimate of the costs, which will largely represent a direct transfer to the lowest paid in society with the bottom end of the range close to £1bn.
- The costs therefore are likely to be under 0.4% of our national wage bill and could even be as low as 0.1%.
- Improving worker wellbeing, supporting productivity, reducing workplace conflict, and creating a more level playing field for good employers would grant significant benefits worth billions of pounds per year. That is why delivering the benefits of this Bill would offset the costs.
- This is our best estimate at this stage and is grounded in the best available evidence, having been developed in consultation with external experts and stakeholders, including academics and thinktanks.

Will the Government update its impact assessment?

- The Government has noted the Regulatory Policy Committee's opinion on our Employment Rights Bill Impact Assessment, which assessed that 15 of the 23 individual IAs on the Bill are fit for purpose.
- The RPC's opinion refers to the strength of the evidence and analysis presented in the impact assessment, not the policy itself.
- Our Impact Assessments provide initial analysis of the impacts that could follow. It has always been our plan to refine our analysis as policy development continues, working closely with external experts, businesses and trade unions.
- We already intend to publish further analysis, both in the form of an Enactment Impact Assessment when the Bill secures Royal Assent and further assessments when we consult on proposed regulations, to meet our Better Regulation requirements.

The OBR claims the Employment Rights Bill will have a material and net negative effect – doesn't this undermine growth?

- The OBR have not yet made an assessment. The Government set out its initial analysis in the Impact Assessments and we will continue to refine that as policy development progresses, alongside supporting the OBR in preparing their autumn forecast.
- The Plan to Make Work Pay will represent the biggest upgrade in employment rights in a generation, bringing the UK back into line internationally. It tackles poor working conditions and job security, and by making work more flexible and family-friendly, will support our wider programme across employment, health and skills policy to get Britain working.
- As set out in the Government's published impact assessments for the Bill, there are a range of channels through which the measures in the Bill could benefit the economy, as well as

potential offsetting effects. Final impacts will depend on further policy decisions that are for secondary legislation.

- The Government is committed to continuing to work closely with businesses, trade unions and other stakeholders as policy development continues, with further consultation on these reforms in 2025, to ensure that the changes we are making work for both workers and businesses of all sizes.