

# Factsheet: Employment Rights Act 2025 – Evidence and Analysis



Department for  
Business & Trade

## Overview

- The Government's plan to Make Work Pay will **bring our employment rights legislation into the 21st century**, extending the employment protections already given by the best British companies to millions more workers across the country. The Employment Rights Act 2025 is a vital step in delivering on this plan.
- The government has published a comprehensive assessment of the Employment Rights Act 2025<sup>1</sup>, including an overarching economic analysis and 28 impact assessments detailing the potential effects of the measures in the Act. This assessment reflects the final Act and is based on the best available evidence, developed in consultation with leading academics and stakeholders. For example, Simon Deakin, Professor of Law, University of Cambridge said<sup>2</sup>:
  - *"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."*
- This package shows that there are **clear, evidence-based benefits from tackling issues holding back the UK labour market**. 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.
- Over 18 million employees will benefit in some way from new protections, but it will be those who are lowest paid in the labour market, in **sectors such as social care, hospitality and retail, that will benefit most**. An assessment of the international evidence illustrates that the Act will help boost employment, improve job quality and productivity, and create fairer competition.
- Together, these changes **deliver a small, positive direct impact on economic growth**. The analysis includes modelling showing that the Act could increase employment by around 0.1%, and GDP by around 0.04%.
- After implementation of the Act, the UK will move up the rankings for employment protections amongst OECD countries, shifting from near the bottom towards closer to the average. This demonstrates that the Act not only addresses fairness, productivity and economic growth in the domestic economy, but also **moves the UK closer to our international partners**.
- 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. Our Impact Assessments provide an indicative assessment of the impacts that could result from primary legislation. For implementation, we will continue to work with stakeholders and experts to refine our analysis through further individual assessments supporting secondary legislation, and our

<sup>1</sup> Department for Business and Trade. <http://www.gov.uk/guidance/employment-rights-bill-impact-assessments>. 2024

<sup>2</sup> Centre for Business Research. <https://www.jbs.cam.ac.uk/2025/employment-rights-bill-uk-government-cites-cbr-research>. 2024

monitoring and evaluation framework will ensure that real-world impacts are tracked and used to inform future policy decisions.

## 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,<sup>3</sup> and evidence suggests that as few as 1 in 6 low paid workers move into and then stay in better paid work.<sup>4</sup>
- 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. Average salaries have barely increased from where they were in 2010, and the average worker would be around 50% or roughly £14,000 a year better off if wages had continued to grow as they did leading into the 2008 financial crisis.<sup>5</sup>
- 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 1980s<sup>6</sup> and in 2023 NHS strikes alone cost the taxpayer more than £1 billion.<sup>7</sup> 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.<sup>8</sup> This weighs on the living standards of the lowest-paid and hurts those businesses that do the right thing by their workers.

### Benefits

- The **Act will benefit over 18 million workers in all corners of the UK**. It 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 Act is expected to benefit people in some of the most deprived areas of the country by addressing the hidden costs of insecure work, which can be **up to £600 a year in lost income**.<sup>9</sup>

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<sup>3</sup> Office for National Statistics. '[EMP17: People in employment on zero hours contracts](#)'. 2025. (Accessed November 2025)

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

<sup>5</sup> Department for Business and Trade analysis based on Office for National Statistics. Monthly Wages and Salaries Survey, '[EARN01: Average weekly earnings](#)' and '[X09: Real average weekly earnings using consumer price inflation \(seasonally adjusted\)](#)'. Based on 2015 prices. (Accessed October 2025)

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

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

<sup>8</sup> Resolution Foundation. '[Enforce for good](#)'. 2023.

<sup>9</sup> 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'.

- 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 6.3 million employees who have been with their employer for between six months and two years will benefit from **protections against unfair dismissal**.
- 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.
- Up to **2.7 million workers will gain the right to Bereavement Leave** including pregnancy loss, ensuring that employees who are going through the toughest personal circumstances are afforded dignity at work.

**The Act will deliver benefits beyond the direct improvements in worker rights**, for example:

- Economic modelling shows that the Act could increase UK employment by around 0.1%, and GDP by around 0.04%.
- 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 22.1 million working days lost in 2024/25,<sup>10</sup> equivalent to a loss of £6.5bn in output per year.<sup>11</sup>
- **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,<sup>12</sup> equivalent to around £20,000 per employer.<sup>13</sup>

## Costs

- Creating an economy that delivers for businesses and for working people does mean making some changes, **equivalent to a 0.1% increase in annual UK 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 Act to impose a direct cost on business of around £1 billion per year, equivalent to a 0.1% increase of our national wage Bill.<sup>14</sup>
- 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

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

<sup>11</sup> Office for National Statistics. '[Output per hour worked, UK](#)'. 2025. 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.

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

<sup>13</sup> Department for Business & Trade. '[Business Population Estimates](#)'. Table 1. 2025; 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.

<sup>14</sup> Total wage costs in the UK were £1.4 trillion in 2024 in nominal terms meaning an increase in the cost to business of £1 billion represents around 0.1% of total employment costs across the UK economy. For more detailed methodology, see HM Government. '[Employment Rights Act economic analysis](#)'. 2025.

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.

- Delivering the benefits of this Act will outweigh the costs. **Improving worker wellbeing, supporting productivity, reducing workplace conflict, and creating a more level playing field for employers would grant significant benefits worth billions of pounds per year.**

## Common questions

### Why has the Government updated its analysis?

- As stated throughout the passage of the Act, it has always been our intention to refine our analysis as policy development continues, working closely with external experts. We have followed the principles and techniques of the Green Book, the Better Regulation Framework and the Government's Guide to Making Legislation. In doing so, we have provided proportionate analyses of impacts on businesses, households (workers), and the wider economy.
- To support scrutiny during the Act's passage, we published five additional impact assessments covering key amendments. Following enactment, we produced an Enactment Summary Impact Assessment, updating our overarching summary analysis to reflect the final contents of the Employment Rights Act 2025. This included presenting further evidence and addressing concerns raised in the Regulatory Policy Committee's opinion, which the Committee has acknowledged.

### What are the impacts on *growth and employment*?

- Our analysis, using UK and international evidence alongside economic modelling, finds that the Act will help boost employment, improve job quality and productivity, and create fairer competition. Together, these changes deliver a small, positive direct impact on economic growth.
- Making work more attractive and accessible to a wider range of people, such as those with caring responsibilities, health conditions, or other commitments, can help more people enter or return to the workforce, increasing overall employment.
- These changes move the UK towards to the OECD average level of employment protections, demonstrating that the Act not only addresses fairness, productivity and economic growth in the domestic economy, but brings us closer to our international partners.

### How have the costs to business changed to **£1 billion per year**?

- Our initial analysis never costed the financial business burden at £5 billion. Rather, we noted that the cost could fall between £0.9 billion to £5 billion annually. The £5 billion figure is a deliberately cautious upper estimate and was never a forecast, but rather a considered scenario to ensure all potential impacts were considered.
- As stated throughout the passage of the legislation, it has always been our intention to refine this analysis as policy development continues, working closely with external experts.
- Our updated assessment, based on the best available evidence, data, and clearer implementation timelines, suggests the actual cost will be closer to £1 billion per year, equivalent to a 0.1% increase in annual UK employment costs.
- We have continued developing our evidence and economic analysis in consultation with external experts, including additional economic modelling. This gives confidence that the £1 billion figure is a realistic and reliable estimate of the actual costs businesses can expect once the Act is fully implemented.

**Will the Office for Budget Responsibility (OBR) include the Act in a future forecast?**

- The OBR have not yet made an assessment, as policy development is ongoing. This is because the Government is committed to delivering this change in partnership with businesses, trade unions, public sector employers and civil society. That's why we're undertaking full and comprehensive consultations with these groups on key changes.
- In the meantime, the government has set out its analysis using UK and international evidence alongside economic modelling. This assessment shows that the Act will help boost employment, improve job quality and productivity, and create fairer competition, delivering a small but positive direct impact on economic growth. This assessment is based on the best available evidence, developed in consultation with leading academics and stakeholders.