

# Options assessment

Title: Threshold for triggering collective redundancy obligations

Type of measure: Secondary legislation

Department or agency: Department for Business and Trade

IA number: DBT-07-26-CMRR

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## 1. Summary of proposal

1. This policy will set the organisation-wide trigger for collective redundancy obligations. It will determine the number of redundancies proposed across an entire organisation which will trigger the requirements for employers to notify the relevant Secretary of State and undertake collective redundancy consultation. This threshold number will be set in secondary legislation following public consultation, which will allow the Government to test the practical impact of different options with stakeholders. This new trigger will sit alongside the existing trigger to consult and notify the Secretary of State, whenever an employer proposes to make 20 or more redundancies at one establishment. In doing so, this policy will strengthen existing collective redundancy rights and protections.
2. The consultation proposes a fixed threshold set at a level between 250 – 1,000. As such, the estimated impacts to society sit in a wide range. The size of this range is further compounded by the uncertainty in our analysis. To support understanding of impacts and discussion of this policy, we therefore present three estimates, with threshold levels at 250 and 1,000 to reflect the extremities of the policy range and a threshold level of 500 as an illustrative estimate within the range. We note that 500 is not the midpoint nor is it considered a preferred option in the consultation document. However, this level was used as an anchor in developing options (see Section 5) and we therefore view this as a credible additional illustrative estimate to support communication of possible impacts.
3. Table 1 below provides the Equivalent Annual Net Direct Cost to Business (EANDCB), the Equivalent Annual Net Direct Cost to Households (EANDCH), and the Net Present Social Value

(NPSV) for the three estimates of the preferred option and for the alternative option considered in the consultation document. They are estimated relative to a 'Do Nothing' option.

4. **We acknowledge that this analysis may over-estimate the impacts of the policy.** However, it represents our best assessment of impacts at this stage. We will continue to build our evidence, including through the consultation which this Options Assessment accompanies, with the aim of refining our estimates.

**Table 1: NPSV, EANDCB, EANDCH of different options (2025 prices, 2027 present value)**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
Equivalent Annual Net Direct Cost to Business	£131.9m (net cost)	£94.4m (net cost)	£60.9m (net cost)	£90.7m (net cost)
Equivalent Annual Net Direct Cost to Households	£-450.3m (net benefit)	£-319.5m (net benefit)	£-203.6m (net benefit)	£-307.2m (net benefit)
Total Net Present Social Value over ten-year appraisal period	£2,630.4m (between £2,049.4m and £3,210.5m)	£1,863.9m (between £1,452.6m and £2,274.8m)	£1,184.9m (between £923.3m and £1,446.4m)	£1,792.0m (between £1,396.6m and £2,187.1m)

## 2. Strategic case for proposed regulation

5. Collective redundancy obligations aim to prevent and/or mitigate large-scale redundancy situations. The consultation periods are a means for employers and employees to collaborate on alternatives to avoid redundancies. Notification requirements serve to give the Government an early sight of significant job losses and prepare to offer support and resources to affected employees.
6. Currently, employers must carry out certain collective consultation obligations if they are proposing to make 20 or more employees redundant within any 90-day period at a single establishment. In this context, a dismissal for redundancy means a dismissal for a reason(s) not related to the individual employee.
7. The start date of the consultation period prior to the first dismissal depends on the total number of proposed redundancies. Where an employer is proposing to make 20 or more employees redundant from one establishment in a 90-day period, the consultation must begin in good time and in any event:
  - At least 45 days before the first dismissal for 100 or more proposed redundancies at one establishment.
  - At least 30 days before the first dismissal for 20-99 proposed redundancies at one establishment.

8. These consultations should, as a minimum, be carried out with a view of reaching an agreement (although they do not need to end in agreement) with the appropriate representatives on the proposed redundancies, including options to avoid redundancies, reduce the number of employees to be made redundant, and mitigate the consequences of any dismissals. It is not sufficient for the employer to simply explain the proposals it is making and listen to any counterproposal.
9. Beyond consultations, any employer that proposes to dismiss as redundant 100 or more employees at one establishment within a 90-day period must notify the Secretary of State at least 45 days before those dismissals take effect, and an employer that proposes to dismiss as redundant 20 or more employees (but less than 100) at one establishment must notify at least 30 days before. Failure to do so is a criminal offence and the employer may be liable to an unlimited fine.

#### Problem under consideration

10. The current provisions in the Trade Union and Labour Relations (Consolidation) Act 1992 (TULRCA) require employers to collectively consult when proposing to dismiss as redundant 20 or more employees at one establishment within a period of 90 days or less. Under the current legislation, an “establishment” is understood to be the entity (or unit) to which the employees made redundant are assigned to carry out their duties. In many (but not all) cases, each worksite will form a separate establishment for collective redundancy purposes, although this will depend on how work is assigned and organised within those worksites.
11. This has led to situations where employers with multiple sites have not been required to undertake collective consultation and notification obligations when making fewer than 20 employees redundant at each individual establishment, even if the total number of redundancies across the organisation is significantly higher. The Government considers that this fails to adequately protect employees' rights during large-scale redundancies, since it allows substantial reductions in headcount to fall outside the current framework simply because the losses are dispersed across multiple sites. The intention is to introduce an organisation-wide trigger to help close this gap, with the specific threshold number to be set in regulations following public consultation so that number is evidence based and workable.
12. The need for this change has been highlighted by situations where employees have not been adequately protected by the current legislation. In some cases, this has led to thousands of employees not being consulted on their redundancy where the employer made significant redundancies that were dispersed across multiple sites and did not pass the threshold of ‘20 or more employees at one establishment’. It also meant employers were not required to notify the Secretary of State, which limited early oversight and reduced opportunities for the Government to coordinate support for the affected employees.

#### Rationale for intervention

13. The Government intervenes in the labour market to extend 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 empowering business to operate competitively.
14. Collective redundancy consultations aim to avoid the dismissals where possible, reduce the number of employees to be dismissed, and mitigate the consequences of any redundancies that proceed. They slow employer decision-making when proposing large-scale redundancies and

compel these employers to explore alternatives in greater detail with employee representatives. This can be achieved by opening voluntary redundancy or early retirement routes, not using casual labour, restricting recruitment, reducing or banning overtime, filling vacancies elsewhere in the business with existing employees, or considering short-time working or temporary lay-offs.

15. In a perfect information setting with fully rational decision-makers, the reduction in redundancies would not occur. Managers would consider the full range of options, cognisant of the impacts of each of these, and make the decision which maximises outcomes.
16. However, an extensive literature on heuristics and biases has shown that people often use simple cognitive shortcuts when processing information, leading to systematic biases in decision making<sup>1</sup>.
17. In the context of employment decisions, managers may be overly pessimistic about the future state of business finances based on recent performance (availability heuristic)<sup>2</sup>.
18. They may overly focus on the saved labour costs and not properly account for the lost output as a result of losing workers, the loss of institutional knowledge, the decrease in productivity and in morale from restructuring (bounded rationality & salience)<sup>3,4</sup>.
19. They may hold biases on transferability of skills. Survey data suggests that UK firms do not fully take advantage of their ability to redeploy talent within the firm, in order to prevent redundancy or otherwise<sup>5</sup>. CIPD research indicates that '70% of HR professionals think their organisation doesn't have a clear internal mobility strategy, and a further 13% don't know if one exists<sup>6</sup>.'
20. As a result, there is scope for collective redundancy consultation to improve business processes and decision making. Stakeholder engagement, previous case studies<sup>7</sup>, and CIPD survey data<sup>8</sup> have indicated that consultations can be effective in preventing redundancies through identifying alternatives, generating benefits for both employees and employers. Even when alternatives or mitigations cannot be identified, stakeholders report these exercises can be beneficial for morale and industrial relations.
21. From an employee perspective, collective redundancy consultations help with the power imbalance between employers and their employees, they can alleviate information asymmetry in a redundancy situation and ultimately strengthen employee protections during periods of economic uncertainty and corporate restructuring. Even when consultations are not able to prevent redundancies, the additional time prior to redundancy offered by the consultation period

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<sup>1</sup> See the behavioural economics literature which began with Tversky and Kahneman in the 1970's. Berthet, V. (2022) provides a helpful overview of some key literature on heuristics and cognitive biases.

Berthet, V. (2022). The Impact of Cognitive Biases on Professionals' Decision-Making: A Review of Four Occupational Areas. *Frontiers in Psychology*. Vol 12:802439.

<sup>2</sup> Owens and others (2022) '[Restructures, redundancies and workforce downsizing. Implications for Australian higher education sector post COVID-19](#)' Australian Universities' Review

<sup>3</sup> Chartered Institute of Personnel and Development (CIPD) (2022) '[A netnographic study exploring the impact of consecutive redundancy programmes on employee exhaustion, cynicism and organisational detachment](#)'

<sup>4</sup> Zorn and Others (2017) '[If You Think Downsizing Might Save Your Company, Think Again](#)' Harvard Business Review

<sup>5</sup> Randstad Enterprise (2024) '[downsizing ahead? revamp your redeployment program for better outcomes.](#)'

<sup>6</sup> Chartered Institute of Personnel of Development CIPD (2025) '[Internal mobility strategies to supercharge staff retention](#)'

<sup>7</sup> Hall and Edwards (1999) '[Reforming the statutory redundancy consultation procedure](#)', *Industrial Law Journal*

<sup>8</sup> Chartered Institute of Personnel and Development (2025). 'Labour Market Outlook, Spring 2025'

allows employees prepare for job-searching earlier, reducing their duration of unemployment<sup>9</sup>. In turn, this helps alleviate the negative impacts of unemployment, including the risk of wage scarring as a result of prolonged periods of unemployment<sup>10</sup>.

22. From an employer perspective, collective redundancy consultations can help achieve a more efficient means to reduce costs or adapt to changing circumstances. Redundancy is often not a first preference for employers because in doing so, the employer loses factors of production thereby harming its longer-term productive potential. Should the business wish to increase production in future, it would need to hire new employees and incur recruitment and possibly training costs. Research also indicates that redundancies and 'downsizing' rarely produces long term benefits for firms, despite the frequency of its use as a tool to increase firm efficiency<sup>11,12</sup>.
23. Furthermore, productivity may be harmed via a loss of human capital and negative effects on morale. In addition, there is evidence that giving employees a stronger voice, and the resulting improvement in managerial attention to employee needs, improves morale and labour productivity<sup>13</sup>.
24. Notification requirements serve to give the Government an early sight of significant job losses. As such, the Government can prepare to offer support and resources to affected employees. The obligation also promotes compliance with consultation obligations as failure to inform the Secretary of State is a criminal offence.
25. Overall, collective redundancy processes slow employer decision-making when proposing large-scale redundancies and compel these employers to explore alternatives in greater detail with employee representatives. They seek to improve outcomes for employees, for employers, and for the economy.
26. The policy intention is to set the new organisation-wide threshold for collective redundancy consultation and notification obligations, ensuring that these obligations can be triggered based on the total number of proposed redundancies made by employer across any work sites or units. The specific threshold will be set in regulations following public consultation so that the threshold number is proportionate and evidence based. This will help ensure that the protections and benefits offered by collective redundancy consultations are enjoyed by more employees and employers, regardless of how redundancies are allocated across locations.

#### Impact of no intervention

27. As above, the current legislation has led to situations where employees within establishments where redundancies are under 20, despite large scale redundancies organisation wide, do not receive adequate consultation protections. This undermines the intention of collective consultation provisions and fails to adequately protect employees' rights during large-scale redundancies. No intervention would keep the door open to such situations, including further high-profile cases.

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<sup>9</sup> Cederlof and others (2021) '[Mandatory notice of layoff, job search, and efficiency](#)', The Quarterly Journal of Economics

<sup>10</sup> Filomena, M (2023) '[Unemployment Scarring Effects: An Overview and Meta-analysis of Empirical Studies](#)', Italian Economic Journal

<sup>11</sup> Cascio (2002) '[Strategies for responsible restructuring](#)'

<sup>12</sup> Gandolfini (2010) '[Organizational Downsizing: A Review of Two Decades of a Strategic Phenomenon](#)'

<sup>13</sup> Bryson and others (2006) '[Worker voice, managerial response and labour productivity: an empirical investigation](#)', Industrial Relations Journal

### 3. SMART objectives for intervention

28. The primary policy intention is to expand and strengthen collective redundancy consultation and notification obligations, ensuring that these obligations can be triggered based on the total number of proposed redundancies made by the employer across the entire organisation, in addition to the existing trigger of 20 at one establishment (which could be an individual site or unit).
29. The intended outcome is to expand the collective redundancy protections and benefits to more employers and employees.
30. SMART objectives:
  - A reduction in the number of employers making large-scale redundancies without collective redundancy consultation, regardless of the geographical dispersion of redundancies, from policy introduction.
  - An increase in the number of employees consulted when their employer is considering making large-scale redundancies, regardless of the geographical dispersion of redundancies, from policy introduction.
  - A reduction in the number of employers making large-scale redundancies without notification to the Secretary of State, regardless of the geographical dispersion of redundancies, from policy introduction.
31. Link to growth: Overall, we expect limited to no effect on economic growth.

#### Positive drivers:

- a. **Productivity:** This policy would offer increased protection for employees in collective redundancy situations. Collective redundancy consultations can support the retention of employees thereby maintaining human capital in the firm and the retraining of employees with a potentially more efficient allocation of labour within a firm compared to what would arise from dismissals in redundancy situations. Improving job security may also improve morale. This policy may therefore improve the marginal productivity of labour, with knock-on effects on business profitability and economic growth. Please see the Employment Rights Act 2025 cross-cutting economic analysis for further information on the link between job security and productivity.
- b. **Consumption:** An individual's consumption varies closely with income. Aware of the risk of redundancy, employees may begin searching for new employment during the consultation period. In doing so, the time they spend unemployed may be reduced, which is a period where income drops significantly. Furthermore, consultation may provide alternatives to redundancy and therefore prevent unemployment altogether. This may therefore support consumption and aggregate demand in the economy.
- c. **Hours worked:** In addition to consumption, preventing avoidable redundancies and reducing unemployment spells increases hours worked in the economy and therefore total output.

#### Negative drivers:

- d. **Productivity:** Economic growth can arise as production shifts from less successful to more successful firms through the reallocation of factors of production. Introducing redundancy protections may impede this flow of labour inputs and the accompanying knowledge flows. At

an individual employer level, collective redundancy requirements increase adjustment costs for firms which can delay necessary resource reallocation and reduce responsiveness to negative shocks. In addition, preventing redundancies by identifying alternatives (e.g. fill vacancies, reduce hiring, reduce contractors etc.) may lead to worse or less efficient matches compared to the counterfactual.

- e. **Insolvency:** A small number of businesses may face additional pressure from the costs and time required to meet consultancy obligations, which in some cases could contribute to insolvency. This would have negative effects on economic growth.

32. To note, we expect no/minimal impact on overall employment and on business confidence to hiring. The policy has been designed to avoid this by setting a sufficiently high threshold. Our analysis estimates a 0%-2% increase in the number of collective redundancy consultations, targeting the most extreme cases only. Note in addition that econometric modelling undertaken to assess the macroeconomic impacts of the Employment Rights Act 2025 estimates a small, positive effect on employment<sup>14</sup>.

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

33. The options considered would strengthen existing legislation to ensure collective redundancy obligations are triggered based on the total number of redundancies made by the employer across the entire organisation, in addition to those at individual workplaces/units. This would strengthen existing legislation, thereby extending collective redundancy protections and benefits to more employers and employees.

### Theory of change

#### 34. **Input:**

- Legislation to change the threshold for collective redundancy consultation and notification obligations so that it is based on the total number of proposed redundancies made by the employer across the entire organisation, in addition to 20 or more proposed dismissals at an individual site or unit.

#### 35. **Outputs:**

- Strengthens collective redundancy consultation obligations so that they apply for large scale redundancies regardless of whether redundancies are taking place across multiple worksites or not.
- Collective redundancy consultation must be held if an employer is proposing that X or more employees are to be made redundant within a 90-day period.
- Notification to the Secretary of State when an employer is proposing that X or more employees are to be made redundant within a 90-day period.

#### 36. **Outcomes:**

##### First order:

- An increase in the number of employees consulted when their employer is considering making X or more people redundant each year.

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<sup>14</sup> UK Government (2026), Employment Rights Act 2025 – Economic Analysis

- An increase in the proportion of employers notifying the Secretary of State when proposing X or more redundancies.
- A reduction in the number of employers making X or more people redundant without a collective redundancy consultation each year.

Second order:

- Improved outcomes for employees involved in a collective redundancy consultation:
  - Reductions in the number of redundancies.
  - Increases in redundancy pay and other mitigation.
  - Delayed redundancies thereby reducing time spent unemployed.
- Improved outcomes for employers involved in a collective redundancy consultation by identifying better alternatives to redundancies.
- Better Government preparation for large scale job losses, with support and resources offered to affected employees.

**37. Impact:**

- A well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs whilst also empowering business to operate competitively.
- Fairer employer-employee relations and bargaining.
- Increased employee wellbeing as a result of greater security at work.
- Possible productivity benefits from providing better employment security.

**38. Risks**

- A reduction in business ability to adapt to negative shocks.
- Less suitable job matches as a result of reallocation of employees across the business.
- A risk of constant or less meaningful consultation if policy is set at the wrong level.
- Possible increase in employment tribunal caseloads.
- Employers may erode wages over time as an alternative means to generate cost reductions as a result of possible increases to both labour and redundancy costs.

International comparisons

39. Our limited evidence on collective redundancy systems internationally suggests that triggers for collective redundancy protections across an entire organisation are less common than those at a single establishment. From a total of 13 countries on which we have information, only 3 countries trigger collective redundancy protections based on redundancies made across an organisation<sup>15</sup>.
40. Nevertheless, many countries with the “at one establishment” trigger have a threshold that is much lower than the 20 in the UK. As a result, it is less likely that mass redundancies can be made across an organisation without triggering collective redundancy protections. In such cases, there is less need for the policy we consider in this consultation.
41. Furthermore, despite nominally moving beyond other countries by introducing an additional trigger for collective redundancy protections, the UK will remain below the OECD average for employment protections overall and for dismissal protections specifically – please see the Benchmarking the Employment Rights Act 2025 report published on Gov.uk for detail<sup>16</sup>.

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<sup>15</sup> We understand Estonia, Poland, and Romania have organisation-wide triggers for collective redundancy.

<sup>16</sup> Note the UK would have remained below the OECD average even with the policy as originally introduced in the Employment Rights Act 2025.

42. We therefore assess that this policy will improve fairness and employee protections without harming international competitiveness.

## 5. Summary of long-list and alternatives

43. The Employment Rights Act 2025 has updated the law so that employees must be consulted when redundancies are proposed across an organisation (even if not just at one establishment). As a result of this change, collective redundancy obligations will be triggered where, within a period of 90 days:

- 20 or more redundancies are proposed at one establishment (as per the existing law); or
- A threshold number of employees are proposed to be made redundant across the organisation. The Act has given the Government the power to set the threshold through secondary legislation, and may set this as a percentage of employees or a fixed number, a combination, or in some other way.

44. The specifics of this new trigger will be set in regulations following the consultation that this options assessment accompanies.

45. It is worth noting that the Employment Rights Bill as introduced originally sought to remove the 'at one establishment' element of the current threshold, thereby creating a flat, fixed threshold of 20 redundancies across an employer's organisation to trigger collective redundancy consultation and notification. This was the focus of DBT's published impact assessment which is no longer relevant to the proposed policy. The Bill was then amended to maintain the existing 'at one establishment' trigger alongside a second trigger which will apply when an employer proposes to make a threshold number of employees redundant across the whole organisation (with that threshold number to be set in secondary legislation).

46. **Non-regulatory options** were considered at the inception of this policy (see impact assessment published to accompany the Employment Rights Bill as it was introduced in Parliament)<sup>17</sup> but these were discarded in favour of legislation in the form of the Employment Rights Act 2025. This consultation and the policy options considered within are a continuation of this process. Non-regulatory options are therefore not considered here. Furthermore, they would not achieve the intended outcomes of the policy under consideration. Large-scale organisation-wide redundancy exercises without consultation would still be permitted and collective redundancy protections would not be expanded.

47. Note that a non-regulatory option of a Code of Practice will be pursued alongside the regulatory options considered in this assessment. Alone this would fail the intended outcomes of the policy under consideration because large-scale organisation-wide redundancy exercises without consultation would still be permitted and collective redundancy protections would not be expanded. In combination with the policy, it aims to support stakeholders and improve policy implementation.

48. The **do-nothing option** has also been discarded. This would not introduce the new organisation-wide trigger for collective redundancy protections. As a result, there would be no change to the number of employees consulted when large-scale redundancies have been proposed in their organisation, regardless of the geographical location of these. This would fail our intended outcomes.

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<sup>17</sup> Department for Business and Trade (2024) '[Strengthening collective redundancy rights – Final stage impact assessment](#)'

49. The power created by the Employment Rights Act 2025 enables the Government to set the collective redundancy threshold as a fixed number, as a percentage of employees, as the highest or lowest of two or more numbers (which may, for example, be fixed numbers or percentages), or determined in some other way. The power does not allow the threshold to be set at a number lower than 20. The power allows the Government to set different thresholds for different descriptions of employer, for example, to create tiers for where the threshold is met, based on the size of employer. It also allows the Government to set out how an employer must calculate how many employees they have, for the purpose of determining whether the threshold has been met, including through excluding certain categories of employees from being taken into account when making that determination.
50. The Department for Business and Trade has led a programme of work to explore the options available and the implications to British society. Throughout, it has been led by the following principles:
- a. The regulations made following this consultation should strengthen redundancy rights and protections by offering protections for employees who currently do not benefit from collective redundancy consultations (i.e. where large numbers of proposed redundancies are dispersed across an organisation).
  - b. The changes made through the regulations should not lead larger employers to be left in a constant state of consultation.
  - c. Regulations should provide certainty and clarity to both employees and employers on how the law would work in practice and reduce the scope for disputes or abuse.

#### Method of the threshold

51. We identified four methods for the new threshold:
- Method 1: Fixed Number
  - Method 2: Variable (Percentage-based threshold)
  - Method 3: Fixed, tiered based on the number of employees an employer has
  - Method 4: Variable and fixed, tiered based on the number of employees an employer has (i.e., a percentage-based threshold for one or more tiers, and a fixed number for others)

Please read the consultation document for explanations of these methods and our considerations of these. The table below summarises the advantages and disadvantages of the different approaches.

**Table 2: Advantages and disadvantages of the different threshold methods**

	Advantages	Disadvantages
Method 1: Fixed Number	<ul style="list-style-type: none"> <li>• The clearest of all options.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of disproportionate impact on largest employers who are most likely to hit a given threshold.</li> </ul>

<p>Method 2: Variable (Percentage-Based threshold)</p>	<ul style="list-style-type: none"> <li>• All employers will have equitable requirements regardless of size.</li> <li>• Reduces risk of constant consultation for larger employers.</li> </ul>	<ul style="list-style-type: none"> <li>• Largest employers can make substantial numbers of redundancies without triggering collective redundancy obligations.</li> <li>• Complexities of calculating workforce with risk of possible administrative burdens.</li> <li>• Risk of inadvertently breaching requirements due to miscalculation. This is pertinent for employers with a high turnover of employees.</li> <li>• Related risk of disputes between employers and employee representatives / trade unions.</li> </ul>

<p>Method 3: Fixed, tiered based on the number of employees</p>	<ul style="list-style-type: none"> <li>• Set different thresholds for different sizes of employers. This would make the threshold numbers more proportionate to the size of the employer, helping mitigate the risk of constant consultation for the largest employers and improve fairness.</li> <li>• Simple to understand. Provides certainty on the circumstances where collective redundancy obligations are triggered.</li> </ul>	<ul style="list-style-type: none"> <li>• Cliff edges and a perception of unfairness for those who sit at the margin of a specific tier.</li> <li>• Complexities of calculating overall employee numbers with risk of possible administrative burdens, noting the risk of administrative burden is reduced compared to method 2 because the trigger does not always change as the number of employees changes.</li> <li>• Risk of inadvertently breaching requirements due to miscalculation. This is pertinent for employers with a high turnover of employees.</li> </ul>
<p>Method 4: Variable and fixed, tiered based on the number of employees</p>	<ul style="list-style-type: none"> <li>• Different thresholds for different sizes of employers. This would make the threshold numbers more proportionate to the size of the employer, helping mitigate the risk of constant consultation for the largest employers and improve fairness.</li> <li>• Having a ceiling (a fixed number for the top tier) ensures employer size does not permit large-scale redundancies without consultation.</li> <li>• Avoids cliff edges.</li> </ul>	<ul style="list-style-type: none"> <li>• Complexities of calculating overall employee numbers with risk of possible administrative burdens.</li> <li>• Risk of inadvertently breaching requirements due to miscalculation. This is pertinent for employers with a high turnover of employees.</li> <li>• Related risk of disputes between employers and employee representatives / trade unions.</li> </ul>

52. **Method 2: Variable was discarded** due to the possibility of large-scale redundancies without any collective redundancy protections. With a threshold at 10% for example, an employer with 50,000 employees would be able to make 4,999 redundancies without triggering collective

redundancy obligations. We deemed this would not sufficiently support the intended outcomes of the policy.

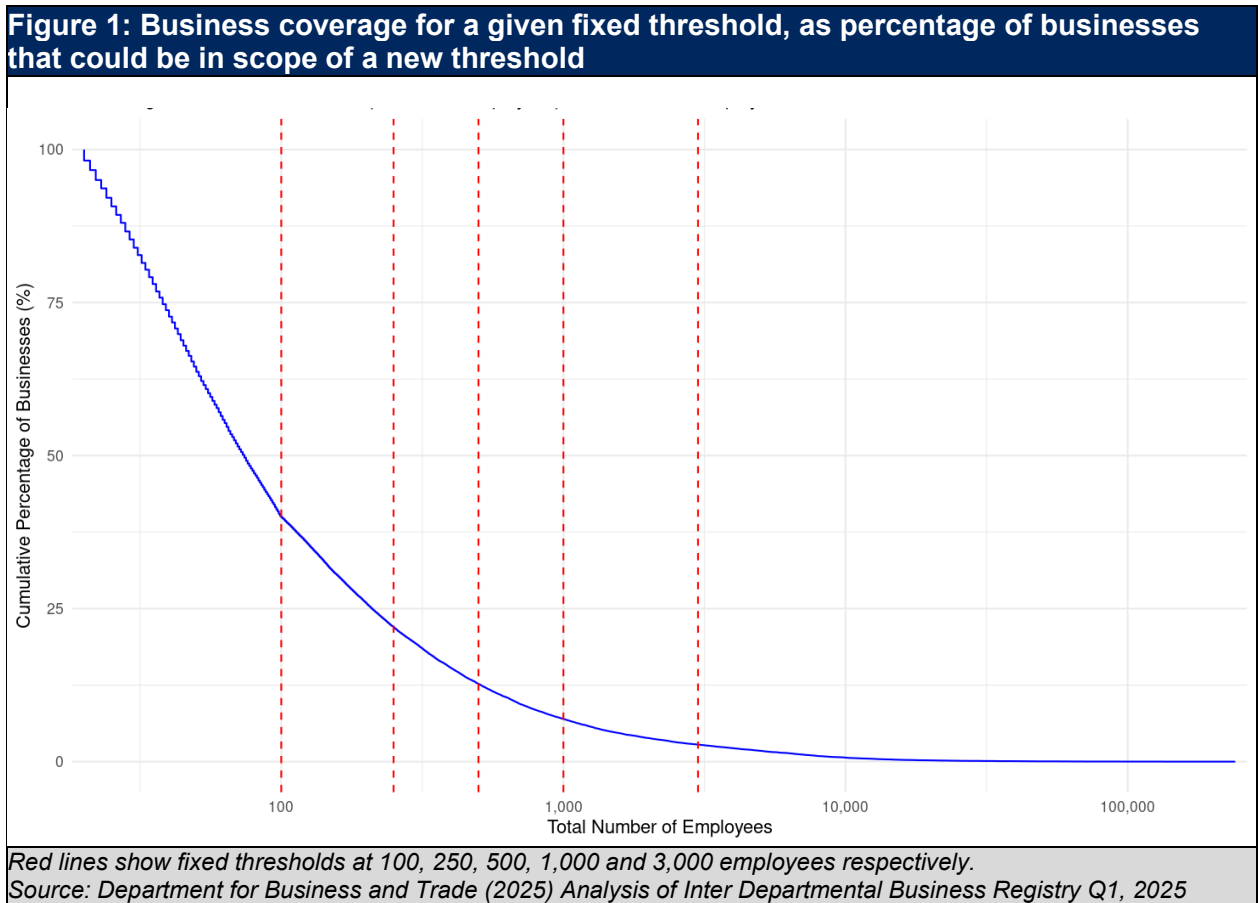
53. **Method 4: Variable and fixed, tiered based on the number of employees was discarded** following analysis and initial engagement with stakeholders. Our analysis indicated this method would achieve the greatest coverage across employees and employers (it would extend protections and obligations across the greatest number). As a result, the impacts and the costs to business are expected to be greatest. In addition, setting the threshold using a variable component creates uncertainty for employers on the circumstances where they are required to fulfil their collective redundancy obligations. This may lead to litigation where trade unions and employers disagree on the instances where consultation and notification is required. We have therefore discarded any option with a variable component.
54. Although these methods have been provisionally discarded, the consultation may provide information which would bring them back into consideration.

#### Level of the threshold

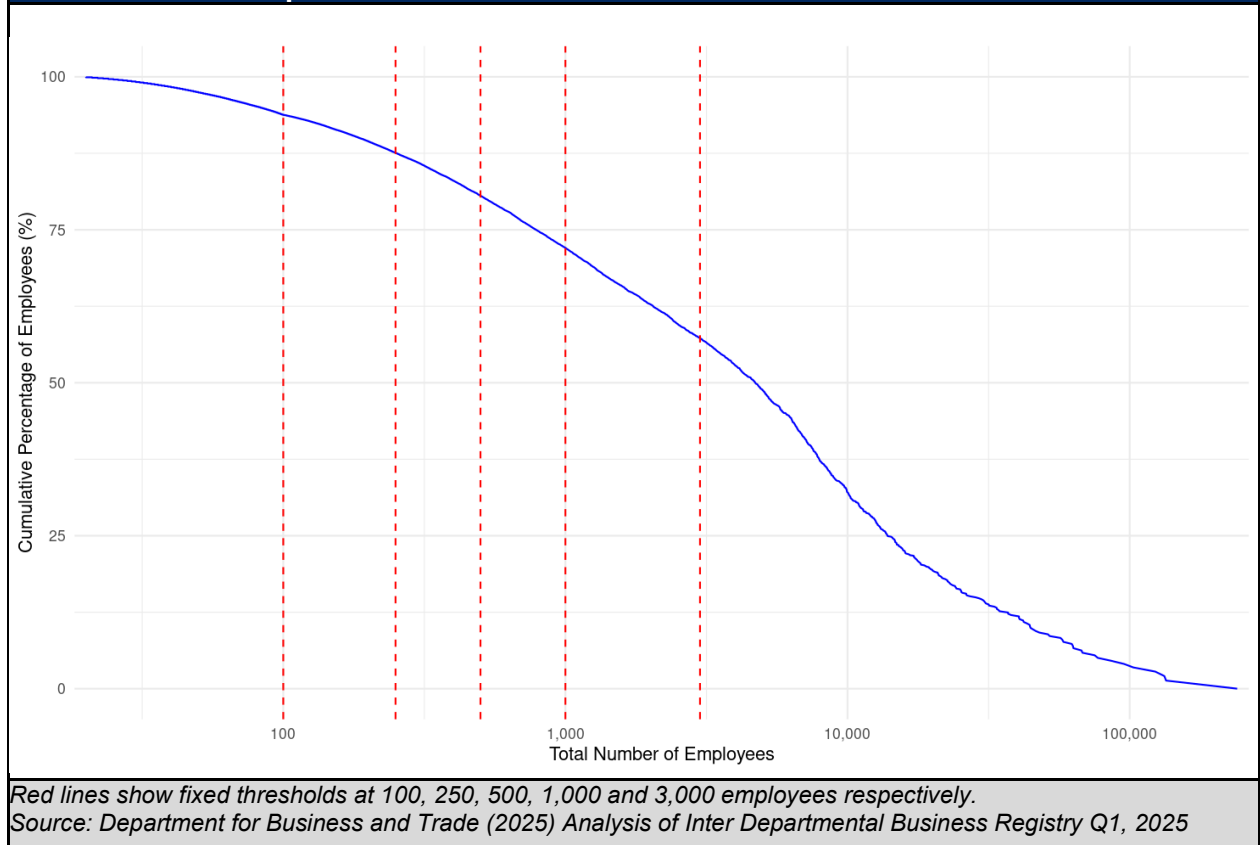
55. We do not present options in this section because the choice of level is a continuum of options.
56. To determine the level at which to set the threshold, we explored business demographics data. Note our analysis uses data from the Inter-Departmental Business Register. This is not an official statistic and therefore not an official endorsement of employment estimates. Employment as contained on IDBR is based on several sources (ONS business surveys, HMRC VAT data, HMRC PAYE data). This means each employment entry is not from a same point in time. However, this dataset provides insight on employment at specific work sites which is crucial to this analysis. Note businesses and work sites in Northern Ireland have been excluded from our analysis, as they are not in scope of this regulation.
57. Our key takeaways from this work were the following:
  - a. Up to 39,000 employers with 18.2 million employees, could be in scope of this policy.
  - b. Most employers are small but most employees work for larger employers. Therefore, a high threshold would cover a large proportion of employees even if it does not cover a large proportion of employers.
  - c. Careful consideration needs to be given to the largest employers who may be disproportionately impacted by this policy. While the majority of large businesses employ fewer than 1,000 employees, a small number exceed 10,000 employees and these may routinely exceed small redundancy thresholds.
58. By definition, the employers who could be in scope of this policy are those with (i) more than 20 employees and (ii) who operate out of more than one site, this is because single-site employers would most likely already be in scope of the 'at one establishment' trigger. We estimate these represent 39,000 employers with 18.2 million employees.
59. Furthermore, with a fixed threshold approach, any businesses where the number of total employees falls below the fixed threshold would be excluded. For example, at a threshold of 100 total redundancies, businesses employing fewer than 100 total employees would be out of scope.
60. Figure 1 and Figure 2 show the number of businesses and employees within scope depending on where a fixed threshold is set. In figure 1, the line indicates the proportion of businesses (vertical axis) which employ more than or equal to the number of employees at that point in the

horizontal axis. Similar for figure 2, the line indicates the proportion of employees (vertical axis) employed by businesses which employ more than or equal to the number of employees at that point in the horizontal axis.

- 61. Figure 1 shows that a fixed threshold of 100 employees, for example, would cover 40 percent of multi-site businesses with 20 or more employees. The remaining 60 percent, employing 20-99 employees, would fall below this threshold.
- 62. From Figure 2, we note that an example threshold of 100 employees would cover 94 percent of the 18.2 million employees working in multi-site businesses with 20 or more employees. The remaining 6 percent work in businesses employing 20-99 employees and would fall below this threshold.
- 63. Note coverage or in scope represent the number who could be impacted by a given threshold, not those who will be impacted by a given threshold. It represents those whose protections and obligations are extended by the policy, not the number who will undertake collective redundancy consultations following policy introduction.



**Figure 2: Employee coverage for a given fixed threshold, as a percentage of employees that could be in scope of a new threshold**



64. Table 3 presents the estimated business and employee coverage achieved at different fixed thresholds.

**Table 3: Policy coverage for a given threshold, as a percentage of businesses/employees that could be in scope of the policy**

Business Wide Employee Threshold	Business Coverage	Number of businesses	Employee Coverage	Number of Employees
20	100%	38,900	100%	18.2m
30	85%	33,100	99%	18.1m
40	74%	28,700	98%	17.9m
50	65%	25,100	98%	17.7m
100	40%	15,600	94%	17.1m
150	32%	12,300	92%	16.7m
200	26%	10,100	90%	16.3m
250	22%	8,600	88%	15.9m
300	19%	7,500	86%	15.6m
350	17%	6,600	84%	15.4m
400	15%	6,000	83%	15.1m
450	14%	5,400	82%	14.9m
500	13%	4,900	81%	14.7m
750	9%	3,500	76%	13.8m
1,000	7%	2,700	72%	13.1m
2,000	4%	1,500	63%	11.4m

3,000	3%	1,100	57%	10.4m
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Source: Department for Business and Trade (2025) Analysis of Inter Departmental Business Registry Q1, 2025

65. We then sought to identify a threshold that balances employer and employee coverage. To do so, we identified the point at which a 1% change in employee coverage generates a 1% change in employer coverage. This is based on the logic that we wish to maximise employee coverage (to increase protections) while minimising employer coverage (to reduce burdens). Moving away from this point implies giving greater emphasis to one coverage over the other. In other words, for a threshold below this point, the Government is willing to renounce a greater proportion of business coverage to gain a lesser proportion of employee coverage – it is favouring employee coverage. And vice-versa for a threshold above this point.
66. Note however that coverage is not equivalent to impact. The threshold which equally balances employer and employee impact may be different to that which balances coverage.
67. This analysis identified 466 as the threshold which would give equal weight to employee coverage and to employer coverage. Please see the annex for detail. We therefore selected 500 as an anchor when selecting the level for a simple fixed method.
68. The consultation proposes a range of 250-1000 for our preferred fixed threshold option as acknowledgement of the uncertainty in our evidence, in our analysis and therefore in our decision-making. This range is built around the above, the evidence contained below in the small and micro business assessment, and by considering case studies of large-scale redundancies. Throughout this document, we provide impacts for a fixed threshold of 500 to illustrate possible impacts within the range.
69. The tiered fixed option was derived from the simple fixed option. It aims to include a greater proportion of employers in obligations by introducing a lower tier and it aims to alleviate any possible risks to the largest employers by introducing an upper tier.
70. All options would not apply to employers with fewer than 250 employees. Please see the small and micro business assessment below for our considerations in this space.

## 6. Description of shortlisted policy options carried forward

71. The following options have been shortlisted for the consultation:

**a. Option A: Fixed threshold with a level set between 250- 1,000 redundancies (preferred option).**

The simple fixed method was selected as the preferred approach because of the clarity it provides. We assess it to be the easiest way to ensure that employers understand their obligations and that employees and trade unions or other employee representatives can be certain when they should receive collective redundancy consultation. It is therefore the clearest and least likely method to lead to disputes between employers and employees, which in turn means that they can instead focus on holding effective consultations on the proposed redundancies.

Setting the threshold at 250 would mean that an estimated 15.9 million employees would be in scope of the new threshold because they work for an employer with multiple sites

and at least 250 employees. This represents 88% of employees who could be in scope of the policy. It would provide entirely new protections to 1.5 million employees who are not protected by the current collective redundancy policy<sup>18</sup> and enhance that of 14.4 million employees. Meanwhile, it would only add new collective redundancy requirements to the largest 8,600 employers, 22% of employers who could be in scope or 4% of the entire business population. Our modelling estimates there will be 97 additional collective redundancy consultations and notifications per year from a new organisation-wide trigger using this proposal.

Setting the threshold at 500 would mean that an estimated 14.7 million employees would be in scope of the new threshold because they work for an employer with multiple sites and at least 500 employees. This represents 81% of employees who could be in scope of the policy. We estimate it would provide entirely new protections to 1.4 million employees who are not protected by the current collective redundancy policy<sup>19</sup> and enhance that of 13.3 million employees. Meanwhile, it would only add new collective redundancy requirements to the largest 4,900 employers, only 13% of employers who could be in scope of the policy or 4% of the entire business population. Our modelling estimates there will be 41 additional collective redundancy consultations per year from a new organisation-wide trigger set at this level.

Setting the threshold at 1,000 would mean that an estimated 13.1 million employees would be in scope of the new threshold because they work for an employer with multiple sites and at least 1000 employees. This represents 72% of employees who could be in scope of the policy. We estimate it would provide entirely new protections to 1.2 million employees who are not protected by the current collective redundancy policy<sup>20</sup> and enhance that of 11.9 million employees. Meanwhile, it would only add new collective redundancy requirements to the largest 2,700 employers, only 7% of employers who could be in scope of the policy or 4% of the entire business population. Our modelling estimates there will be 19 additional collective redundancy consultations per year from a new organisation-wide trigger set at this level.

- b. Option B: Tiered threshold where employers must undertake collective redundancy obligations when proposing redundancies that meet the following thresholds:**
- i. 250 redundancies for organisations with 0-2,499 employees,**
  - ii. 500 redundancies for those with 2,500-9,999 employees,**
  - iii. 750 redundancies for those with 10,000 or more employees.**

This alternative proposal would extend protections to an estimated 15.9 million employees because they work for an employer with multiple sites and at least 250 employees. This represents 88% of employees who could be in scope of the policy. It would provide entirely new protections to 1.5 million employees who are not protected by the current collective redundancy policy<sup>21</sup> and enhance that of 14.4 million employees. Meanwhile, it would only add new collective redundancy requirements to the largest 8,600 employers, 22% of employers who could be in scope or 4% of the entire business population. Our modelling estimates there will be 38 additional collective redundancy consultations and notifications per year from a new organisation-wide trigger using this proposal.

This alternative proposal covers a higher proportion of employers and therefore affords potential protections to a broader range of employees than any fixed threshold above 250.

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<sup>18</sup> This is because they work in an establishment with fewer than 20 employees.

<sup>19</sup> This is because they work in an establishment with fewer than 20 employees.

<sup>20</sup> This is because they work in an establishment with fewer than 20 employees.

<sup>21</sup> This is because they work in an establishment with fewer than 20 employees.

However, we estimate that a fixed threshold up to a level of 600 redundancies would in practice lead to more collective redundancy consultations and notifications being carried out each year. A fixed threshold between 250 – 600 would therefore bring more benefits to employees in practice. This is due to the higher threshold for the largest employers under this alternative proposal who can therefore make many more redundancies without being required to undertake collective redundancy obligations. While this alternative method may apply to a broader range of employers (as it could, in theory, apply to those with 250-499 employees), in practice we do not expect this to lead to a significant increase in collective redundancy exercises for those employers. Compared to the lead option, it would also add requirements to employers who have 250-500 employees, which we consider may be disproportionate given the likely limited benefits to their employees.

72. **Risks:** The policy options put forward for consultation have been designed following detailed analysis and engagement with stakeholders. Nonetheless, there remain some policy risks that will continue be reviewed, including through the consultation. These include setting the threshold too low (leading to risk that largest employers are in constant state of consultation) or too high (limiting the extent to which the policy will drive meaningful impact). The forthcoming Code of Practice will aim to address implementation risks.
73. Table 4 below provides the Equivalent Annual Net Direct Cost to Business (EANDCB), the Equivalent Annual Net Direct Cost to Households (EANDCH), and the Net Present Social Value (NPSV) for the three estimates of the preferred option and for the alternative option considered in the consultation document. They are estimated relative to a 'Do Nothing' option.
74. **We acknowledge that this analysis may over-estimate the impacts of the policy.** However, it represents our best assessment of impacts at this stage. We will continue to build our evidence, including through the consultation which this Options Assessment accompanies, with the aim of refining our estimates.

**Table 4: NPSV, EANDCB, EANDCH of different options (2025 prices, 2027 present value)**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
Equivalent Annual Net Direct Cost to Business	£131.9m (net cost)	£94.4m (net cost)	£60.9m (net cost)	£90.7m (net cost)
Equivalent Annual Net Direct Cost to Households	£-450.3m (net benefit)	£-319.5m (net benefit)	£-203.6m (net benefit)	£-307.2m (net benefit)
Total Net Present Social Value	£2,630.4m (between £2,049.4m and £3,210.5m)	£1,863.9m (between £1,452.6m and £2,274.8m)	£1,184.9m (between £923.3m and £1,446.4m)	£1,792.0m (between £1,396.6m and £2,187.1m)

#### Small and Micro Business Assessment

75. Both shortlisted options would not apply to micro, small, and medium sized businesses.

76. We estimate that there are up to 2.1m employees who could be granted entirely new protections as a result of this policy, depending on the threshold(s) set. These are employees who are not protected under the current collective redundancy framework, because they work at small establishments (with fewer than 20 employees) for employers with multiple establishments. In addition, we estimate that there are 16.1m employees whose collective redundancy rights could be strengthened with this policy, depending on the threshold(s) set.
77. Most of these employees work for larger employers. We estimate 72% of those who could be granted entirely new protections and 90% of those whose collective redundancy rights could be strengthened work in organisations with more than 250 employees.
78. In general, larger employers are more likely to have multi-site operations where redundancies could be dispersed. Meanwhile, 76% of organisations with fewer than 250 employees but more than 20 employees operate at a single establishment, meaning that they already have to fulfil collective redundancy obligations whenever making 20 or more employees redundant. Employees at these organisations would therefore not benefit from an organisation-wide threshold. The table below provides the mean and median number of sites and site size for different employer sizes to illustrate.

**Table 5: Business Structure by Size Band**

Size band	Mean number of sites	Median number of sites	Mean site size (calculated at enterprise level)	Median site size (calculated at enterprise level)
10-49	1	1	18	15
50-99	2	1	54	56
100-249	3	1	101	105
250-499	7	3	166	106
500-999	13	5	241	79
1000-1499	24	10	285	66
1500-1999	40	17	337	56
2000-2499	51	21	397	55
2500-4999	75	32	520	41
5000-9999	129	73	755	30
10000 or more	411	169	777	30

Source: Department for Business and Trade (2025) Analysis of Inter Departmental Business Registry Q1, 2025

79. Both shortlisted options would not apply to micro, small, and medium sized businesses. This avoids additional regulation on small and medium sized businesses, in line with the Government's SME strategy, with limited detrimental impacts on policy outcomes.

## 7. Regulatory scorecard for preferred option

80. The consultation proposes a fixed threshold set at a level between 250 – 1,000. As such, the estimated impacts to society sit in a wide range. The size of this range is further compounded by the uncertainty in our analysis. To support understanding of impacts and discussion of this policy, we therefore present three estimates, with threshold levels at 250 and 1,000 to reflect the extremities of the policy range and a threshold level of 500 as an illustrative estimate within the range. We note this is not the midpoint nor is it considered in the consultation document. However, this level was used as an anchor in developing options (see Section 5) and we therefore view this as a credible additional illustrative estimate to support communication of possible impacts.

## Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
<p><b>Description of overall expected impact</b></p> <p>This policy has the potential to reduce redundancies and mitigate the impact of those that occur. Employers incur a cost in running consultations submitting HR1 forms. In addition, there are transfers from employers to employees in the form of wages where redundancies are delayed and prevented, and in the form of increased redundancy pay.</p> <p>However, employers also benefit from avoided redundancy payments, avoided hiring costs where staff is redeployed, and gained output in a small subset of cases where redeployment puts someone in post sooner than in the counterfactual. These drive the net positive impacts of the policy.</p>		<p><b>Positive</b></p> <p>Based on all impacts (incl. non-monetised)</p>
<p><b>Monetised impacts</b></p> <p><b>For a threshold level of 250:</b> The Total Net Present Social Value is £2,630.4m (net benefit) over the ten-year appraisal period (between £2,049.4m and £3,210.5m) (2025 prices, 2027 present value).</p> <p>---</p> <p><b>For a threshold level of 1,000:</b> The Total Net Present Social Value is £1,184.9m (net benefit) over the ten-year appraisal period (between £923.3m and £1,446.4m) (2025 prices, 2027 present value).</p> <p>---</p> <p><b>For a threshold level of 500:</b> The Total Net Present Social Value is £1,863.9m (net benefit) over the ten-year appraisal period (between £1,452.6m and £2,274.8m) (2025 prices, 2027 present value).</p>		<p><b>Positive</b></p> <p>Based on likely £NPSV</p>
<p><b>Non-monetised impacts</b></p>	<p>All anticipated significant impacts have been quantified. Relatively insignificant non-monetised impacts include costs arising from Acas conciliation and Employment Tribunal cases which are expected to be minimal. The possible negative impact of insolvencies is assessed to be negligible. There are benefits in the form of positive wellbeing impacts, improved staff morale and industrial relations, and prevented wage scarring. Impact on productivity is deemed neutral, with forces in both directions. As these non-monetised impacts are relatively insignificant, and are both costs and benefits, they have been rated as neutral.</p>	<p><b>Neutral</b></p>
<p><b>Any significant or adverse distributional impacts?</b></p>	<p>No significant or adverse distributional impacts are expected. However, we do not hold evidence to conclude.</p>	<p><b>Uncertain</b></p>

(2) Expected impacts on businesses		
<b>Description of overall business impact</b>	<p>Businesses incur a cost in running consultations and submitting HR1 forms. They also incur costs in the form of wages where redundancies are delayed and prevented, and in the form of increased redundancy pay.</p> <p>However, businesses also benefit from avoided redundancy payments, avoided hiring costs where staff is redeployed, and gained output in a small subset of cases where redeployment puts someone in post sooner than in the counterfactual. These partially mitigate the negative impacts to businesses.</p>	<b>Negative</b>
<b>Monetised impacts</b>	<p><b>For a threshold of 250:</b> The Equivalent Annual Net Direct Cost to Business is £131.9m (net cost) (2025 prices, 2027 present value).</p> <p><u>Annual costs:</u>            Cost of delayed redundancies: £64.2m (between £47.6m and 80.8m range)            Cost of larger redundancy payments: £158.8m (between £117.8m and £199.9m range)            Cost of running consultations: £216,000 (between £58,000 and £462,000 range)            Costs from completing HR1 forms: £2,400</p> <p><u>Annual benefits:</u>            Avoided redundancy payments: £66.4m (between £0 and £132.9m range)            Avoided hiring costs: £13.5m (between £0 and £26.9m range)            Net gained output: £11.5m (between £0 and £23.0m range)            ---</p> <p><b>For a threshold of 1,000:</b> The Equivalent Annual Net Direct Cost to Business is £60.9m (net cost) (2025 prices, 2027 present value).</p> <p><u>Annual costs:</u>            Cost of delayed redundancies: £29.3m (between £21.7m and 38.9m range)            Cost of larger redundancy payments: £73.3m (between £54.4m and £92.3m range)            Cost of running consultations: £43,000 (between £12,000 and £93,000 range)            Costs from completing HR1 forms: £500</p> <p><u>Annual benefits:</u>            Avoided redundancy payments: £30.5m (between £0 and £60.9m range)            Avoided hiring costs: £6.2m (between £0 and £12.4m range)            Net gained output: £5.1m (between £0 and £10.3m range)            ---</p> <p><b>For a threshold of 500:</b> The Equivalent Annual Net Direct Cost to Business is £94.4m (net cost) (2025 prices, 2027 present value).</p> <p><u>Annual costs:</u>            Cost of delayed redundancies: £45.7m (between £33.9m and 57.6m range)            Cost of larger redundancy payments: £113.7m (between £84.4m and £143.1m range)            Cost of running consultations: £92,000 (between £24,000 and £196,000 range)</p>	<b>Negative</b>  <b>Based on likely business £NPV</b>

	<p>Costs from completing HR1 forms: £1,000</p> <p>Annual benefits:          Avoided redundancy payments: £47.4m (between £0 and £94.9m range)          Avoided hiring costs: £9.6m (between £0 and £19.3m range)          Net gained output: £8.1m (between £0 and £16.2m range)          ---          In addition, there is a one-off familiarisation cost of £202,000 in the year the policy is introduced. This does not vary by option or threshold level.</p>	
<p><b>Non-monetised impacts</b></p>	<p>Non-monetised impacts are deemed negligible and neutral. There is a negligible risk that this policy may drive some firms on the margin of insolvency into insolvency. Impacts on productivity are deemed neutral. There are benefits to industrial relations and staff morale. See evidence base section for detail.</p>	<p><b>Neutral</b></p>
<p><b>Any significant or adverse distributional impacts?</b></p>	<p>Please see evidence base section for detail.</p> <p><u>Business sectors</u></p> <p>HR1 data indicates banking and finance accounted for the largest share of employers triggering collective redundancy obligations in the year ending in December 2025 (27% of employers submitting HR1 forms), followed by manufacturing (16%), distribution, hotels and restaurants (16%), and public administration (16%); education and health (16%). The sector with the fewest employers engaging in collective redundancy is the energy and water sector (2%).</p> <p>Our modelling estimates that a significant proportion of impacts will affect the human health and social work sector where 12 consultations are expected. However, these disaggregated impacts are uncertain and are driven by business demographics rather than redundancy behaviour. As a result, we are uncertain on the impacts across sectors.</p> <p><u>Regional impacts</u></p> <p>HR1 data indicates that the largest proportion of employers triggering collective redundancy obligations are found in London (24%), followed by the South East of England (12%) in the year ending in December 2025. The North East of England had the smallest proportion of employers submitting HR1 notifications (3%).</p> <p>Our analysis does not attempt to predict the impacts of a new threshold by region. We do not expect the new collective redundancy threshold would disproportionately impact any region because the organisation-wide threshold would be triggered by large-scale redundancies that are dispersed across a large number of sites, likely throughout the country. We expect neutral regional impacts.</p>	<p><b>Uncertain</b></p>

<b>(3) Expected impacts on households</b>		
<b>Description of overall household impact</b>	Households benefit from wages where redundancies are delayed and prevented, and from increased redundancy pay. There are also non-monetised benefits.	<b>Positive</b>
<b>Monetised impacts</b>	<p><b>For a threshold of 250:</b> The Equivalent Annual Net Direct Cost to Households is £-450.3m (net benefit) (2025 prices, 2027 present value).</p> <p><u>Annual benefits:</u>  Benefit from delayed redundancies: £261.0m (between £193.6m and £328.4m range)  Benefit from larger redundancy payments: £174.5m (between £129.5m and £219.6m range)  Benefit from prevented redundancies: £14.7m (between £0 and £29.4m range)  ---</p> <p><b>For a threshold of 1,000:</b> The Equivalent Annual Net Direct Cost to Households is £-203.6m (net benefit) (2025 prices, 2027 present value).</p> <p><u>Annual benefits:</u>  Benefit from delayed redundancies: £117.5m (between £87.1m and £147.8m range)  Benefit from larger redundancy payments: £79.5m (between £59.0m and £100.0m range)  Benefit from prevented redundancies: £6.6m (between £0 and £13.2m range)  ---</p> <p><b>For a threshold of 500:</b> The Equivalent Annual Net Direct Cost to Households is £-319.5m (net benefit) (2025 prices, 2027 present value).</p> <p><u>Annual benefits:</u>  Benefit from delayed redundancies: £184.9m (between £137.1m and £232.6m range)  Benefit from larger redundancy payments: £124.2m (between £92.2m and £156.3m range)  Benefit from prevented redundancies: £10.4m (between £0 and £20.8m range)</p>	<b>Positive</b>  <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	The non-monetised impacts to households are deemed positive. We expect positive wellbeing impacts from preventing redundancies and mitigating the impact of redundancies. Preventing redundancies may also prevent the risk of wage scarring.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	We do not hold evidence on the extent to which different groups are affected by collective redundancy specifically. This policy strengthens protections and as a result, redundancies will be prevented and the impact of some redundancies will be mitigated. Impacts to households are positive, including to low income households. We do not have evidence to estimate if low income households or any other groups would benefit to a greater extent.	<b>Uncertain</b>

	<p>Groups who are more likely to be made redundant may be disproportionately benefit from this policy. Evidence indicates that older workers, women (particularly those with caring responsibilities), disabled individuals, and people from ethnic minority backgrounds face heightened barriers to re-employment and long-term economic stability following redundancy<sup>22</sup>. Additional consultation requirements which aim in part to reduce redundancies could therefore generate additional positive impacts for these groups.</p>	
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## Part B: Impacts on wider Government priorities

Category	Description of impact	Directional rating
<p><b>Business environment:</b> Does the measure impact on the ease of doing business in the UK?</p>	<p>This policy will have a neutral effect on the UK business environment.</p> <p>This policy may reduce employer flexibility in reducing their labour input costs. However, the extent and impact of this is very limited because of the scale of redundancies required to trigger obligations. Furthermore, identifying alternatives to redundancies may be a more optimal course of action in certain instances and generate benefits to businesses compared to the counterfactual (see evidence base). We therefore expect no impact on the attractiveness of the business environment, no impact on barriers to entry, no impact on the scope for businesses to bring innovative products and services to market, and no to very limited impact on market concentration and competition.</p>	<p><b>Neutral</b></p>
<p><b>International Considerations:</b> Does the measure support international trade and investment?</p>	<p>This policy will have no impact on international trade, either directly or indirectly. This regulation <u>is not</u> a non-tariff measure as per UNCTAD's classification of non-tariff measures. It will have no impact on trade costs. It is not expected to affect international investment directly although the Employment Rights Act 2025 may indirectly feed into investment decisions. However, the UK will remain below the OECD average for employment protections overall and for dismissal protections specifically – please see the Benchmarking the Employment Rights Act 2025 report published on Gov.uk for detail<sup>23</sup>.</p> <p>Section 4 of this document contains a brief overview of international comparisons.</p>	<p><b>Neutral</b></p>

<sup>22</sup> Office for National Statistics '[Which groups find it hardest to find a job following a period out of work?](#)'

<sup>23</sup> Department for Business and Trade (2026) '[Employment Rights Bill – Economic Analysis](#)'

<p><b>Natural capital and Decarbonisation:</b> Does the measure support commitments to improve the environment and decarbonise?</p>	<p>This policy has no impact and no interaction, either directly or indirectly, with matters of natural capital, decarbonisation, or the environment. It is an employment regulation.</p>	<p><b>Neutral</b></p>
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## 8. Monitoring and evaluation of preferred option

81. The Department for Business and Trade will lead on all monitoring and evaluation activities.
82. The Government will undertake proportionate monitoring and evaluation of reforms implemented through the Act and associated secondary legislation. To determine whether the policy has met its objectives, we will be monitoring its impacts and will undertake a proportionate review of this policy within 5 years following the policy taking effect.
83. At a high level, our M&E plans will consider:
- whether the measure has achieved its stated objectives (found in section 3 and section 4 of the options assessment).
  - whether the outcome and impacts of the policy were in line with those estimated in this options assessment.
  - whether the policy has resulted in any unintended consequences.
84. Our initial M&E work is focussed on baselining, developing key metrics, and ensuring that there is a coordinated programme of research to fill evidence gaps. This work will begin shortly.

### *Key measures and sources of data*

85. The tables below outline some of the potential key measures and data sources for the evaluation of the new collective redundancy threshold. These are subject to change and non-exhaustive.

**Table 6: Potential key measures and data sources for the evaluation of the new collective redundancy threshold**

SMART objectives/Policy Outcomes	Source	Purpose
<p><b>Objective One: An increase in the number of employees consulted when their employer is considering making X or more people redundant each year.</b></p>	<p>Quantitative Survey with Employers</p>	<p>Generate insights relating to redundancy behaviour.</p>
	<p>Evidence from key Stakeholders (Acas, ET and Unions)</p>	<p>Will help inform any additional monitoring/research we decide to do. As well as give us insight on those that don't complete consultations.</p>
	<p>HR1 Forms</p>	<p>Monitor number of collective redundancy consultations.</p>

	Monitor questions in CIPD Labour Market Surveys on redundancies	Monitor redundancy intentions & insights relating to redundancy behaviour.
	ONS BICS	Monitor number of collective redundancy consultations.
<b>Objective Two: An increase in the proportion of employers notifying the Secretary of State when proposing X or more redundancies each year.</b>	HR1 Forms	Monitor number of collective redundancy notifications.
	Evidence from key Stakeholders (e.g. Acas and Unions)	Monitor number of and experiences of employers that do not consult.
<b>Second Order Outcome One and Three: Improved outcomes for employees involved in a collective redundancy exercise (including increased redundancy pay).</b>	Labour Force Survey	Regression analysis using the Labour Force Survey to assess any changes to job-to-job flows
	Quantitative Survey with Employees	Monitor employee outcomes i.e. employee skills, employee-employer trust etc.
	Quantitative Survey with Employers	Monitor employee outcomes from an employer perspective.
	Stakeholder Engagement: Evidence from Key Stakeholders (Acas, ET and Unions)	Inform primary research methods. Will help inform any additional monitoring/research we decide to do. As well as give us insight on those that don't complete the consultations.  Provide insight into redundancy pay as well as inform primary research methods.
<b>Second Order Outcome Two: Improved outcomes for employers involved in a collective redundancy consultation (a reduction in the number of redundancies) by identifying better alternatives to redundancies.</b>	CBI and CIPD labour market surveys	Monitor employer redundancy behaviour.
	Quantitative Survey with Employees	Monitor employer outcomes.
	Quantitative Survey with Employers	Monitor employer outcomes and redundancy behaviour.

*Overview of considered M&E data collection approaches*

86. The intended outcome for this policy is to expand the collective redundancy protections and benefits to more employers and employees. We will use a mixed methods approach to ensure we capture the intended and unintended impacts of the Collective Redundancy policy. Quantitative data will help us understand and monitor the number of collective redundancy cases, as well as the awareness of policy changes. Qualitative data, including regular engagement with

stakeholders will deepen our understanding of how employers are interpreting policy changes, as well as any unintended consequences.

87. In order to carry out our M&E plans, we believe a suitable option would be to conduct an annual employee and employer survey containing questions on redundancy. This quantitative survey would provide insights into the outcomes and perspectives of both employees and employers involved in collective redundancy consultations. In this survey we could explore how many collective redundancy consultations took place, if this leads to increased redundancy pay and gather information on employer understanding and awareness of the policy.
88. This survey would be highly important for monitoring purposes. However, this would require significant time and resources for scoping and feasibility testing and may be more costly than alternative options. To maximise Value for Money, we could potentially broaden the scope to include other Employment Rights Act 2025 measures.
89. Another key source of monitoring data is HR1 forms. These forms will need updating in light of the new policy. Adding new questions to these forms would allow us to monitor collective redundancy consultations and identify what proportion relates to the new policy measure. This approach could be effective as we would be adding to an already existing piece of administrative data, which businesses must complete as part of the collective redundancy process. However, DBT does not own the HR1 form, so any additions would require Insolvency Service approval and may not be guaranteed. Additional questions could also create an administrative burden for businesses.
90. We will also explore gathering data via existing, ongoing surveys such as the Labour Force Survey and the Business Insight and Conditions survey (BICS). Another key existing survey here will be the CIPD Labour Market outlook Survey. CIPD publish a survey on recruitment and redundancy outlooks. This survey outlines the percentage of employers planning to make redundancies, the impact on the headcount, redundancy payments, any additional financial and non-financial support and reasons for this. This provides insight into employers' redundancy plans. The Spring 2025 survey also included questions on the outcomes of consultation exercises. If similar questions were included in future quarterly surveys, it would allow us to monitor the impact of the policy. We will engage with CIPD on this matter.
91. Note that whilst we can monitor redundancy rates and levels, it will be difficult to fully isolate and attribute them to the effects of the collective redundancy policy, rather than changes in economic conditions for example.
92. Therefore, we intend to gather intelligence and evidence on the effects of this policy through discussions and engagement with key stakeholders such as Acas, the Employment Tribunal, trade unions, business representative organisations and others. This would help to gather detailed evidence on how the policy changes are impacting employers and employees.

#### *Review objectives*

93. Any review or evaluation of this measure would look to assess whether the anticipated outcomes as set out in the Theory of Change and SMART objectives have been achieved, and the extent to which the measure has led to any unintended consequences. This will help to develop our understanding of impact of the measure. These plans will be developed alongside HMT Green Book / Magenta Book guidance.
94. Below are some high-level evaluation questions, these are subject to change and further developments:
  - To what extent have changes to the collective redundancy policy impacted the amount of collective redundancy consultations?

- To what extent have the measures caused increased employee job security?
  - To what extent have the measures created better employment outcomes for employees?
  - In what ways have the measures achieved their intended outcomes and impacts?
  - In what ways have the measures produced or contributed to any unintended consequences?
95. We will also need to evaluate the economic impact of the measure, including its costs and benefits. These questions will vary depending on the final scope of the evaluation, though this is expected to include:
- What costs have been incurred by employers?
  - What benefits have been generated by the implementation of this measure for both employers and employees?
  - What is the nature and scale of direct costs incurred by businesses?
  - What is the nature and scale of indirect costs incurred to businesses and the wider economy as a result of this measure?
96. A key uncertainty of the policy and risk to our M&E plans is the number of consultations that will be generated as a result of this policy. While our assessment does its best at estimating the impact on the number of consultations this is based on heavily caveated data and several assumptions. The number of collective redundancy consultations will be a key metric to keep track of, and this will be done via HR1 forms.
97. We will further continue to explore developments to our monitoring and evaluation plans with a focus on how we gather insights into the impacts of the preferred option explored in this options assessment, taking into consideration proportionality and feasibility. We will also consider opportunities to align our M&E work with the wider evaluation of the Employment Rights Act 2025, this will be subject to further consideration.

## 9. Minimising administrative and compliance costs for preferred option

98. The below presents the administrative and compliance costs we expect from the preferred option. The approach to estimating these is set out in the evidence base section below. These costs are small and we therefore do not consider any mitigation within policy design.
99. **HR1 forms:** This policy will generate a small administrative cost to employers who will need to complete and submit a HR1 form. This is a brief form which collects key information on the proposed collective redundancy exercise. The Redundancy Payments Service (RPS), acting on behalf of the Secretary of State for Business and Trade, collects the information and distributes it to the appropriate Government departments and agencies who offer job brokering services and/or training services. We estimate that this would generate a cost to business of £2,600 per year in our preferred option for a level of 250, £500 per year for a level of 1,000, or £1,100 per year for a level of 500.

100. **Familiarisation:** In addition, employers will need to familiarise themselves with the new requirement. We estimate that this would cost £202,000 in our preferred option.

101. **Monitoring of redundancies:** It is possible this policy would require employers to implement new redundancy and headcount monitoring systems following the introduction of an organisation-wide threshold. The existence of this cost and the extent of it will depend on the level at which the threshold is set. Based on engagement with business stakeholders, the threshold levels considered in this consultation are sufficiently high that we do not think this cost would be significant.

# Declaration

Department:

Contact details for enquiries:

Minister:

Minister for Employment Rights and Consumer Protection – Kate Dearden MP

I have read the Options Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

Date: 11/02/2026

## Summary: Analysis and evidence

Price base year: 2025

PV base year: 2027

This table may be reformatted provided the side-by-side comparison of options is retained	Option A – Fixed 250	Option A – Fixed 500	Option A – Fixed 1000	Option B – Tiered option
<p><b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)</p>	<p>£2,630.4m (between £2,049.4m and £3,210.5m range). Employees benefit from increased redundancy pay and wages paid during the consultation period and when redundancies are prevented. These are costs to employers but net benefits are driven by avoided redundancy pay when redundancies are prevented, avoided hiring costs when redeployment fills vacancies, and gained output.</p>	<p>£1,863.9m (between £1,452.6m and £2,274.8m range) Ibid.</p>	<p>£1,184.9m (between £923.3m and £1,446.4m range). Ibid.</p>	<p>£1,792.0m (between £1,396.6m and £2,187.1m range). Ibid.</p>
<p><b>Public sector financial costs</b> (with brief description, including ranges)</p>	<p>Impact of policy on public sector employers per year £-12.8m (between £+3.2m net benefit and £-28.8m net cost).  In addition, there may be costs from an increase in Employment Tribunal cases and demand for Acas conciliation. The increase in</p>	<p>£-8.6m (net cost) (between £+2.1m net benefit and £-19.3m net cost)  In addition, there may be costs from an increase in Employment Tribunal cases and demand for Acas conciliation. The increase in caseload is estimated at 0.23%.</p>	<p>£-5.0m (between £+1.3m net benefit and £-11.3m net cost).  In addition, there may be costs from an increase in Employment Tribunal cases and demand for Acas conciliation. The increase in caseload is estimated at 0.20%.</p>	<p>£-8.3m (between £+2.1m net benefit and £-18.6m net cost).  In addition, there may be costs from an increase in Employment Tribunal cases and demand for Acas conciliation. The increase in caseload is estimated at 0.25%.</p>

	caseload is estimated at 0.25%. This policy is expected to prevent redundancies, increase redundancy payments, and reduce unemployment spells. Each of these may reduce expenditure on Universal Credit.	This policy is expected to prevent redundancies, increase redundancy payments, and reduce unemployment spells. Each of these may reduce expenditure on Universal Credit.	This policy is expected to prevent redundancies, increase redundancy payments, and reduce unemployment spells. Each of these may reduce expenditure on Universal Credit.	This policy is expected to prevent redundancies, increase redundancy payments, and reduce unemployment spells. Each of these may reduce expenditure on Universal Credit.
<b>Significant un-quantified benefits and costs</b> (description, with scale where possible)	On balance, we conclude the non-monetised impacts are neutral. The possible negative impact of insolvencies is assessed to be negligible. Costs arising from Acas conciliation and Employment Tribunal cases are expected to be minimal. These costs are offset by benefits in the form of positive wellbeing impacts, improved staff morale and industrial relations, and prevented wage scarring. Impact on productivity is deemed neutral, with forces in both directions.	Ibid.	Ibid.	Ibid.
<b>Key risks</b> (and risk costs, and optimism bias, where relevant)	Risk of constant consultation for the largest employers is deemed possible for this option.	Risk of constant consultation for the largest employers is deemed unlikely for this option.	Risk of constant consultation for the largest employers is deemed nil for this option.	Risk of constant consultation for the largest employers is deemed very unlikely for this option.
<b>Results of sensitivity analysis</b>	All sensitivities change the scale of impacts but the conclusion remains – this policy will generate a net benefit to society.  1) We explore a sensitivity where delaying redundancies	All sensitivities change the scale of impacts but the conclusion remains – this policy will generate a net benefit to society.  1) Annual social impacts fall by 40% in this scenario, to £129.7m (from £216.6m).	All sensitivities change the scale of impacts but the conclusion remains – this policy will generate a net benefit to society.  1) Annual social impacts fall by 40%, to £82.5m (from £137.7m).	All sensitivities change the scale of impacts but the conclusion remains – this policy will generate a net benefit to society.  1) Annual social impacts fall by 40%, to £124.7m (from £208.2m).

	<p>does not reduce time spent unemployed.</p> <p>Annual social impacts fall by 40%, to £183.0m (from £305.6m).</p> <p>2) We explore a sensitivity where all redundancies receiving increased redundancy pay generate zero impact from delaying their redundancy.</p> <p>Annual social impacts fall by 38% in this scenario, to £188.3m (from £305.6m).</p> <p>3) We explore a sensitivity where businesses receive no benefits from consultations. Annual social impact falls by 33% to 204.1m (from £306.3m)</p>	<p>2) Annual social impacts fall by 38% in this scenario, to £133.5m (from £216.6m).</p> <p>3) Annual social impact falls by 33% to 144.6m (from £216.6m)</p>	<p>2) Annual social impacts fall by 38% in this scenario, to £84.9m (from £137.7m).</p> <p>3) Annual social impact falls by 33% to 91.9m (from £137.7m)</p>	<p>2) Annual social impacts fall by 38% in this scenario, to £128.3m (from £208.2m).</p> <p>3) Annual social impact falls by 33% to 139.1m (from £208.2m)</p>
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# Evidence base

## Summary of the analysis

102. By introducing an additional threshold for collective redundancy consultation that applies across establishments of an organisation, this policy will increase the population in scope of collective redundancy obligations.

103. The aim of collective redundancy consultations is to identify and agree ways to avoid the proposed dismissals, reduce the number of dismissals, and/or mitigate the consequences of any dismissals.

104. In our analysis, we therefore assume three outcomes from the additional collective redundancy consultations:

- **Prevented redundancies:** Consultations can reduce the number of redundancies by identifying alternatives.
- **Delayed redundancies:** By law, the consultation period must last at least 30 days if 20-99 redundancies are proposed or 45 days if 100+ redundancies are proposed. Therefore, the redundancies that still occur will now be realised later than they otherwise would have. As a result, employees made redundant will be paid for longer.
- **Increase in redundancy payments:** Among redundancies that still take place, collective redundancy consultations can lead to increased redundancy payments relative to what employees would have received without the consultation. This is a simplifying assumption. In reality, there are many other ways to mitigate the consequences of dismissals (e.g. extend certain benefits in kind beyond final day in job, provide CV workshops etc.).

105. Notification requirements serve to give the Government an early sight of significant job losses and prepare to offer support and resources to affected employees. We estimate a cost to business of notifying but do not explore any subsequent societal impacts from additional preparation for job losses.

106. The consultation proposes a fixed threshold set at a level between 250 – 1,000 as the preferred option. As such, the estimated impacts to society sit in a wide range. The size of this range is further compounded by the uncertainty in our analysis. To support understanding of impacts and discussion of this policy, we therefore present three estimates of the preferred option, with threshold levels at 250 and 1,000 to reflect the extremities of the policy range and a threshold level of 500 as an additional illustrative estimate within this range. We note this is not the midpoint nor is it considered in the consultation document. However, this level was used as an anchor in developing options (see Section 5) and we therefore view this as a credible additional illustrative estimate to support communication of possible impacts.

107. Table 7 below provides the Equivalent Annual Net Direct Cost to Business (EANDCB), the Equivalent Annual Net Direct Cost to Households (EANDCH), and the Net Present Social Value (NPSV) for the three estimates of the preferred option and for the alternative option considered in the consultation document. They are estimated relative to a 'Do Nothing' option.

108. **We acknowledge that this analysis may over-estimate the impacts of the policy.** However, it represents our best assessment of impacts at this stage. We will continue to build our evidence,

including through the consultation which this Options Assessment accompanies, with the aim of refining our estimates.

**Table 7: NPSV, EANDCB, EANDCH of different options (2025 prices, 2027 present value)**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
Equivalent Annual Net Direct Cost to Business	£131.9m (net cost)	£94.4m (net cost)	£60.9m (net cost)	£90.7m (net cost)
Equivalent Annual Net Direct Cost to Households	£-450.3m (net benefit)	£-319.5m (net benefit)	£-203.6m (net benefit)	£-307.2m (net benefit)
Total Net Present Social Value	£2,630.4m (between £2,049.4m and £3,210.5m)	£1,863.9m (between £1,452.6m and £2,274.8m)	£1,184.9m (between £923.3m and £1,446.4m)	£1,792.0m (between £1,396.6m and £2,187.1m)

109. The table below sets out the costs and benefits of the policy.

110. Our estimates are provided in a range to reflect some of the uncertainty in the analysis. This range is driven by the effectiveness of collective redundancy consultation at reducing redundancies and the cost of running the consultation exercises.

Impact	Theory	Preferred option impact per year	Confidence	Notes
Cost to business of running consultations	<p>All employers engaging in collective consultation will incur associated costs in running the consultations.</p> <p>This cost is purely the negotiation between the employer and the employee representatives. We do not estimate a cost from the meetings with affected employees because these occur in individual redundancy scenarios. Similarly, management planning discussions will already occur in the counterfactual. This policy does not affect these, it imposes additional negotiation with employee representatives.</p>	<p><b>For a threshold of 250:</b> £240,000 (between £64,000 and £513,000)</p> <p><b>For a threshold of 1,000:</b> £47,000 (between £13,000 and £101,000)</p> <p><b>For a threshold of 500:</b> £101,000 (between £27,000 and £215,000)</p>	<p>Medium-high – assumptions derived from stakeholder engagement. Range is provided to reflect uncertainty. Does not have substantial impact on overall estimates.</p>	
Cost to business from completing HR1 form	<p>Assumed it takes HR professional 30 minutes to fill out the form.</p>	<p><b>For a threshold of 250:</b> £2,600</p> <p><b>For a threshold of 1,000:</b> £520</p> <p><b>For a threshold of 500:</b> £1,100</p>		
<b>Prevented redundancies</b>				
Cost to business of paying wages for those whose redundancy is prevented	<p>For those redundancies that no longer take place as a result of the policy, employers will face the cost of continuing to pay their wages.</p> <p>However, we assume that these prevented redundancies mainly displace other labour (via filling existing vacancies, reduced hiring or reducing other workers’</p>	<p><b>For a threshold of 250:</b> £12.7m (between £0 and £25.4m)</p> <p><b>For a threshold of 1,000:</b> £12.7m (between £0 and £25.4m)</p> <p><b>For a threshold of 500:</b> £12.7m</p>	<p>Medium – based on data and logic.</p>	<p>This impact would be generated for whichever is shortest of time to fill hard-to-fill vacancies and unemployment spell. Beyond this point, the wage is also paid in the counterfactual. This is because the employee would have otherwise earned a wage from another employer or</p>

	hours/overtime). We therefore assume for most prevented redundancies that the net impact on wage costs is nil. The exception is for those who are redeployed into hard-to-fill vacancies where employers expect significant problems in filling them. We assume redeployment into these posts brings someone in sooner than in the counterfactual and therefore generates an impact.	(between £0 and £25.4m)		someone else would have been paid by the employer.
Benefit to business from prevented redundancies	By identifying alternatives to redundancy, employers (i) save the redundancy payments they would otherwise have made; (ii) save on hiring costs where those made redundant in the counterfactual are instead redeployed to fill vacancies; (iii) gain output from those redeployed into hard-to-fill vacancies where they expect significant problems in filling them.	<p><b>For a threshold of 250:</b> £101.5m (between 0 and £203.0m)</p> <p><b>For a threshold of 1,000:</b> £45.8m (between 0 and £91.5m)</p> <p><b>For a threshold of 500:</b> £71.9m (between 0 and £143.0m)</p>	Medium – based on data and logic.	As above, gained output is generated for whichever is shortest of time to fill hard-to-fill vacancies and unemployment spell. Beyond this point, the gained output is also produced in the counterfactual. This is because the employee would have otherwise generated output for another employer or someone else would have generated output for the employer.
Benefit to households from prevented redundancies	Wages earned by those whose redundancy is prevented. As with the cost to employers, we assume that prevented redundancies displace other labour that otherwise would have been in the roles that are filled by the workers who are no longer made redundant (via filling existing vacancies, reduced hiring or reducing other workers' hours/overtime). This	<p><b>For a threshold of 250:</b> £14.7m (between 0 and £29.4m)</p> <p><b>For a threshold of 1,000:</b> £6.6m (between 0 and £13.2m)</p> <p><b>For a threshold of 500:</b> £10.4m (between 0 and £20.8m)</p>	Medium – based on data and logic.	This impact would be generated for whichever is shortest of time to fill hard-to-fill vacancies and unemployment spell. Beyond this point, the wage is also paid in the counterfactual. This is because the employee would have otherwise earned a wage from another employer or someone else would have been paid by the employer.

	<p>means we assume that the net impact on wage costs is zero.</p> <p>The exception here is those wages paid for the hard-to-fill vacancies where they expect significant problems in filling them. We assume redeployment into these posts bring someone in sooner than in the counterfactual.</p>			
Benefit to households from preventing wage scarring	There is evidence that interruptions to employment bring not only the loss of income during the period of unemployment but also inflict a longer term 'scar' through increased future incidence of unemployment and lower subsequent earnings in employment.	Not monetised.		
<b>Delayed redundancies</b>				
Cost to business from paying workers longer when redundancy delayed	The redundancies that occur in both the do-nothing counterfactual and the policy scenario will now occur later than they otherwise would have. As a result, employees made redundant will be paid for longer compared to the counterfactual. This is partly offset by output produced during this period, noting that productivity and therefore output is significantly reduced.	<p><b>For a threshold of 250:</b> £71.4m (between £52.9m and £89.8m)</p> <p><b>For a threshold of 1,000:</b> £32.1m (between £23.8m and £40.4m)</p> <p><b>For a threshold of 500:</b> £50.6m (between £37.5m and £63.6m)</p>	Medium – based on data and logic. We explore a sensitivity where unemployment spell is not reduced.	<p>This impact occurs in full to those who leave the workforce following their redundancy.</p> <p>For all others, this impact occurs partially, to the extent that their unemployment spell is reduced. This is because wages would have otherwise been paid in the counterfactual.</p>
Benefit to households from being paid	The redundancies that still occur will now occur later than they otherwise would have. As a result, employees	<b>For a threshold of 250:</b> £261.0m	Medium – based on data and logic. We explore a	

longer when redundancy delayed	made redundant will be paid for longer compared to the counterfactual.	(between £193.6m and £328.4m) <b>For a threshold of 1,000:</b> £117.5m (between £87.1m and £147.8m)  <b>For a threshold of 500:</b> £184.9m (between £137.1m and £232.6m)	sensitivity where unemployment spell is not reduced.	
<b>Increased redundancy pay</b>				
Cost to business from increased redundancy pay	Employee representatives can negotiate better outcomes for employees – this leads to higher redundancy payments compared to the counterfactual. This is a pure transfer.	<b>For a threshold of 250:</b> £174.5m (between £129.5m and £219.6m)  <b>For a threshold of 1,000:</b> £79.5m (between 59.0m and £100.0m)  <b>For a threshold of 500:</b> £124.2m (between £92.2m and £156.3m)	Medium – based on data.	
Benefit to households from increased redundancy pay	Employee representatives can negotiate better outcomes for employees – this leads to higher redundancy payments compared to the counterfactual. This is a pure transfer.	<b>For a threshold of 250:</b> £174.5m (between £129.5m and £219.6m)  <b>For a threshold of 1,000:</b> £79.5m (between 59.0m and £100.0m)	Medium – based on data.	

		<b>For a threshold of 500:</b> £124.2m (between £92.2m and £156.3m)		
Any other mitigations e.g. benefits in kind	<p>While we are aware that other mitigations are provided, we do not hold evidence to estimate the extent and size of these. We therefore assume this is encompassed in the increased redundancy pay estimates and this therefore possibly over-estimates impacts.</p> <p>Note the benefits of CV workshops and other help to find new employment are to a large extent captured in our assumptions on the extent to which unemployment spells are reduced as a result of the policy.</p>			
<b>Other</b>				
Familiarisation cost	Familiarisation cost incurred by all businesses in scope of the policy.	£202,000 (for all thresholds)	Medium	
Cost to business of redundancy monitoring systems	<p>There may be a cost from needing to implement monitoring systems following the introduction of an organisation-wide threshold. This would consist of both a transition cost to implement new systems and then an ongoing running cost. The existence of this cost and the extent of it will depend on the level at which the threshold is set.</p> <p>Following discussions with business stakeholders, we expect this cost to be negligible.</p>	Not monetised.		

Employment Tribunal	Costs associated with additional cases on Employment Tribunal system, as well as additional legal costs on behalf of businesses and claimants navigating system.	Estimated additional 279-344 complaints submitted to Employment Tribunals per year. Not monetised.	Medium – based on data and an established method.	Costs to business from employers breaching the law are not considered a cost to society.
Acas	Costs to employers and claimants to work with ACAS, including legal and administrative fees	Estimated additional 871-1,076 cases submitted to ACAS per year. Not monetised.	Medium – based on data and an established method.	As above.
Productivity	Taken together, this policy has the potential to both increase or decrease a firm’s productivity, depending on the firm, the nature of its redundancies, and the context. We evaluate the impact of the policy on productivity as neutral. See points 237-240 for discussion.	Not monetised.		
Insolvencies	It is possible that the additional costs incurred by businesses from the policy change may drive some firms on the margin of insolvency into insolvency.	Not monetised.		
Physical and mental wellbeing	Redundancy exercises are found to generate negative health and wellbeing effects to those made redundant, their colleagues and those announcing the redundancies <sup>24</sup> . By preventing redundancies and mitigating the impact on those made redundant, this policy may support physical and mental wellbeing.	Not monetised.		
Staff morale and industrial relations	Providing opportunities for further discussion about forthcoming redundancies are reported as being	Not monetised.		

<sup>24</sup> The Chartered Institute of Personnel and Development (CIPD) (2020) ‘[Don’t shoot the messenger: The enigmatic impact of conveying bad news during redundancy situations and how to limit the impact](#)’. CIPD Applied Research Conference 2020

	beneficial to the morale of staff remaining and for industrial relations.			
Preventing wage scarring	Preventing redundancies will prevent the risk of wage scarring to some.	Not monetised.		

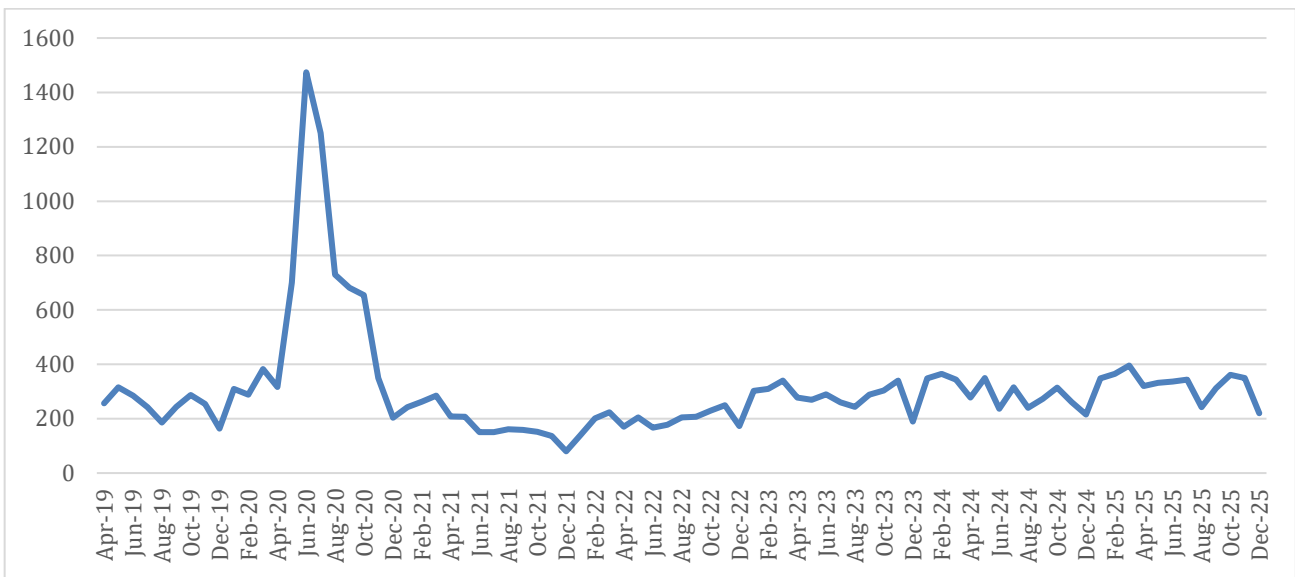
**Baseline – Collective redundancies pre-policy change**

111. In the baseline, the collective redundancy requirement applies only where 20 or more redundancies are proposed at one establishment for any reason.

112. To understand the current scale of collective redundancies, we draw on data from the ONS which shows that 3,926 employers in Great Britain notified that they were initiating a collective redundancy process at a single establishment in the year to December 2025, as reflected in HR1 notifications made to the Insolvency Service<sup>25</sup>.

113. Figure 3 shows the number of employers submitting HR1s each month has been broadly consistent in recent months, with a spike during the COVID-19 pandemic and a slight gradual increase over time.

**Figure 3: Number of employers submitting HR1s in by month, April 2019 – December 2025**



Source: Office for National Statistics (2025) ‘HR1: Potential redundancies, January 2025 Edition’

114. Employers report engaging in collective redundancy exercises for the reasons set out in Table 9 below.

**Table 9: HR1 form submissions by reason(s) for submission (January 2020 – October 2025)**

Reason for submitting HR1	As a proportion of all HR1s (%)
Lower demand for products or services	47%
Changes in work methods or organisation	38%
Closure of Establishment	32%
Transfer of work to another site or employer	17%
Insolvency	14%
Completion of all or part of contract	7%
Introduction of new technology / plant / machinery	4%

<sup>25</sup> Office for National Statistics. ‘HR1: Potential redundancies, January 2025 Edition’. Figure is for period January 2025 – December 2025 (inclusive).

Source: Department for Business and Trade (2025) Analysis of Sanitised data from Insolvency Service Redundancy Payment Services Database (received December 2025). Note that figures do not sum to 100% as more than one reason can be cited on the HR1 form this data is collected from.

115. The HR1 notification forms this data originates from has limitations. Notably, these are advance notifications, therefore they do not provide insight on the outcome of the consultation nor if the consultation even occurred. The above may therefore over-estimate the number of collective redundancy consultations.

### **Population in scope**

116. Our analysis uses data from the Inter-Departmental Business Register. This is not an official statistic and therefore not an official endorsement of employment. Register employment as contained on IDBR is based on several sources (ONS business surveys, HMRC VAT data, HMRC PAYE data). This means each employment entry is not from a same point in time. However, this dataset provides insight on employment at specific establishments which is crucial to this analysis. Businesses and work sites in Northern Ireland have been excluded from our analysis, as they are not in scope of this regulation. Due to the sensitivity of this dataset, we can only provide aggregated estimates.

117. We estimate there are 39,000 employers and 18.2m employees who could be in scope of this policy. These are employers with more than 20 employees operating out of more than one site and their employees. This is because the Employment Rights Act 2025 specifies that the threshold cannot be lower than 20 redundancies. In addition, employers who only operate out of one site are not counted because they would always trigger the 'at one establishment' test first. The table below sets out our estimates of the number of employers and employees who could be in scope of the policy for different threshold levels. The percentage is estimated from the subset of these employers that are larger than the threshold divided by the total employers in scope. The same approach is taken for employees.

118. We estimate that there are up to 2.1m employees who could be granted entirely new protections as a result of this policy, depending on the threshold(s) set. These are employees who are not protected under the current collective redundancy framework because they work at establishments with fewer than 20 employees for employers to whom a new organisation-wide threshold would apply.

119. In addition, we estimate that there are 16.1m employees whose collective redundancy rights could be strengthened with this policy, depending on the threshold(s) set. These are employees who are protected under the current collective redundancy framework, because they work at establishments with more than 20 employees for employers with multiple establishments, to which a new organisation-wide threshold would apply. This can be estimated for a given threshold by subtracting the numbers in table 11 from the employee numbers in table 10.

120. The figures in Table 10 and 11 provide the number of firms and employees that would be covered by / in scope of the policy, but they do not provide the number of employers who will undertake collective redundancy obligations as a result of the policy nor the number of proposed redundancies that will be consulted and notified on as a result of the policy. They indicate the number of employers and employees whose obligations and protections will be strengthened by the policy, not the employers and employees who will experience costs and benefits as a result of the policy.

**Table 10: Estimates of the number and proportion of employers and employees who could be in scope of the policy at different threshold levels**

Threshold level	Number of employers who could be in scope	As a % of employers who could be in scope	Number of employees who could be in scope	As a % of employees who could be in scope
20	39,000	100%	18.2m	100%
100	16,000	40%	17.1m	94%
150	12,000	32%	16.7m	92%
200	10,000	26%	16.3m	90%
250	9,000	22%	15.9m	88%
300	8,000	19%	15.6m	86%
350	7,000	17%	15.4m	84%
400	6,000	15%	15.1m	83%
450	5,000	14%	14.9m	82%
500	5,000	13%	14.7m	81%
750	3,000	9%	13.8m	76%
1,000	3,000	7%	13.1m	72%

121. Source: Department for Business and Trade (2025) Analysis of Inter-Departmental Business Registry Q1 2025. Number of employers rounded to the thousand.

**Table 11: Estimates of the number and proportion of employees who would be given new protections at different threshold levels**

Threshold level	Number of employees being granted completely new protections	As a % of employees who could be granted new protections	As a % of employees in scope of the policy
20	2.11m	100%	11.6%
100	1.69m	80%	9.3%
150	1.62m	77%	8.9%
200	1.56m	74%	8.6%
250	1.52m	72%	8.3%
300	1.48m	70%	8.1%
350	1.44m	69%	7.9%
400	1.42m	67%	7.8%
450	1.39m	66%	7.7%
500	1.37m	65%	7.5%
750	1.29m	61%	7.1%
1000	1.23m	58%	6.8%

Source: Department for Business and Trade (2025) Analysis of Inter-Departmental Business Registry Q1 2025

## Population impacted

122. To estimate the population impacted, we first estimate the number of employers making redundancies. We draw on redundancy intention survey data from the CIPD and use the long-term average of respondents which report they will make redundancies in the next three months at 19%.<sup>26</sup>

123. One limitation to this data is that employers over-estimate the extent to which they will make redundancies. Employers over-estimate (1) the likelihood that they will make redundancies and (2) the number of redundancies that they will make conditional on them making redundancies. Further CIPD data subsequently asked respondents if the redundancies occurred. This data reports that 69% of employers who intended to make redundancies subsequently made them. We therefore adjust our estimates to 69% of its value (13%). However, some employers report that they did not plan to make redundancies (81%) but subsequently did (4% of these) – we therefore scale our estimates up accordingly. **We therefore estimate 17% of employers will make redundancies in a three-month period** – please see the assumption log for further detail including the calculation.

124. To translate this into an estimate of the number of employers who could be impacted by the policy (i.e. are employers who we expect to make redundancies and therefore might need to consult), we multiply the number of employers of a given size in IDBR data by the 17% to estimate the number of employers who will make redundancies and then subtract the number of employers who already engage in collective redundancy consultation as per HR1 data. HR1 contains data on the total number of ongoing consultations, this is not split by employer size. We therefore assume the distribution of HR1 notifications mirrors the distribution of business size within IDBR, removing businesses with 20 or fewer employees. In total, we estimate 219,500 employers make redundancies in a quarter of a year. Please see the table below for a breakdown.

**Table 12: Breakdown by size band**

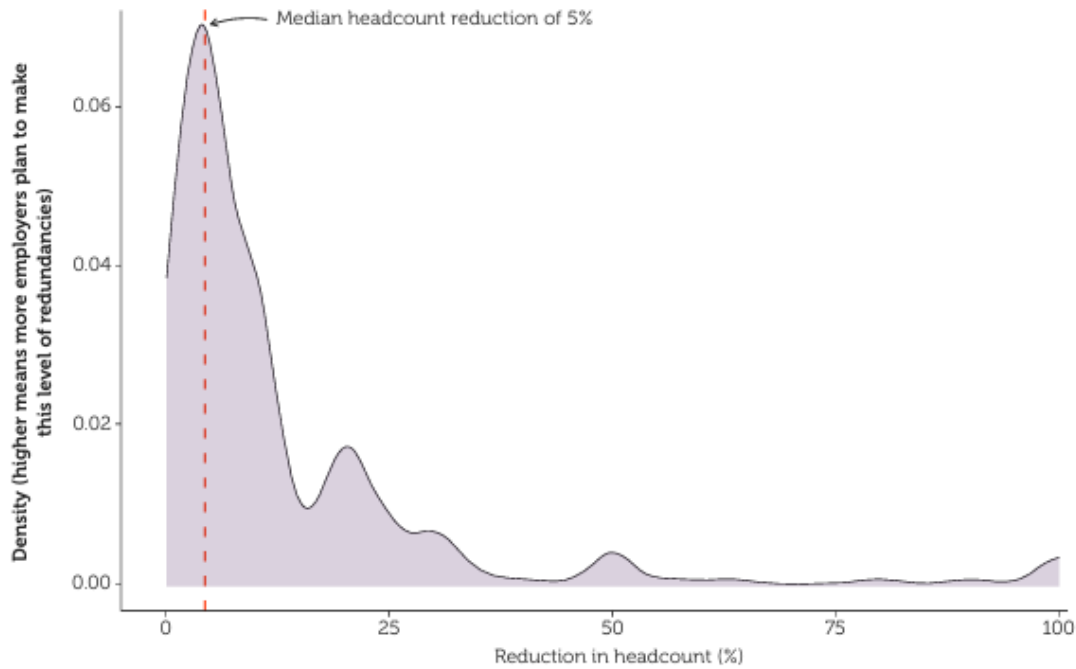
Size band	Number of businesses	No. businesses already consulting	No. employers considering redundancies but not consulting	Average size per employer
2-9	1,051,400	0	173,800	4
10-49	229,400	900	37,000	19
50-99	28,200	100	4,600	69
100-249	14,400	60	2,300	156
250-499	5,300	20	900	348
500-999	2,800	10	500	691
1000-4999	2,300	9	400	2,069
5000-9999	500	2	70	7,004
10000 or more	300	1	40	22,861

Source: Department for Business and Trade (2025) Analysis of Inter-Departmental Business Registry Q1 2025, number of businesses rounded to nearest 100, or nearest 10 when under 100.

<sup>26</sup> Chartered Institute of Personnel and Development (CIPD) (2016-2025). 'Labour Market Outlook data, Autumn 2016 – Spring 2025 waves'

125. We then draw again on redundancy intention data to translate this into an estimate of the number of redundancies that are taking place. CIPD's Spring 2025 Labour Market Outlook not only reports the proportion of firms intending to make redundancies within the next three months, but also the percentage reduction in headcount they are considering, as shown in Figure 4.

**Figure 4: Expected reduction in headcount among those making redundancies in next 3 months**



Base: spring 2025, all employers planning redundancies in the next three months and able to estimate the headcount reduction (n=281).

Source: CIPD Labour Market Outlook, Spring 2025

126. This data is also reported separately by business size band – see table 13 below, noting that we have rebased these numbers to strip out the responses reporting “Don’t know”.

**Table 13: Expected percentage reduction in headcount for employers planning redundancies in the next three months, by employer size band**

Reduction in headcount	2 to 9	10 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 or more
0.1% - 0.5%	0%	7%	4%	5%	3%	8%	7%
0.6% - 1.0%	0%	7%	15%	10%	9%	6%	5%
1.1% - 3%	0%	10%	23%	12%	11%	10%	16%
3.1% - 4%	0%	2%	0%	0%	12%	0%	4%
4.1% - 5%	0%	10%	14%	20%	27%	44%	37%
5.1% - 10%	14%	29%	18%	33%	18%	10%	11%
10.1% - 15%	3%	4%	0%	6%	5%	9%	2%
15.1 - 20%	35%	13%	10%	11%	10%	6%	5%
20.1 - 25%	5%	0%	4%	0%	0%	2%	7%

25.1 - 30%	20%	2%	8%	2%	0%	0%	1%
Over 30%	24%	16%	4%	0%	4%	4%	4%

Source: Department for Business and Trade (2025) analysis of CIPD Labour Market Outlook, Spring 2025

Note: percentages have been rebased to strip out the responses reporting "Don't know"

127. We can then use this data to estimate a distribution of employers considering redundancies, split by size and % reduction in workforce, expressed as a percentage of the total number of employers considering redundancies in each size band.

128. Taking these figures in table 13, multiplied by the number of businesses making redundancies but not consulting in table 12, allows us to estimate the number of employers making redundancies by size band and head count reduction below in table 14.

**Box 1: Calculation for the number of employers making redundancies by size band and proposed head count**

$\% \text{ employers making redundancies, by sizeband, by proposed headcount reduction} \\ \times \text{Number of employers making redundancies without consultation, by size band}$
--

**Table 14: Number of employers making redundancies by size band and proposed headcount reduction per year**

Reduction in headcount	2 to 9	10 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 to 4,999	5,000 to 9,999	10,000 or more
0.1% - 0.5%	0	2,538	202	123	30	37	27	5	3
0.6% - 1%	0	2,442	678	239	82	28	19	4	2
1.1% - 3%	0	3,853	1,048	268	96	47	60	12	7
3.1% - 4%	0	725	0	0	107	0	16	3	2
4.1% - 5%	0	3,800	633	462	233	202	136	28	16
5.1% - 10%	24,199	10,876	816	767	151	45	41	8	5
10.1% - 15%	5,334	1,476	0	151	42	41	6	1	1
15.1 - 20%	60,101	4,905	454	255	87	28	18	4	2
20.1 - 25%	8,387	0	177	0	0	9	24	5	3
25.1 - 30%	34,772	616	376	56	0	0	4	1	0
Over 30%	41,047	5,796	170	0	34	17	13	3	1

Source: Department for Business and Trade (2025), Internal Collective Redundancy modelling

129. We can then estimate the total number of redundancies by taking the mid-point of each band (e.g. if they report an expected headcount reduction of 0.1-0.5%, we estimate a 0.3% reduction. We assume 50% for the over 30% category) and multiplying by the average number of employees for employers in a given size band (table 12).

## Box 2: Estimating the number of redundancies

*Mid*

– *point of proposed headcount reduction band*

× *average number of employees of size band*

× *Number of businesses making redundancies without consultation, by size, by proposed headcount reduction band*

130. From this, we compute a total number of redundancies of 541,000. This represents five times the number of the redundancies (110,084 per quarter) reported by the Office for National Statistics (2025), based on the Labour Force Survey for the corresponding period (January 2025 to March 2025). Although the Labour Force Survey is facing issues with declining response rates, it remains the best data on redundancies in the UK and remains used for official statistics.

131. We therefore scale down the reduction in headcount to address the extent to which employers severely over-estimate the number of redundancies they will make in future to ensure the model does not overshoot redundancies in the Labour Force Survey. We do so by multiplying the reported reduction in workforce by 20% (the extent to which the method described above overshoots the Labour Force Survey). In doing so, we are assuming that the distribution of the data is correct, even if the data itself is heavily biased. The decision to make redundancies is shaped by evolving business needs and detailed decision-making processes. Meanwhile, it is easy to claim the intention to make many redundancies in a published survey to reflect internal business anxieties and/or external economic pressures. We therefore think this is a reasonable approach given the lack of alternative datasets available.

132. Note we adjust the number of redundancies per employer rather than the number of employers for a given split because we already account for the employers who do not go ahead with planned redundancies as per point 123. We therefore think that the bias is found in the magnitude of redundancy exercises, rather than the incidence of redundancy exercises.

133. We considered two alternatives to this approach:

- a. Fit the model to the LFS – Adjust the estimates of businesses and potential redundancies caught by the new requirement. In doing so, we would assume that both the incidence and the magnitude of redundancy exercises is overstated. This option was discarded because it seemed crude and lacked a theoretical explanation.
- b. Adjust expectations of workforce reductions – Adjust the CIPD data for the difference in magnitude. For example, if a business expected a headcount reduction of 10% and the LFS adjustment is 1/5, then adjust the 10% down to 2%. This would shift all the data downwards with a loss of the distribution at the top end and many redundancy exercises being dropped from the dataset. This option was discarded because of the impact on the data and subsequent implications (no data at top end of size distribution where we expect greatest policy impacts).

134. We have built a model in Excel which compares (A) the number of redundancies implied for a given size and projected headcount reduction to (B) the proposed threshold(s). If (A) < (B), no consultation required. If (A) >= (B), consultation. This provides employer size and projected headcount reduction combinations which will require consultation following the new policy. We sum the number of employers in each group who would be affected, which gives us the total number of consultations. To find the number of proposed redundancies covered, we multiply the

number of employers in each group by their proposed redundancies and add these together. Since the data is given for a quarter, we multiply the results by four to estimate the yearly figures.

135. Table 15 provides the number of businesses we estimate will run collective redundancy consultations per year as a result of this policy (the number of additional consultations) and the number of proposed redundancies per year which will be consulted collectively as a result of this policy for each option under consideration. Table 43 at the end of this document provides further estimates.

136. These can be compared to the HR1 statistics presented above. With 3,926 unique employers engaging in collective redundancy consultations in the year to December 25<sup>27</sup>, an additional 19 consultations represents a 0.5% increase while an additional 97 consultations represents a 2.5% increase.

**Table 15: Estimated impact of each policy option on the number of businesses and redundancies captured by collective redundancies per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
Number of additional consultations	97	41	19	38
Number of proposed redundancies going through consultation	61,700	43,900	28,100	42,200

137. To note, large scale redundancies are rare and barely feature in data. Table 15 above includes >30% as a category and while the CIPD (2025) Labour Market Outlook microdata reports responses up to 100% of workforce being made redundant, the number of responses for such higher levels of workforce reduction intentions is too low to create additional bands. As a result, our analytical method estimates nil impact from a threshold level beyond 2,000 because they are extremely rare occurrences. Instances where thousands of employees were not consulted on their redundancy because the employer did not pass the threshold of '20 or more employees at one establishment' are very rare and it is their egregious nature which has spurred the Government to introduce this policy.

138. We may expect a behavioural effect whereby employers reduce the number of redundancies they propose or spread redundancies out over time as a means to avoid collective redundancy consultation.

139. Separately, we are aware that employers sometimes consult collectively even when they are not legally mandated to. This, and the effects above, are not accounted for in our analysis. As a result, we may over-estimate the number of consultations resulting from this policy and therefore the impacts of this policy.

140. **We acknowledge that this analysis may over-estimate the impacts of the policy.** However, it represents our best assessment of impacts at this stage. We will continue to build our evidence,

<sup>27</sup> Office for National Statistics. 'HR1: Potential redundancies, January 2026 Edition'. Figure is for period January 2025 – December 2025 (inclusive).

including through the consultation which this Options Assessment accompanies, with the aim of refining our estimates.

## **Policy impacts**

141. As a result of collective redundancy consultations, some redundancies will be prevented while all others will be delayed. Of these delayed redundancies, some will receive increased redundancy payments compared to the counterfactual. The table below provides estimates for the two options under consideration.

**Table 16: Summary of outcomes of each proposed redundancy under a range of thresholds, per year**

	<b>Option A – Fixed 250</b>	<b>Option A – Fixed 500</b>	<b>Option A – Fixed 1000</b>	<b>Option B – Tiered option</b>
<b>Proposed redundancies (pre-consultation)</b>	61,700	43,900	28,100	42,200
<b>Prevented redundancies (post-consultation)</b>	12,700 (between 0 and 25,300)	9,000 (between 0 and 18,000)	5,800 (between 0 and 11,500)	8,700 (between 0 and 17,300)
<b>Delayed redundancies (post-consultation)</b>	49,100 (between 36,400 and 61,700)	34,900 (between 25,900 and 43,900)	22,300 (between 16,600 and 28,100)	33,600 (between 24,900 and 42,200)
<b>Delayed redundancies which receive increased redundancy pay (post-consultation)</b>	30,300 (between 22,500 and 38,200)	21,600 (between 16,000 and 27,200)	13,800 (between 10,200 and 17,400)	20,800 (between 15,400 and 26,100)

## **Prevented redundancies**

142. Stakeholders report consultation exercises can bring significant benefit by providing alternatives to the proposed redundancies. They highlight instances where employers have agreed for certain areas of the business to be overstaffed compared to the usual model, waiting for natural churn to bring the numbers back in line. They also report agreeing the provision of transport or a mileage allowance to relocate staff, to have identified suitable alternative roles, to have provided options for re-training.

143. The CIPD Labour Market Outlook also provides quantitative insights. Of the employers reporting they conducted a collective redundancy programme in the last 12 months, 34% aimed to retain staff by allowing employees to try out an alternative role for more than four weeks without giving up their right to redundancy pay. Other benefits include counselling services (31%), career transition support to help the employee find another job (27%), extended provision of certain employee benefits for an increased period (24%).

144. In absence of other evidence, we model three scenarios:

- In our “optimistic” scenario, we draw on these CIPD findings and assume the full 34% of consultations that led employers to allow employees to try out an alternative role result in a reduction in redundancies. This is optimistic because not all employees may be proposed alternatives, not all employees may accept alternatives, and not all employees may remain in the alternative once they have trialled it.

- In our “pessimistic scenario”, we assume that 0% of redundancies are reduced. We believe this is overly pessimistic based on discussions with stakeholders and case studies provided by trade unions but is useful to explore nonetheless – what are the impacts of the policy if collective redundancy consultations are ineffective.
- In our “central scenario”, we assume the mid-point (17%). This is possibly a conservative assumption. Our upper-bound is provided by data while our lower-bound is the theoretical minimum, so our central possibly has a downward bias. However, this value is comparable to previous Department of Trade and Industry case studies (Hall and Edwards,1999<sup>28</sup>) which find that for eight case studies, three businesses significantly reduced the number of redundancies after consultation, by 8%, 19%, and, in one case, avoid redundancies all together (100%). Taking the flat average of these results, including the five businesses where consultation did not affect the number of individuals made redundant (0%), suggests collective redundancy consultations reduce redundancies by 16% on average. We therefore think our central assumption of 17% is reasonable at this stage and will continue to build our evidence base with the aim of refining this crucial assumption.

145. In our analysis, the optimistic scenario feeds into the upper bound net impacts to society while the pessimistic scenario feeds into the lower bound impacts.

146. The CIPD data also provides breakdowns by employer-size. We use the approach above for the reductions in redundancies by size band, see table 17.

**Table 17: Estimated proportion of consultations resulting in a reduction in redundancies broken down by employer size**

	All	2 to 9	10 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 or more
Central scenario	17%	8%	9%	11%	13%	14%	17%	21%
Optimistic scenario	34%	16%	17%	22%	25%	27%	34%	41%
Pessimistic scenario	0%	0%	0%	0%	0%	0%	0%	0%

Source: Department for Business and Trade (2025) analysis of CIPD Labour Market Outlook, Spring 2025

147. We use the above proportions in our modelling to estimate the number of redundancies which are reduced as a result of the new collective redundancy consultations. We apply the estimates separately to firms of each size.

148. For those redundancies which are prevented, this will be because the consultation process will have helped establish alternatives. When making redundancies, the employer is reducing labour inputs in the business. When alternatives are identified via consultation, the employer is identifying alternative means to reduce labour inputs. Typical alternatives include filling existing vacancies, reducing hiring, reducing overtime or reducing the use of contractors.

149. **Fill existing vacancies & reduce hiring:** We use the same CIPD Labour Market Outlook Spring 2025<sup>29</sup> data to estimate the proportion of prevented redundancies which fill vacancies, the

<sup>28</sup> Hall and Edwards (1999). [‘Reforming the statutory redundancy consultation procedure’](#) Industrial Law Journal

<sup>29</sup> Chartered Institute of Personnel and Development (2025). ‘Labour Market Outlook, Spring 2025’

proportion of hard to fill vacancies, and the proportion of hard to fill vacancies which employers face significant problems in filling them.

150. Of those reporting they offered staff alternative roles to reduce redundancies, 78% reported having vacancies and 57% reported having hard to fill vacancies. Of the employers with hard to fill vacancies, 34% expect significant problems in filling these.

**Table 18: Breakdown of predicted redundancies by outcome and policy per year**

	<b>Option A - Fixed 250</b>	<b>Option A - Fixed 500</b>	<b>Option A - Fixed 1000</b>	<b>Option B - Tiered option</b>
Prevented redundancies	12,700 (between 0 and 25,300)	9,000 (between 0 and 18,000)	5,800 (between 0 and 11,500)	8,700 (between 0 and 17,300)
Which fill vacancies	9,900 (between 0 and 19,700)	7,000 (between 0 and 14,000)	4,500 (between 0 and 9,000)	6,700 (between 0 and 13,500)
Of which are hard to fill vacancies	7,200 (between 0 and 14,500)	5,200 (between 0 and 10,300)	3,300 (between 0 and 6,600)	5,000 (between 0 and 9,900)
Of which are hard to fill vacancies where employers face significant difficulties filing.	2,500 (between 0 and 4,900)	1,800 (between 0 and 3,500)	1,100 (between 0 and 2,300)	1,700 (between 0 and 3,400)

151. These estimates are used later in this analysis when estimating the costs and benefits of the policy.

152. **Reduce hours / overtime / other:** Where employers reduce hours / overtime / other, then we assume no impact on aggregate to the scenario where the redundancy was made (i.e. we assume the employers are spreading the same number of hours across a larger number of workers). Whilst some workers will be negatively impacted by this reduction in hours, this is a distributional impact and we do not expect there to be an impact on aggregate.

#### Delayed redundancies

153. By definition, all redundancies that are not prevented are delayed. These still occur, but the consultation delays their realisation. Please see table below.

**Table 19: Estimated proportion of delayed redundancies broken down by employer size**

	<b>All</b>	<b>2 to 9</b>	<b>10 to 49</b>	<b>50 to 99</b>	<b>100 to 249</b>	<b>250 to 499</b>	<b>500 to 999</b>	<b>1,000 or more</b>
Central scenario	83%	92%	91%	89%	87%	86%	83%	79%
Optimistic scenario	66%	84%	83%	78%	75%	73%	66%	59%
Pessimistic scenario	100%	100%	100%	100%	100%	100%	100%	100%

Source: Department for Business and Trade (2025) analysis of CIPD Labour Market Outlook, Spring 2025

154. As above, we use these proportions in the modelling to estimate the number of redundancies which are delayed as a result of the new collective redundancy consultations.

Increase in redundancy payment (prevalence and size of payment)

155. The same data from CIPD’s Spring 2025 Labour Market Outlook reports that 50% of the employers who report conducting a collective redundancy programme in the last 12 months offered those workers made redundant an enhanced redundancy package relative to what they otherwise would have received. Table 20 summarises the percentage of employers making redundancies who offered enhanced payments that exceeded statutory redundancy pay by business size.

**Table 20: Proportion of employers who offered more generous redundancy pay, by employer size bands**

	All	2 to 9	10 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1,000 or more
Offered more generous redundancy pay (exceeding statutory)	50%	27%	19%	51%	46%	28%	50%	62%
Offered statutory redundancy pay	41%	63%	74%	46%	45%	60%	39%	30%
Don't know	9%	10%	7%	3%	10%	12%	10%	8%

Source: Department for Business and Trade (2025) analysis of CIPD Labour Market Outlook, Spring 2025

156. This data also reports redundancies payment size, with 21% of those surveyed reporting providing up to £5,000 in redundancy payments, 4% report providing between £5,001 and £10,000, and 9% report providing over £10,000. The majority report providing £0 though questionnaire design may have caused the significant number of £0 answers as this was a free text box. Alternatively, it could indicate that employers favour making newer employees redundant (following the Last In, First Out principle) since statutory redundancy pay is normally eligible for employees who have worked at the employer for two years or more.

157. Of those who reported offering more generous redundancy pay, 25% reported providing up to £5,000 in redundancy payments, 7% reported providing between £5,001 up to 10,000, and 11% reported provided over £10,000.

158. For our analysis, we analyse the microdata of the CIPD Spring 2025 Labour Market Outlook to estimate the average redundancy payment, for those who reported offering more generous redundancy payments. This is estimated at £11,768.

159. Table 16 provides the number of proposed redundancies going through collective redundancy consultation, those which are prevented, those which are delayed, and those which receive additional redundancy pay.

160. All the above is broken down by size bands. To enable us to use sector wages in our analysis, we therefore convert these estimates to sector-level estimates. We do so by splitting the estimated number of consultations and proposed redundancies for a particular employer size band by the sector distribution of the size band. In doing so, we assume no difference in the propensity to make redundancies by sector. This is a simplifying assumption.

## Monetised estimates

**Table 21: Breakdown of monetised impacts per year** – Note these include public sector employers which are excluded for the EANDCB

	<b>Option A – Fixed 250</b>	<b>Option A – Fixed 500</b>	<b>Option A – Fixed 1000</b>	<b>Option B – Tiered option</b>
<b>Benefits to Employees</b>	<b>£450.3m</b> (between £352.5m and £548.0m)	<b>£319.5m</b> (between £250.1m and £388.9m)	<b>£203.6m</b> (between £159.3m and £247.8m)	<b>£307.2m</b> (between £240.4 and £373.9m)
Benefit from delayed redundancies	£261.0m (between £193.6m and £328.4m)	£184.9m (between £137.1m and £232.6m)	£117.5m (between £87.1m and £147.8m)	£177.7m (between £131.8m and £223.6m)
Benefit from larger redundancy payments	£174.5m (between £129.5m and £219.6m)	£124.2m (between £92.2m and £156.3m)	£79.5m (between £59.0m and £100.0m)	£119.4m (between £88.6m and £150.3m)
Benefit from prevented redundancies	£14.7m (between £0 and £29.4m)	£10.4m (between £0 and £20.8m)	£6.6m (between £0 and £13.2m)	£10.0m (between £0 and £20.0m)
<b>Benefits to Employers</b>	<b>£101.5m</b> (between £0 and £203.0m)	<b>£71.9m</b> (between £0 and £143.9m)	<b>£45.8m</b> (between £0 and £91.5m)	<b>£69.2m</b> (between £0 and £138.3m)
Avoided redundancy payments	£73.6m (between £0 and £147.3m)	£52.3m (between £0 and £104.5m)	£33.3m (between £0 and £66.6m)	£50.2m (between £0 and £100.5m)
Reduction in hiring costs	£14.8m (between £0 and £29.6m)	£10.5m (between £0 and £21.0m)	£6.7m (between £0 and £13.5m)	£10.1m (between £0 and £20.2m)
Gained output from retaining hard to fill vacancies	£13.1m (between £0 and £26.1m)	£9.2m (between £0 and £18.3m)	£5.7m (between £0 and £11.5m)	£8.8m (between £0 and £17.6m)
<b>Cost to Employers</b>	<b>£246.2m</b> (between £182.5m and £309.9m)	<b>£174.9m</b> (between £129.7m and £220.1m)	<b>£111.7m</b> (between £82.8m and £140.5m)	<b>£168.1m</b> (between £124.7m and £211.6m)
Cost of delayed redundancies	£71.4m (between £52.9m and £89.8m)	£50.6m (between £37.5m and £63.6m)	£32.1m (between £23.8m and £40.4m)	£48.6m (between £36.1m and £61.2m)
Cost of larger redundancy payments	£174.5m (between £129.5m and £219.6m)	£124.2m (between £92.2m and £156.3m)	£79.5m (between £59.0m and £100.0m)	£119.4m (between £88.6m and £150.3m)
Cost of running consultations	£240,000 (between £64,000 and £513,000)	£101,000 (between £27,000 and £215,000)	47,000 (between £13,000 and £101,000)	£94,000 (between £25,000 and £200,000)
Cost of completing HR1 forms	£2,600	£1,100	£520	£1,000
<b>Net Impact to Society</b>	<b>£+305.6m</b> (between £238.1m and £373.0m)	<b>£+216.6m</b> (between £168.8m and £264.3m)	<b>£+137.7m</b>	<b>£+208.2m</b>

			(between £107.3m and £168.1m)	(between £162.3m and £254.1m)
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161. This section sets out our approach to the monetised estimates of impacts.

162. Our modelling creates three scenarios from which we draw our impact estimates. In the optimistic scenario we assume that 41% of redundancies are prevented and the lower bound of costs to running consultations. In the pessimistic scenario we assume that 0% of redundancies are prevented and the upper bound of costs to running consultations. Below sets out which assumptions were used, and how these assumptions feed into central, upper and lower bound estimates in the OA.

**Table 22: List of monetised impacts and their model assumptions**

Assumption	Central Estimate	Pessimistic Scenario	Optimistic Scenario
<b>Impact to business</b>			
Cost of consultations	Medium	High	Low
Cost of HR1	Medium	Medium	Medium
Cost of delayed redundancies	Medium	High	Low
Cost of increased redundancy pay	Medium	High	Low
Gained output/reduced hiring costs from prevented redundancies	Medium	No impact	High
Avoided redundancy pay	Medium	No impact	High
Net cost to business	Medium	High	Low
<b>Impact to households</b>			
Benefit of delayed redundancies	Medium	High	Low
Benefit from increased redundancy pay	Medium	High	Low
Benefit from prevented redundancies	Medium	No impact	High
Net benefit to households	Medium	High	Low
<b>Net Impact</b>			
Net Present Value	Central estimate	Lower bound	Upper bound

Benefit to employees: Delayed redundancies

163. The table below sets out the estimated benefit to employees per year of delaying the redundancies of those who are made redundant in both the counterfactual and the policy scenario.

**Table 23: Benefits to employees of delayed redundancies per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B – Tiered option
<b>Number of delayed redundancies</b>	49,100 (between 36,400 and 61,700)	34,900 (between 25,900 and 43,900)	22,300 (between 16,600 and 28,100)	33,600 (between 24,900 and 42,200)
<b>Benefit to employees from delayed redundancies</b>	£261.0m (between £193.6m and £328.4m)	£184.9m (between £137.1m and £232.6m)	£117.5m (between £87.1m and £147.8m)	£177.7m (between £131.8m and £223.6m)

164. **Length of delay:** Drawing on a 2013 BIS impact assessment of previous changes to collective redundancy, we assume that each employee dismissed will be employed for an additional 36.9 days for employers considering 20-99 redundancies and 55.49 days for employers considering 100+ redundancies. In hours, this amounts to an additional 255 hours (20-99 redundancies) or 411 hours (100+ redundancies).<sup>30</sup> These estimates are greater than the statutory consultation period requirement and reflect the fact that discussions on large-scale redundancies often take longer than the legal minimum. All our options are 100+ therefore we assume 411 hours.
165. **Wage:** We use 2025 sector median wages<sup>31</sup>.
166. **Counterfactual:** We assume the impact occurs in full to those who leave workforce. For the rest, we assume that this impact occurs partially to the extent that their unemployment spell is reduced. This is because wages would have otherwise been paid in the counterfactual.
167. **Full impact:** Analysis of the Labour Force Survey (2019 - 2024 period) indicates that 24.7% of those who have been made redundant move into economic inactivity. This was estimated by identifying the employment status of those made redundant in the last three months. The data shows that 24.7% of individuals made redundant in the last three months report being economically inactive, neither working nor looking for a job.
168. **Partial impact:** In addition, the impact occurs partially to those whose unemployment spell is reduced. This is because greater notice provides workers with the opportunity to search for work while still employed. Recent analysis by Cederlof and others (2021)<sup>32</sup> on Swedish data finds that increasing notice periods reduce time spent unemployed. Their IV estimates imply that prolonging notice by one month reduces non-employment exposure by 0.6 months – we therefore assume 60% on the partial impact of delayed redundancies.
169. **Calculation:** We sum the full impact and the partial impact to estimate the net impact of delayed redundancies.
170. To calculate the full impact, we multiply the number of delayed redundancies by the proportion generating a full impact (24.7%), by the estimated average duration of delay (411 hours) and by the wage.
171. To calculate the partial impact, we multiply the number of delayed redundancies by the proportion generating a partial impact (1-24.7%), by the estimated average duration of delay (411 hours), by the assumption on partial impact (60%) and by the wage.

### Box 3: Calculation of benefit to employees from delayed redundancies

$$\begin{aligned}
 & \text{Number of delayed redundancies} \\
 & \quad \times \text{Proportion generating full impact (24.7\%)} \\
 & \quad \times \text{Duration of delay (411 hours)} \times \text{wage} \\
 & + \text{Number of delayed redundancies} \\
 & \quad \times \text{Proportion generating partial impact (1 - 24.7\%)} \\
 & \quad = 75.3\% \times \text{Duration of delay (411 hours)} \times \text{wage} \times 60\%
 \end{aligned}$$

<sup>30</sup> This is based on evidence from Department for Business, Innovation and skills (2013) '[Collective Redundancy Consultation Impact Assessment](#)' which explored the impacts of reducing the minimum required length of consultation for businesses proposing 100+ redundancies. In this, they estimated an average reduction of 34.51 days in the length of consultations from the proposed policy change compared to the previous 90-day minimum, based on consultation responses. This suggested an average consultation period of 55.49 days for businesses with 100+ proposed redundancies which is 23% greater than the statutory 45 days. We apply this 23% to the 30 days statutory for 20-99 redundancies to account for instances where this takes longer. We assume 7.4 working hours per day based on Annual Survey of Hours and Earnings (ASHE) (2025), table 1.9a.

<sup>31</sup> Office for National Statistics (2025), 'Annual Survey of Hours and Earnings', table 5.5a

<sup>32</sup> Cederlof and others (2021) '[Mandatory notice of layoff, job search, and efficiency](#)', The Quarterly Journal of Economics

172. **Sensitivity:** We explore a sensitivity where delaying redundancies does not reduce time spent unemployed. As a result, delaying redundancy only moves the redundancy period into the future and therefore generates no impact. In this sensitivity then, we only calculate the impact of delaying a redundancy for the estimated 24.7% who move into economic inactivity and generate a full impact. See the section on sensitivities for results.

Cost to employers: Delayed redundancies

173. The benefit to employees from having their redundancy delayed generates a cost to employers. We use the same assumptions as above. The method is similar but different – wage is uplifted for non-wage costs and we account for the output generated during the delay. The output generated is one of the drivers of the net positive impacts of this policy.

174. The table below provides our estimates of the cost to employers per year of delaying the redundancies of those who are made redundant in both the counterfactual and the policy scenario.

**Table 24: Cost to employers of delayed redundancies per year**

	Option A – Fixed 250	Option A – Fixed 500	Option A – Fixed 1000	Option B – Tiered option
<b>Number of delayed redundancies</b>	49,100 (between 36,400 and 61,700)	34,900 (between 25,900 and 43,900)	22,300 (between 16,600 and 28,100)	33,600 (between 24,900 and 42,200)
<b>Cost to employer from delayed redundancies</b>	£71.4 million (between £52.9m and £89.8m)	£50.6 million (between £37.5m and £63.6m)	£32.1 million (between £23.8m and £40.4m)	£48.6 million (between £36.1m and £61.2m)

175. **Labour input costs:** We use the sector median wage<sup>33</sup>, uplifted by 22% to account for non-wage costs<sup>34</sup>. This provides the additional labour costs incurred by employers from the delayed redundancies.

176. **Labour output:** The level of output produced by employees during the consultation period will likely depend on the circumstances for which the employer is proposing redundancies. We use a cut of cleaned and anonymised HR1 data (covering the January 2020 to October 2025 period) from the Insolvency Service to split employers engaging in collective redundancy exercises. Multiple reasons can be provided on HR1 forms. Therefore, we create a hierarchy with different output assumptions for each:

- a. **Zero output:** Any collective redundancy for reasons which include insolvency or completion of contract as a reason. This is a stringent assumption since the type of insolvency will determine if output is produced or not (rescue vs termination strategies). Nevertheless, we think assuming this is reasonable. Delaying these redundancies creates a cost to business.
- b. **Output = labour cost input:** Collective redundancy for any other reasons. Output is likely to vary depending on the circumstances of each redundancy scenario<sup>35</sup>. We assume that output produced during this period is reduced but that it is sufficient to pay the additional

<sup>33</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 5.5a

<sup>34</sup> Department for Business and Trade (2025) analysis of UK Economic Accounts (2024) and Annual Survey of Hours and Earnings (2024)

<sup>35</sup> For example, output may remain unchanged (equivalent to median sector output) but labour input may become relatively less productive compared to capital with the introduction of new technology. Conversely, output could fall below labour input costs following change in work methods or closure of establishment.

wages from the redundancies being delayed. Therefore, delaying these redundancies generates no impact to business.

The table provides the output assumption for each reason.

**Table 25: Output assumption for the reason of redundancy**

Reason for submitting HR1	Output assumption
Insolvency	Zero output
Completion of all or part of contract	Zero output
Lower demand for products or services	Labour cost input
Closure of Establishment	Labour cost input
Transfer of work to another site or employer	Labour cost input
Changes in work methods or organisation	Labour cost input
Introduction of new technology / plant / machinery	Labour cost input

177. Based on this approach and HR1 data, 22% of delayed redundancies will produce zero output and 78% will produce at labour cost input. In other words, there is a cost to business in 22% of delayed redundancy scenarios equivalent to the difference in labour input costs and output. For 78% of delayed redundancies, there is no additional cost to businesses.

178. We estimate the average output per hour during a redundancy consultation by taking the probability of an individual producing at labour cost input for any given redundancy (78%), multiplied by wage rate, uplifted for non-wage costs by 22%.

**Box 4: Calculation of average output per hour when redundancy is delayed**

$$\text{Probability of producing at labour cost input (78\%)} \times (\text{wage} \times (1 + \text{non} \\ - \text{wage cost uplift (22\%)}))$$

179. **Calculation:** We sum the full impact and the partial impact to estimate the net impact of delayed redundancies.

180. To calculate the full impact, we multiply the number of delayed redundancies by the proportion generating a full impact (24.7%), by the estimated average duration of delay (411 hours) and by the difference between the average labour cost input per hour and average expected output per hour.

181. To calculate the partial impact, we multiply the number of delayed redundancies by the proportion generating a partial impact (1-24.7%), by the estimated average duration of delay (411 hours), by the assumption on partial impact (60%) and by the difference between labour cost input per hour and expected output per hour.

**Box 5: Calculation of net impact of delayed redundancies**

$$\begin{aligned} & \text{Number of delayed redundancies} \\ & \quad \times \text{Proportion generating full impact (24.7\%)} \\ & \quad \times \text{Duration of delay (411 hours)} \\ & \quad \times (\text{Labour cost input per hour} - \text{Average output per hour}) \\ & + \text{Number of delayed redundancies} \\ & \quad \times \text{Proportion generating partial impact (1 - 24.7\%} \\ & \quad = 75.3\%) \times \text{Duration of delay (411 hours)} \\ & \quad \times (\text{Labour cost input per hour} \\ & \quad - \text{Average output per hour}) \times 60\% \end{aligned}$$

182. **Sensitivity:** As above, we explore a sensitivity where delaying redundancies does not reduce time spent unemployed. See the section on sensitivities for results.

183. Note if we assumed full deadweight loss from delaying redundancy and an output assumption of zero for all delayed redundancies, the cost to business would be equivalent to the benefit to households, uplifted for non-wage costs. This would reduce the net positive impacts to society in our central and optimistic scenarios, and our pessimistic scenario would estimate a net negative social impact.

Transfer from employers to employees: Increased redundancy pay

184. A subset of those made redundant will benefit from increased redundancy payments. This is a pure transfer from employers to workers. The cost per redundancy is £2,800 (between £2,100 and £3,600). The table below provides estimates for different thresholds.

**Table 26: Impacts of increased redundancy payments per year**

	<b>Option A – Fixed 250</b>	<b>Option A – Fixed 500</b>	<b>Option A – Fixed 1000</b>	<b>Option B – Tiered option</b>
<b>Number of redundancies receiving increased redundancy pay</b>	30,300 (between 22,500 and 38,200)	21,600 (between 16,000 and 27,200)	13,800 (between 10,200 and 17,400)	20,800 (between 15,400 and 26,100)
<b>Benefits to households of increased redundancy payments</b>	£174.5m (between £129.5m and £219.6m)	£124.2m (between £92.2m and £156.3m)	£79.52m (between £59.0m and £100.0m)	£119.4m (between £88.6m and £150.3m)
<b>Cost to business of increased redundancy payments</b>	£174.5m (between £129.5m and £219.6m)	£124.2m (between £92.2m and £156.3m)	£79.52m (between £59.0m and £100.0m)	£119.4m (between £88.6m and £150.3m)

185. To estimate this, we subtract estimated statutory redundancy pay from the estimated redundancy pay when more generous. This part of the analysis is not undertaken at the sector level due to the data we hold on excess redundancy pay. The number of observations is too low to trust the sector-level estimates. The method is set out below.

**Box 6: Calculation of increase in redundancy pay as a result of consultation**

<i>More generous redundancy pay – statutory redundancy pay</i>
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186. Statutory redundancy pay stipulates half a week for each full year employed under the age of 22, one week pay for each year employed between the ages of 22 and 41, and one and a half week’s pay for each full year employed over the age of 41.

187. **Multiplier:** For simplicity, we assume 1.23 pay per year employed based on the weighted average of the number of years at each multiplier, assuming retirement at 66 and entering work at 19. We do not make any assumptions on the characteristics of those made redundant.

188. **Tenure:** CIPD have undertaken analysis of the Annual Population Survey to estimate a breakdown of tenure – see table below. We take the mid-point for the number of weeks of pay.

Note length of service is capped at 20 years. Based on the sum of the product of the % tenure and number of weeks assumed, we use 7.3 weeks' pay in our calculation.

**Table 27: Estimated breakdown of tenure**

Tenure	Proportion	Number of weeks' pay assumed
<3 months	4.30%	0
3-6 months	4.60%	0
6-12 months	8.70%	0
1-2 years	13.40%	1.5
2-5 years	21.60%	3.5
5-10 years	18.20%	7.5
10-20 years	17.50%	15
20+ years	11.80%	20

Source: Department for Business and Trade (2025) analysis of CIPD (2024) '[Benchmarking employee turnover: What are the latest trends and insights?](#)'

189. **Redundancy pay per week:** We use the GB median wage (£18.03 per hour)<sup>36</sup> to estimate pay per week. We assume 37 hours per week<sup>37</sup> and therefore £667.11 per week in statutory redundancy pay.

190. **Calculation:** To estimate the average statutory redundancy pay per person, we multiply the estimated weekly pay (£667.11) by the multiplier (1.23) and by average tenure (7.3 weeks). We estimate that average statutory redundancy pay is £6,015 per employee.

**Box 7: Calculation of statutory redundancy pay**

$$\text{Estimated weekly pay (£667.11)} \times \text{Average tenure (7.3 weeks)} \times \text{Multiplier (1.23)}$$

191. As set out in point 157, analysis of data from CIPD's Spring 2025 Labour Market Outlook finds the average redundancy pay for those who report paying more than statutory is £11,768. We subtract statutory pay from this which provides excess redundancy pay of £5,753 per employee.

192. We multiply this increased redundancy pay by the number of redundancies who receive increased redundancy pay. This is a direct and equivalent transfer from businesses to employees. table 26 above provides the results.

Transfer from employers to employees: Wages from prevented redundancies

193. For those redundancies that no longer take place as a result of the policy, employees will continue to be paid their wages. The table below provides our estimates for different thresholds.

<sup>36</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 5.5a

<sup>37</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 1.9a

**Table 28: Additional wages paid on prevented redundancies per year**

	<b>Option A – Fixed 250</b>	<b>Option A – Fixed 500</b>	<b>Option A – Fixed 1000</b>	<b>Option B – Tiered option</b>
<b>Number of redundancies prevented</b>	12,700 (between 0 and 25,337)	9,000 (between 0 and 18,000)	5,800 (between 0 and 11,500)	8,700 (between 0 and 17,300)
<b>Number of redundancies prevented filling hard-to-fill vacancies</b>	7,200 (between 0 and 14,500)	5,200 (between 0 and 10,300)	3,300 (between 0 and 6,600)	5,000 (between 0 and 9,900)
<b>Number of redundancies prevented filling hard-to-fill vacancies where significant problems are expected in filling these</b>	2,500 (between 0 and 4,900)	1,800 (between 0 and 3,500)	1,100 (between 0 and 2,300)	1,700 (between 0 and 3,400)
<b>Benefits to households of wages on prevented redundancies</b>	£14.7m (between £0 and £29.4m)	£10.4m (between £0 and £20.8m)	£6.6m (between £0 and £13.2m)	£10.0m (between £0 and £20.0m)
<b>Cost to business of wages on prevented redundancies</b>	£17.9m (between £0 and £35.9m)	£12.7m (between £0 and £25.4m)	£8.1m (between £0 and £16.2m)	£12.2m (between £0 and £24.4m)

194. As outlined in point 147 - 150, we assume that prevented redundancies generally displace other labour. Generally then, the alternatives pursued mean this will have a neutral impact. Where prevented redundancies are used to fill vacancies, the employer would have hired someone else and therefore also incurred labour costs. Similarly, if hours or external contracting are reduced, the incurred costs on the redeployed staff is offset by the savings on the reduced hours or external contracting. Generally, redeployment has a net neutral impact on the employee wage bill compared to the counterfactual where they are made redundant instead.

195. Note here we implicitly assume a perfect match i.e. that the reduction in labour inputs in the counterfactual where redundancies are made is equivalent to the reduction in labour inputs in the policy scenario where some redundancies are prevented. In reality, there may be some mismatch (e.g. reducing contractor time may not be fully flexible, meaning there may be additional upwards effect on hours worked) but we do not account for this.

196. Only in a small subset of cases where prevented redundancies are used to plug hard to fill vacancies which employers face significant problems in filling, we assume that redeployment fills the vacancy sooner than in the counterfactual. There is therefore a cost to business in paying the wages of these redeployments for the period where they filled the vacancy sooner than in the counterfactual.

197. **Counterfactual:** We assume an impact would be generated for whichever is shortest of (i) time to fill such vacancies and (ii) unemployment spell. This is because the redeployed employees would have otherwise worked for another employer or someone else would have worked for the employer. Beyond this point, a wage is also paid in the counterfactual.

198. **Time to fill vacancies:** Evidence suggests that vacancies take approximately 40-50 days to fill on average<sup>38</sup> while hard-to-fill roles take 100 days on average<sup>39</sup>. Given these are hard to fill vacancies where significant problems are expected, we increase this by 20% to 120 days and so assume 4 months.

199. **Unemployment duration:** Meanwhile, analysis of LFS data suggests the average time spent unemployed is greater, likely sitting around 5.83 months. Published statistics on unemployment duration is binned into groups 0-6 months, 6-12M, 1+ year and 2+ years. If we assume 1 month, 6 months, 1 year and 2 years for each of these groups, the average duration of unemployment each month between 2024 to September 2025 is 5.83 Months.

**Table 29: Percentage of those unemployed by duration spent unemployed, 2024 – September 2025**

	Up to 6 months	Between 6 – 12 months	Between 1 and 2 years	Over 2 years
Average July 2024 – July 2025	61%	17%	12%	10%

200. **Duration assumed:** We therefore consider an impact would be generated anywhere between 0-4 months. We assume a normal distribution and take the midpoint. We therefore assume employers would need to pay 2 months of wages for this small subset of cases where impacts realise. We assume 160.33 working hours per month (37 hours per week<sup>40</sup> times 52 weeks per year, divided by 12 months) and therefore 320.67 hours for 2 months.

201. **Calculation:** We multiply median wages by the duration assumed (320.67 hours) and the number of prevented redundancies which fill hard to fill vacancies where employers expect significant problems in filling them. For the cost to employers, we uplift by 22% to account for non-wage costs.

**Box 8: Calculation of wages paid on prevented redundancies**

$  \begin{aligned}  & \text{wage} \times \text{duration where impact is generated (320.67 hours)} \\  & \times \text{number of prevented redundancies} \\  & \times \text{proportion which are redeployed into hard to fill vacancies (57\%)} \\  & \times \text{proportion which expect significant problems in filling them (34\%)}  \end{aligned}  $
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Benefit to employers: Preventing redundancies

202. There are benefits to employers from identifying alternatives to redundancies. Employers will avoid the redundancy payments they would otherwise have made. When filling vacancies, they will avoid hiring costs they would have otherwise incurred. Building on the above, employers may also benefit from gained output in the circumstances where redeployment fills vacancies sooner than in the counterfactual.

<sup>38</sup> Standout CV (2025) '[Recruitment statistics in the UK 2025 - The latest data](#)'  
 HR Magazine (2024) '[HR Magazine - Time taken to fill vacancies rose in April](#)'  
 Globe News Wire (2025) '[British Businesses Spend 40 Days Filling Each Vacancy](#)'  
 Adzuna (2025) '[UK Job Market Report 29 September 2025 - Adzuna UK Job Market Reports](#)'  
<sup>39</sup> The HR Director (2023) '[100 days wait to fill essential posts, as employers jostle for talent](#)'  
<sup>40</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 1.9a

203. In a perfect information setting with fully rational decision-makers, this would not occur. Managers would consider the full range of options, cognisant of the impacts of each of these, and make the decision which maximises outcomes. However, an extensive literature on heuristics and biases has shown that people often use simple cognitive shortcuts when processing information, leading to systematic biases in decision making<sup>41</sup>. In the context of employment decisions, managers may be overly pessimistic about the future state of business finances based on recent performance (availability heuristic). They may overly focus on the saved labour costs and not properly account for the lost output as a result of losing workers (bounded rationality & salience). They may hold biases on transferability of skills. As a result, they may make redundancies when it is not the optimal option. This policy forces employers to reconsider redundancy decisions and explore alternatives in greater detail.

204. The table below summarises the benefits to employers of reducing redundancies for the central scenario, with tables for the pessimistic and optimistic scenarios in Annex B.

**Table 30: Impacts from reduced redundancies per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
<b>Number of prevented redundancies</b>	12,700 (between 0 and 25,300)	9,000 (between 0 and 18,000)	5,800 (between 0 and 11,500)	8,700 (between 0 and 17,300)
<b>Benefit to employer from avoiding in redundancy payments</b>	£73.6m (between £0 and £147.3m)	£52.3m (between £0 and £104.5m)	£33.3m (between £0 and £66.6m)	£50.2m (between £0 and £100.5m)
<b>Benefit to employer from reduction in hiring costs</b>	£14.8m (between £0 and £29.6m)	£10.5m (between £0 and £21.0m)	£6.7m (between £0 and £13.5m)	£10.1m (between £0 and £20.2m)
<b>Benefit to employer from gained output from redeployment to hard to fill vacancies which employers foresee significant issues with filling</b>	£13.1m (between £0 and £26.1m)	£9.2m (between £0 and £18.3m)	£5.7m (between £0 and £11.5m)	£8.8m (between £0 and £17.6m)
<b>Total benefits to employer</b>	£101.5m (between £0 and £203.0m)	£71.9m (between £0 and £143.9m)	£45.8m (between £0 and £91.5m)	£69.2m (between £0 and £138.3m)

205. **Redundancy payments:** Employers will avoid redundancy pay on all redundancies which are prevented. While employers can and often will pay greater than is statutory, we assume employers save statutory redundancy pay only when avoiding redundancies because this is the minimum guaranteed impact of the policy. This is therefore an underestimate of this benefit. We use the approach to calculate statutory redundancy pay set out above in the costs of increased redundancy pay (£6,015 per employee) and apply to the number of prevented redundancies (see table above).

206. **Hiring costs:** Where employers reduce hiring, employers benefit from a reduction in hiring costs. As above in point 148, 78% of employers who offered alternative roles to reduce redundancies

<sup>41</sup> See the behavioural economics literature which began with Tversky and Kahneman (1974) '[Prospect Theory: An Analysis of Decision under Risk](#)', *Econometrica*. Berthet, V (2022) provides a helpful overview of some key literature on heuristics and cognitive biases. Berthet, V. (2022) '[The Impact of Cognitive Biases on Professionals' Decision-Making: A Review of Four Occupational Areas](#)', *Frontiers in Psychology*

reported having vacancies. We therefore apply this to the number of prevented redundancies to estimate the number which fill vacancies – see table 18. These employers will benefit from avoiding hiring costs. We assume the remaining 22% do not benefit as they may not have hired in the counterfactual. CIPD (2024) evidence reports the average cost of hiring to be £1,500<sup>42</sup>. We therefore multiply the number of prevented redundancies which filled vacancies by £1,500 to estimate the avoided hiring costs.

207. **Gained output:** The same logic that is used above in points 192 – 200 for the impact of paying wages on prevented redundancies is applied to output. Generally, prevented redundancies will displace other labour meaning this will have a neutral impact on output. Only with the subset of prevented redundancies which fill vacancies sooner than in the counterfactual, the employers gain output that would otherwise not have been produced. We assume the same as above. This occurs only with the prevented redundancies that are redeployed into hard to fill vacancies where significant problems are expected in filling them and this impact occurs over two months. We use data on output per hour worked from the ONS<sup>43</sup>. We multiply by the number of hours assumed (320.67 hours) and then by the number of prevented redundancies that are redeployed into hard to fill vacancies where significant problems are expected in filling them (table 18).

**Box 9: Calculation of output gained on prevented redundancies**

*output per hour worked × duration where impact is generated (320.67 hours)*  
*× number of prevented redundancies*  
*× proportion which are redeployed into hard to fill vacancies (57%)*  
*× proportion which expect significant problems in filling them(34%)*

208. These benefits also drive the net positive social impacts of this policy.

Cost to employers: Running the consultation exercises

209. The table below provides the estimated costs to employers of running the consultation exercises for different thresholds.

**Table 31: Costs of running collective redundancy consultations**

	<b>Option A - Fixed 250</b>	<b>Option A - Fixed 500</b>	<b>Option A - Fixed 1000</b>	<b>Option B - Tiered option</b>
<b>Number of additional consultations</b>	97 per year	41 per year	19 per year	38 per year
<b>Cost to employers from running consultations</b>	£240,000 per year (between £64,000 and £513,000)	£101,000 per year (between £27,000 and £215,000)	£47,000 per year (between £13,000 and £101,000)	£94,000 per year (between £25,000 and £200,000)

210. The cost of running consultations imposed by this policy is purely the negotiation between the employer and the employee representatives. These costs were identified following DBT stakeholder engagement (business representative organisations and unions) on collective redundancies. We do not estimate a cost from the meetings with affected employees because these occur in individual redundancy scenarios. Similarly, management planning discussions will

<sup>42</sup> Chartered Institute of Personnel and Development (2024) [‘Resourcing and talent planning report 2024’](#)

<sup>43</sup> Office for National Statistics (2025), ‘Output per Hour Worked, UK’

already occur in the counterfactual. This policy does not affect these, it imposes additional negotiation with employee representatives. To estimate this cost, we draw on evidence provided by stakeholders.

211. **Parties involved:** We assume the process involves one HR manager, one HR support staff, one finance partner and one employee representative. Trade unions report that union officials may also be present, however the wage cost of the union official does not need including for the purpose of this estimate because they are not a cost to the employer. We use ASHE wage data to determine the median wage for a HR manager (at £29.79 per hour), support staff (at £17.98 per hour), and finance partner (at £24.21 per hour)<sup>44</sup>, and assume the sector median wage for the employee representative since they are an elected member of the workforce, all uplifted by 22% to account for non-wage costs<sup>45</sup>.
212. **Meetings:** Unions and business representative organisations report there will typically be 3 meetings where representatives discuss all issues involved in the consultation, although more are required sometimes, generally up to six. We assume 3 – 6 meetings will be held between the parties involved, each lasting 1 – 4 hours. In addition, we assume that all prepare for these meetings 1 – 4 hours per meeting. Based on this, 6 – 48 hours will be spent on the collective redundancy consultation process by the parties involved.
213. For our central assumption, we take the midpoint of each, therefore 4.5 meetings, lasting 2.5 hours with an additional 2.5 hours as preparation. We therefore assume 23 hours will be spent on the collective redundancy consultation process by the parties involved.
214. We multiply the number of hours by the wage for each party involved, uplifted for non-wage costs, and sum these. This totals approximately £2,500 per consultation exercise (between £700 and £5,300).

#### Box 10: Calculation of cost per consultation exercise

$$\begin{aligned}
 & \text{HR manager wage (£29.79 per hour)} \times (1 + \text{non – wage cost uplift (22\%)}) \\
 & \quad \times \text{hours required (6 – 48 hours)} \\
 & \quad + \\
 & \text{HR support staff wage (£17.98 per hour)} \times (1 + \text{non} \\
 & \quad \text{– wage cost uplift (22\%)}) \times \text{hours required (6 – 48 hours)} \\
 & \quad + \\
 & \text{Finance partner wage (£24.21 per hour)} \times (1 + \text{non} \\
 & \quad \text{– wage cost uplift (22\%)}) \times \text{hours required (6 – 48 hours)}
 \end{aligned}$$

215. The administrative cost per employer is multiplied by the number of new employers running collective redundancy consultations as a result of this policy.

<sup>44</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 14.5a.

<sup>45</sup> Department for Business and Trade (2024) Analysis of Office for National Statistics 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'

Cost to employers: Completing HR1 forms

216. This policy will generate a small administrative cost to employers who will need to complete and submit a HR1 form. This is a brief form which collects key information on the proposed collective redundancy exercise. The Redundancy Payments Service (RPS), acting on behalf of the Secretary of State for Business and Trade, collects the information and distributes it to the appropriate Government departments and agencies who offer job brokering services and/or training services. Table 32 below provides estimates.

**Table 32: Costs of completing HR1 forms**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
<b>Number of additional forms</b>	97 per year	41 per year	19 per year	38 per year
<b>Cost to employers from running consultations</b>	£2,600 per year	£1,100 per year	£520 per year	£1,000 per year

217. We multiply the number of consultations estimated by 1.5 to reflect the circumstances where employers submit more than one form because of changing circumstances.

218. The HR1 form is brief and clearly structured<sup>46</sup>. We therefore assume it takes a HR manager 30 minutes to complete this form at a wage rate of £29.79 as per the Annual Survey of Hours and Earnings in 2025<sup>47</sup>, which we uplift by 22% to account for non-wage costs to £36.34. We expect it to cost £27.26 per collective redundancy exercise.

**Box 11: Calculation of cost to complete a HR1 form**

$$\begin{aligned}
 &HR\ manager\ wage\ (\pounds 29.79\ per\ hour) \times (1 + non - wage\ cost\ uplift\ (22\%)) \\
 &\quad \times\ time\ required\ (30\ minutes) \times\ number\ of\ additional\ consultations \\
 &\quad \times\ 1.5
 \end{aligned}$$

Transition costs

219. **Familiarisation cost:** Employers will need to familiarise themselves with the new requirement. We expect all large employers (>250 employees) would familiarise themselves. We assume it takes an HR manager 30 minutes to familiarise themselves at a wage rate of £29.79 as per the Annual Survey of Hours and Earnings, which we uplift by 22% to account for non-wage costs to £36.34. The projected impact is £202,000 in the year the policy is introduced.

220. **Monitoring of redundancies:** It is possible this policy would require employers to implement new redundancy and headcount monitoring systems following the introduction of an organisation-wide threshold. The existence of this cost and the extent of it will depend on the level at which the threshold is set. Based on engagement with business stakeholders, the threshold levels

<sup>46</sup> Note the form will evolve to reflect the new policy. Nevertheless, we do not expect this to increase the complexity of the form.

<sup>47</sup> Office for National Statistics (2025) 'Annual Survey of Hours and Earnings' table 14.5a.

considered in this consultation are sufficiently high that we do not think this cost would be generated.

## Direct impacts to business

221. We strip out public sector employers from the above estimates to provide the direct impacts to business. Table 33 provides the estimated annual impacts to business for different thresholds.

**Table 33: Direct impact to business per year across range of options**

	<b>Option A - Fixed 250</b>	<b>Option A - Fixed 500</b>	<b>Option A - Fixed 1000</b>	<b>Option B - Tiered option</b>
<b>Total cost to business</b>	£223.2m (between £165.5m and £281.1m range)	£159.6m (between £118.3m and £200.9m)	£102.7m (between £76.2m and £129.2m range)	£153.3m (between £113.7m and £193.0m range)
<b>Cost of delayed redundancies</b>	£64.2m (between £47.6m and £80.8m)	£45.7m (between £33.9m and 57.6m)	£29.3m (between £21.7m and £36.9m)	£44.0m (between £32.6m and £55.3m)
<b>Cost of larger redundancy payments</b>	£158.8m (between £117.8m and £199.9m)	£113.7m (between £84.4m and £143.1m)	£73.3m (between £54.4m and £92.3m)	£109.3m (between £81.1m and £137.5m)
<b>Cost of running consultation</b>	£216,000 (between £58,000 and £462,000)	£92,000 (between £24,000 and £196,000)	£43,000 (between £12,000 and £93,000)	£85,000 (between £23,000 and £182,000)
<b>Costs from completing HR1 forms</b>	£2,400	£1,000	£500	£900
<b>Total benefit to business</b>	£91.4m (between £0 and £182.8m)	£65.2m (between £0 and £130.4m)	£41.8m (between £0 and £83.6m)	£62.7m (between £0 and £125.3m)
<b>Avoided redundancy payments</b>	£66.4m (between £0 and £132.9m)	£47.4m (between £0 and £94.9m)	£30.5m (between £0 and £60.9m)	£45.6m (between £0 and £91.2m)
<b>Avoided hiring costs</b>	£13.5m (between £0 and £26.9m)	£9.6m (between £0 and £19.3m)	£6.2m (between £0 and £12.4m)	£9.3m (between £0 and £18.5m)
<b>Net gained output</b> (this accounts for the labour costs paid)	£11.5m (between £0 and £23.0m)	£8.1m (between £0 and £16.2m)	£5.1m (between £0 and £10.3m)	£7.8m (between £0 and £15.6m)
<b>Total impact to business</b> (-ve indicates net cost while +ve indicates net benefit)	£-131.8m (between £-281.1m and £+17.3m)	£-94.4m (between £-200.9m and £+12.1m)	£-60.9m (between £-129.2m and £+7.5m)	£-90.7m (between £-193.0m and £+11.6m)

## Direct impacts to households

222. Table 34 provides impacts to households for different thresholds.

**Table 34: Impact per year on households across range of options**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
<b>Total benefits to households</b>	£450.3m (between £352.5m and £548.0m)	£319.5m (between £250.1m and £388.9m)	£203.6m (between £159.3m - £247.8m)	£307.2m (£240.4m and £373.9m)
<b>Benefit from delayed redundancies</b>	£261.0m (between £193.6m and £328.4m)	£184.9m (between £137.1m and £232.6m)	£117.5m (between £87.1m and £147.8m)	£177.7m (between £131.8m and £223.6m)
<b>Benefit from larger redundancy payments</b>	£174.5m (between £129.5m and £219.6m)	£124.2m (between £92.2m and £156.3m)	£79.5m (between £59.0m and £100.0m)	£119.4m (between £88.6m and £150.3m)
<b>Benefit from prevented redundancies</b>	£14.7m (between £0 and £29.4m)	£10.4m (between £0 and £20.8m)	£6.6m (between £0 and £13.2m)	£10.0m (between £0 and £20.0m)

## Non-monetised costs and benefits

223. This analysis is our best attempt to estimate the impacts of the options under consideration. All anticipated significant impacts have been quantified. Nevertheless, there are impacts which we do not monetise.

224. **Employment Tribunal cases:** A new collective redundancy threshold will increase the number of individuals and businesses interacting with the Employment Tribunal system. They will incur administrative and legal costs in doing so. We cannot monetise this impact due to lack of robust data but assess the impact to be minimal.

225. The Employment Tribunal system transitioned to a new Employment Case Management system (ECM) in 2021. This system currently only tracks claims that are 'reform single claim' cases<sup>48</sup>, it does not provide disaggregated data for multiple claims. Single claims are made by a sole employee/worker, relating to alleged breaches of employment rights. Multiple claims are where two or more people bring proceedings arising out of the same facts, usually against a common employer. Collective redundancy claims are, by definition, claims with multiple claimants. This means the most recent data does not present the number of claims relating to collective redundancy.

226. We use 2022/23 data in this analysis, the last entry in the former system. In 2022/2023 the number of 'redundancy – failure to inform or consult' complaints were 5,026<sup>49</sup>.

<sup>48</sup> Ministry of Justice (2025). 'Employment Tribunal Statistics Quarterly: January to March 2025, part .6.'

<sup>49</sup> Ministry of Justice (2023). 'Employment Tribunal Statistics Quarterly: July to September 2023'

227. Note in addition to being outdated, this figure aggregates multiple and single claims together as complaints. It therefore faces the opposite problem as that raised in point 224 above, it contains claims which are not pertinent to this policy. Furthermore, we do not hold data on the number of cases these complaints pertain to and therefore are unable to estimate the number of employers who may be brought to an Employment Tribunal. It is as a result of these issues that we cannot estimate the costs to society from an increase in Employment Tribunal cases as a result of this policy.

**Table 35: Number of 'Redundancy - failure to inform or consult' receipts by calendar year 2018 – 2025; including new recording system from 2021/22 onwards**

Year	Number of Receipts - 'Failure to inform or consult'
2018/19	5,657
2019/20	7,311
2020/21	7,072
2021/22	Missing data
2022/23	5,026
2023/24	3 (new management system)
2024/25	182 (new management system)

Source: Ministry of Justice (2025) 'Tribunal Statistics Quarterly, July – September 2025'

228. Based on our analysis of IDBR data, we estimate there are 22.1m employees who currently (under the single-site threshold) enjoy collective redundancy protections because they work in an establishment with more than 20 employees. We divide the 5,026 complaints of 'redundancy – failure to inform or consult' by 22.1m and estimate the complaint rate per employee at 0.23%.

229. The options under consideration will grant new protections to 1.2-1.6m employees (see table 11). We multiply these by the claim rate and estimate the options would result in 279-344 additional complaints per year. These represent a 0.20% to 0.25% increase in the number of complaints made to Employment Tribunals. We therefore expect the cost to society of additional Employment Tribunal cases generated by this policy will be minimal.

230. Further, note that a proportion of these claims will be successful, indicating non-compliant employers. Fines arising from non-compliance are not deemed a cost to society and thus not considered in line with Government appraisal.

231. **Acas early conciliation:** Similarly, a new collective redundancy threshold will increase the number of individuals and businesses interacting with Acas. They will incur administrative and legal costs in doing so.

232. We estimate the increase in Acas early consolidation claims by extrapolating from our estimate in the increase in Employment Tribunal complaints. Based on Acas data<sup>50</sup>, we assume that 68% of Acas cases did not lead to Employment Tribunal – this proportion has been consistent over time. We multiply the number of additional Employment Tribunal cases by (1/0.32) to estimate the number of additional Acas cases as a result of the policy.

233. We therefore estimate that the options under consideration would generate 870–1,080 additional cases.

<sup>50</sup> Advisory, Conciliation and Arbitration Service (ACAS) (2024) 'Early conciliation and employment tribunal data for England, Scotland, and Wales: January to March 2024'

234. **Insolvencies:** Our analysis suggests that 13% of HR1 submissions are due to insolvencies. It is possible that the additional costs incurred by businesses from the policy change may drive some firms on the margin of insolvency into insolvency. We lack data and evidence to estimate the businesses that may become insolvent as a result of this policy but expect this impact to be negligible.
235. **Better physical and mental wellbeing:** Redundancy exercises are found to generate negative health and wellbeing effects to those made redundant, their colleagues and those announcing the redundancies<sup>51</sup>. By preventing redundancies and mitigating the impact on those made redundant, this policy may support physical and mental wellbeing.
236. **Staff morale and industrial relations:** Providing opportunities for further discussion about forthcoming redundancies are reported as being beneficial to the morale of staff remaining and for industrial relations.
237. **Preventing wage scarring:** Those made redundant may suffer from wage scarring. There is evidence that interruptions to employment not only bring the loss of current income during the period of unemployment but inflict a longer term 'scar' through increased future incidence of unemployment and lower subsequent earnings in employment. Preventing redundancies will prevent this risk to some.
238. **Productivity:** Collective redundancy consultations can support the retention of employees thereby maintaining human capital in the firm and the retraining of employees with a potentially more efficient allocation of labour within a firm compared to what would arise from dismissals in redundancy situations. Improving job security may also improve morale. This policy may therefore improve the marginal productivity of labour.
239. On the other hand, collective redundancy requirements increase adjustment costs for firms which can delay necessary resource reallocation and reduce responsiveness to negative shocks. In addition, preventing redundancies by identifying alternatives (e.g. fill vacancies, reduce hiring, reduce contractors etc.) may lead to worse or less efficient matches compared to the counterfactual.
240. Taken together, this policy has the potential to both increase or decrease a firm's productivity, depending on the firm, the nature of its redundancies, and the context. We evaluate the impact of the policy on productivity as neutral.
241. On balance, we conclude the non-monetised impacts are neutral. The possible negative impact of insolvencies is assessed to be negligible. Costs arising from Acas conciliation and Employment Tribunal cases are expected to be minimal. There are benefits in the form of positive wellbeing impacts, improved staff morale and industrial relations, and prevented wage scarring. Impact on productivity is deemed neutral, with forces in both directions. As these non-monetised impacts are relatively insignificant, and are both costs and benefits, they have been rated as neutral.

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<sup>51</sup> The Chartered Institute of Personnel and Development (CIPD) (2020) '[Don't shoot the messenger: The enigmatic impact of conveying bad news during redundancy situations and how to limit the impact](#)' CIPD Applied Research Conference 2020

## Net present social value

242. We assume these annual impacts are flat in real terms over time. This is because we do not hold evidence to support any change in profile over time (e.g. greater or lesser likelihood to make large-scale redundancies in future years). We assume that the policy comes into force in 2027<sup>52</sup>.

243. The table below provides the Equivalent Annual Net Direct Cost to Business (EANDCB), the Equivalent Annual Net Direct Cost to Households (EANDCH), and the Net Present Social Value (NPSV) for the three estimates of the preferred option and for the alternative option considered in the consultation document. They are estimated relative to a 'Do Nothing' option.

**Table 36: NPSV, EANDCB, EANDCH of different options (2025 prices, 2027 present value)**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
Equivalent Annual Net Direct Cost to Business	£131.9m (net cost)	£94.4m (net cost)	£60.9m (net cost)	£90.7m (net cost)
Equivalent Annual Net Direct Cost to Households	£-450.3m (net benefit)	£-319.5m (net benefit)	£-203.6m (net benefit)	£-307.2m (net benefit)
Total Net Present Social Value	£2,630.4m (between £2,049.4m and £3,210.5m)	£1,863.9m (between £1,452.6m and £2,274.8m)	£1,184.9m (between £923.3m and £1,446.4m)	£1,792.0m (between £1,396.6m and £2,187.1m)

## Distributional impacts

### Business Sectors

244. HR1 data indicates banking and finance accounted for the largest share of employers triggering collective redundancy obligations in the year ending in December 2025 (27% of employers submitting HR1 forms), followed by manufacturing (16%), distribution, hotels and restaurants (16%), and public administration; education and health (16%); The sector with the fewest employers engaging in collective redundancy is the energy and water sector (2%).

**Table 76: Proportion of HR1 form submissions by combined industries, GB**

Manufacturing	Energy and Water	Construction	Transport and Communication	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Services	Rest
16%	2%	5%	14%	16%	27%	16%	4%	1%

Source: Office for National Statistics 'HR1: Potential Redundancies, January 2026 Edition' Figure is for period January 2025 – December 2025 (inclusive).

245. To note, we do not use HR1 data to predict how a new threshold will affect separate industries. Instead, we extrapolate individual industry impacts using IDBR population numbers, whilst taking into account the distribution of businesses across different size bands, and assume impacts will

<sup>52</sup> UK Government (2025) '[Implementing the Employment Rights Bill](#)'

be distributed in proportion to their percentage of the business population. As a result, any sector impacts are uncertain and we therefore do not estimate these.

### Regional impacts

246. HR1 data indicates that the largest proportion of employers triggering collective redundancy obligations are found in London (24%), followed by the South East of England (12%) in the year ending in September 2025. The North East of England had the smallest proportion of employers submitting HR1 notifications (3%).

**Table 38: Proportion of HR1 form submissions by region, GB**

North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland
3%	10%	7%	7%	9%	9%	24%	12%	9%	3%	7%

Source: Office for National Statistics 'HR1: Potential Redundancies, January 2025 Edition' Figure is for period January 2025 – December 2025 (inclusive).

247. Our analysis does not attempt to predict the impacts of a new threshold by region. We do not expect the new collective redundancy threshold would disproportionately impact any region because the organisation-wide threshold would be triggered by large-scale redundancies that are dispersed across a large number of sites, likely throughout the country.

### **Public sector impacts and financial costs**

248. **Impact to public sector employers:** We estimate the impact to public sector employers by exploring impacts to the “Public administration and defence; compulsory social security” sector as per ONS sector classification. However, these are highly uncertain.

**Table 39: Costs to public sector employers**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B - Tiered option
<b>Number of additional consultations</b>	9 per year	4 per year	1 per year	3 per year
<b>Number of potential redundancies</b>	5,600 per year	3,700 per year	2,200 per year	3,600 per year
<b>Cost to public sector employers</b>	£12.8m per year (between £28.8m and £-3.2m (net benefit) per year)	£8.6m per year (between £19.3m and £-2.1m (net benefit) per year)	£5.0m per year (between £11.3m and £-1.3m (net benefit) per year)	£8.3m per year (between £18.6m and £-2.1m (net benefit) per year)

249. **Employment Tribunal and Acas costs:** The Employment Tribunal system and Acas are funded by the public purse. This policy will increase the number of complaints made to employment tribunals by 0.20% to 0.25% per year, representing a modest increase in caseload for employment tribunals, and a proportional increase for Acas.

250. **Universal Credit:** This policy is expected to prevent redundancies, increase redundancy payments, and reduce unemployment spells. Each of these may reduce expenditure on Universal Credit. We do not estimate this impact.

## Sensitivities

251. This analysis relies on several assumptions and this compounds uncertainty. While the assumptions are based on evidence, this evidence is not always robust (see the assumptions log in annex A for our assessment). We therefore undertake some sensitivity analysis of key assumptions below to understand the impact of the policy if our core assumptions do not hold.

252. **In all sensitivities, the scale of impacts changes but the overarching conclusion remains – we estimate this policy will generate a net benefit to society.**

253. **No reduction in time spent unemployed:** We explore a sensitivity where delaying redundancies does not reduce time spent unemployed. As a result, delaying redundancy only moves the redundancy period into the future and therefore generates no impact. In this sensitivity then, we only calculate the impact of delaying a redundancy for the estimated 24.7% who move into economic inactivity and generate a full impact. We remove the partial benefit set out in point 167.

254. Removing this assumption decreases net employer cost by approximately 32%, net employee benefit by 37%, net social benefit by approximately 40%.

**Table 40: Policy impact without reduction in unemployment duration, per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B – Tiered option
Net Employer Impact	£-98.5m (between £-251.9m and £54.7m)	£-70.3m (between £-179.0m and £38.4m)	£-45.1m (between £-114.4m and £24.1m)	£-67.5m (between £-172.0m and £37.0m)
Net Employee Impact	£+281.5m (between £+227.3m and £335.7m)	£200.0m (between £161.5m and £238.5m)	£127.6m (between £103.0m and £152.2m)	£192.3m (between £155.2m and £229.3m)
Net Social Impact	£183.0m (between £83.8m and £282.1m)	£129.7m (between £59.5m and £199.9m)	£82.5m (between £37.9m and £127.1m)	£124.7m (between £57.2m and £192.2m)

Note: Negative figures indicate a net cost whereas positive figures indicate a net benefit.

255. **Increased redundancy pay increases time spent unemployed:** The paper by Cederlof and others (2021)<sup>53</sup> we use in this analysis also reports that increasing severance pay increases time spent unemployed, concluding that a 30,000 SEK increase in severance pay increases time spent unemployed by 1.5 months. We do not account for this in the analysis above. This is because their IV estimates are based on a 1,000 SEK increase in severance pay, 30x less than the conclusion they report. We are not confident that the same impact would hold true for such a greater change in severance pay, that this impact can confidently be stretched linearly to this extent. We therefore account for this in a sensitivity where all the redundancies receiving increased redundancy pay generate zero impact from delaying their redundancy.

<sup>53</sup> Cederlof and others (2021) '[Mandatory Advance Notice of Layoff Evidence and Efficiency Considerations](#)' The Quarterly Journal of Economics

256. This sensitivity decreases net business cost by 30%, net employee benefit by 36%, and net social benefit by approximately 38%.

**Table 41: Policy Impact without increase in unemployment duration, per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B – Tiered option
Net Employer Impact	£-100.5m (between £-254.4m and £53.3m)	£-71.7m (between £-180.8m and £37.4m)	£-46.0m (between £-115.5m and £23.5m)	£-68.9m (between £-173.8m and £36.0m)
Net Employee Impact	£288.8m (between £232.7m and £344.9m)	£205.2m (between £165.3m and £245.1m)	£130.9m (between £105.4m and £156.4m)	£197.2m (between £158.9m and £235.6m)
Net Social Impact	£188.3m (between £90.5m and £286.0m)	£133.5m (between £64.3m and £202.7m)	£84.9m (between £40.9m and £128.9m)	£128.3m (between £61.8m and £194.9m)

Note: Negative figures indicate a net cost whereas positive figures indicate a net benefit.

257. These two sensitivities have very similar results because they impact a similar proportion of the population affected. The number of delayed redundancies which we estimate result in a shorter unemployment spell is 60% according to (Cederlof et al, 2021)<sup>54</sup> whilst we estimate that 62% of delayed redundancies receive redundancy pay in excess of statutory requirements.

258. **No benefits to business from preventing redundancies:** We explore a sensitivity where employers do not receive benefits from prevented redundancies. Avoided hiring costs, avoided redundancy payments, output on a subset of prevented redundancies are simply set to nil. This is an extreme and unlikely scenario. Net employer costs increase but net social impact remains positive. See table 42 for results.

**Table 42: Policy impact without benefits to employers, per year**

	Option A - Fixed 250	Option A - Fixed 500	Option A - Fixed 1000	Option B – Tiered option
Net Employer Impact	£-246.2m (between £-182.5m and £-309.9m)	£-174.9m (between £-129.7m and £-220.1m)	£-111.7m (between £-82.8m and £-140.5m)	£-168.1m (between £-124.7m and £-211.6m)
Net Employee Impact	£450.3m (between £352.5m and £548.0m)	£319.5m (between £250.1m and £388.9m)	£203.6m (between £159.3m and £247.8m)	£307.2m (between £240.4 and £373.9m)
Net Social Impact	£204.1m (between £170.0m and £238.1m)	£144.6m (between £120.4m and £168.8m)	£91.9m (between £76.5m and £107.3m)	£139.1m (between £115.8m and £162.3m)

Note: Negative figures indicate a net cost whereas positive figures indicate a net benefit.

<sup>54</sup> Cederlof and others (2021) '[Mandatory Advance Notice of Layoff Evidence and Efficiency Considerations](#)' The Quarterly Journal of Economics

**Table 43: Number of additional consultations and individuals' consulted across threshold levels**

<b>Threshold level</b>	<b>Number of additional consultations</b>	<b>Number of proposed redundancies going through consultation</b>
20	1,187	140,000
100	273	94,000
150	224	88,000
200	211	86,000
250	97	62,000
300	82	58,000
350	63	52,000
400	41	44,000
450	41	44,000
500	41	44,000
750	27	35,000
1000	19	28,000

## ANNEX A – ASSUMPTIONS LOG

These are our best assumptions at this stage. We will continue to build our evidence, including through the consultation which this Options Assessment accompanies, with the aim of refining our estimates.

Assumption	Value	Description	Source	Confidence RAG
% businesses making redundancies	17%	<p>To estimate the number of businesses making redundancies, we draw on CIPD (2025) survey data which shows the proportion of respondents considering redundancies in the next three months. We take the average from the Autumn 2016 to Spring 2025 waves (19%).</p> <p>Next, we note that that employers do not always follow through on their claimed redundancies and use a subsequent question in the in the CIPD survey which asked respondents if the redundancies occurred to account for this. The data suggests that actual redundancies occur in 69% of the cases claimed. We therefore apply this 69% to our 19% figure. This gives us our estimate for employers that <b>plan and proceed to make redundancies</b>.</p> <p>A small number of employers (4%) do not plan to make redundancies but subsequently do – we account for these by taking 4% of the business population that do not plan to make redundancies (81% of employers). This is the estimate for number of employers that <b>do not plan but make redundancies</b>.</p> <p>The total of these two figures is then the <b>number of businesses making redundancies</b>, equal to 17%.</p> <p><math>19\% \times 69\% + (1 - 19\%) \times 4\% = 17\%</math></p>	Chartered Institute of Personnel and Development (CIPD) (2016-2025). 'Labour Market Outlook data, Autumn 2016 – Spring 2025 waves'	Medium - while based on multiple waves of survey data, the model and overall impact estimates are sensitive to this assumption.
LFS scaling	20%	To account for employers over-estimating the number of redundancies they will make, we calculate the total number redundancies predicted in a scenario where all employers would be required to consult and scale this number down in line with the Labour Force Estimate for the total number of redundancies. The	Office for National Statistics (2025) 'RED01 SA: Redundancies levels and rates (seasonally adjusted)'	Medium-high – Estimated impacts are sensitive to this assumption; under or overestimates in the LFS would be

		time period for the Labour Force Survey is aligned with IDBR data for consistency.		reflected in the model. Nevertheless, the LFS remains the best data on redundancies in the UK and remains used for official statistics.
% redundancies prevented	21% (0%-41% range)	<p>The main objective of collective consultation is to reduce redundancies. One of the questions asked in the CIPD Spring 2025 Labour Market Outlook survey data asks respondents what they offered to those proposed to be made redundant.</p> <p>The percentage of respondents that offered employees the chance to try out an alternative role for more than four weeks without giving up their right to redundancy pay is used as the optimistic estimate (41%). The pessimistic estimate assumes that collective consultation does not prevent redundancies. The best estimate is the midpoint of these two ranges. This is possibly conservative however it aligns with case study evidence from the Department of Trade and Industry (Hall and Edwards, 1999) and we are seeking to build evidence in stakeholder conversations.</p>	<p>Chartered Institute of Personnel and Development (2025) 'Labour Market Outlook, Spring 2025'</p> <p>Hall and Edwards (1999) '<a href="#">Reforming the statutory redundancy consultation procedure</a>' Industrial Law Journal</p>	Medium-high – based on a combination of survey data and qualitative data from DBT stakeholder engagement. Range is provided to reflect uncertainty.
Duration of consultation meetings	3-6 meetings of 1-4h with equal time spent in preparation	<p>We assume the number of meetings held during a collective redundancy process ranges from 3-6, and that the duration of meetings ranges from 1 to 4 hours. Additionally, we assume that employer representatives need to spend time preparing for these meetings, ranging from 1 to 4 hours per meeting.</p> <p>This is based on DBT engagement with stakeholders.</p>	DBT stakeholder engagement.	Medium-high – qualitative evidence from stakeholder engagement. Range is provided to reflect uncertainty. Does not have substantial impact on overall estimates.
Parties involved in meetings		We assume the collective redundancy process requires involvement from a HR manager, HR support staff, a finance partner and a trade union representative.		

		This is based on evidence from stakeholders.		
Days taken to consult	36.9 days for employers considering 20-99 redundancies and 55.39(55.49?) days for employers considering 100+ redundancies	This is based on evidence from the 2013 BIS impact assessment which explored the impacts of reducing the minimum required length of consultation for businesses proposing 100+ redundancies. In this, they estimated an average reduction of 34.51 days in the length of consultations from the proposed policy change compared to the previous 90-day minimum, based on consultation responses. This suggested an average consultation period of 55.49 days for businesses with 100+ proposed redundancies which is 23% greater than the statutory 45 days. We apply this 23% to the 30 days statutory for 20-99 redundancies to account for instances where this takes longer.	Department for Business, Innovation and skills (2013) <a href="#">‘Collective Redundancy Consultation Impact Assessment’</a>	Medium – based on evidence from consultation responses.
Output for delayed redundancies		<p>The level of output produced by employees during the consultation period will likely depend on the circumstances for which the employer is proposing redundancies. We use a cut of cleaned and anonymised HR1 data (2025) from the Insolvency Service to split employers engaging in collective redundancy exercises into three groups:</p> <ol style="list-style-type: none"> <li>1. Cases which include insolvency or completion of contract as reason (22%)</li> <li>2. Cases which include closure of establishment, lower demand or transfer of work to another site or employer but not insolvency or completion of contract (65%)</li> <li>3. Cases which but the above reasons, such as technological change (13%)</li> </ol> <p>We assume no output is produced for the first group, and that output is equivalent to the labour cost input for all other cases.</p> <p>Labour cost input per hour is calculated by taking the median wage from the 2025 ASHE wage data (Table 5.5a) and uplifting by the non-wage costs assumption (22%).</p>	<p>Department for Business and Trade (2025) Analysis of Sanitised data from Insolvency Service Redundancy Payment Services Database (received December 2025).</p> <p>Office for National Statistics (2025) ‘Annual Survey of Hours and Earnings’ table 5.5a</p>	Medium– cost calculations and grouping splits based on combination of published statistics and granular administrative data. Output assumptions drawn from theory. We will continue to build our evidence here.

Statutory redundancy pay		<p>Statutory redundancy pay stipulates half a week for each full year employed under the age of 22, one week pay for each year employed between the ages of 22 and 41, and one and a half week's pay for each full year employed over the age of 41. The state pension age as of July 2025 is 66. We assume 1.23 weeks pay per year for proportionality based on the above.</p> <p>For tenure, we use CIPD analysis. CIPD have undertaken analysis of the Annual Population Survey to estimate a breakdown of tenure. We take the mid-point for the number of weeks of pay.</p>	Chartered Institute of Personnel and Development (2024) <a href="#">'Benchmarking employee turnover: What are the latest trends and insights?'</a>	Medium-high – evidence to support calculations on number of weeks of pay but do not have more precise insights on number of weeks' pay per year.
Increased redundancy payments		<p>Increased redundancy payments are calculated by subtracting our estimates for statutory redundancy pay from the average reported payouts by employers who reported paying above the statutory requirement in the CIPD Spring 2025 Labour Market Outlook survey data.</p> <p>According to CIPD survey data, 62% of employers larger than 1000 employees offered redundancy pay in excess of statutory requirements. The increased redundancy payments are therefore paid to 62% of the redundancies which occur after consultation.</p>	Chartered Institute of Personnel and Development (2025) 'Labour Market Outlook, Spring 2025'	Medium-low – do not have multiple waves of survey data to assess volatility. Some respondents indicated no payout, despite indicating that they offered higher than statutory in previous question (questionnaire design may have caused the number of £0 answers as this was a free text box). Low number of observations at sector-level.
Cost of hiring	£1,500	The median cost of recruiting, including in-house resourcing time, advertising costs, agency and search fees.	Chartered Institute of Personnel and Development (2024) <a href="#">'Resourcing and talent planning report 2024'</a>	High
% prevented redundancies filling vacancies	78% of prevented redundancies	Of those reporting they offered staff alternative roles to reduce redundancies, 78% reported having	Chartered Institute of Personnel and Development	Medium-high – Evidence to support these assumptions.

<p>% prevented redundancies filling hard-to-fill vacancies</p>	<p>57% of prevented redundancies</p>	<p>vacancies and 57% reported having hard to fill vacancies. Of the employers with hard to fill vacancies, 34% expect significant problems in filling these.</p>	<p>(2025) 'Labour Market Outlook, Spring 2025'</p>	<p>However, total employee benefits estimates are sensitive to these inputs + only one source.</p>
<p>% prevented redundancies filling hard-to-fill vacancies with significant problems expected</p>	<p>34% of hard-to-fill vacancies</p>			
<p>Time to fill hard-to-fill vacancy with significant problems expected</p>	<p>4 months to fill such vacancies therefore 2 months impact</p>	<p>We think a benefit would be generated for whichever is shortest of time to fill hard-to-fill vacancies and unemployment spell.</p> <p>Evidence suggests that vacancies take approx. 40-50 days to fill on average<sup>1</sup>. Hard-to-fill roles take 100 days on average<sup>2</sup>. Given significant problems expected, up this by 20% to 120 days so assume 4 months.</p> <p>Analysis of LFS data suggests the average time spent unemployed is greater, likely sitting around 5.5 months.</p> <p>Published statistics on unemployment duration is binned into groups 0-6 months, 6-12M, 1+ year and 2+ years. Taking very conservative midpoints of each group at 1 month, 6 months, 1 year and 2 years, the average duration of unemployment each month between 2024 to July 2025 is 5.54 Months.</p> <p>We therefore assume the period where an impact realises to be 2 months. This is because an impact would be generated anywhere between 0-4 months. We assume a normal distribution and take the midpoint.</p>	<p>[1] Standout CV (2025) <a href="#">'Recruitment statistics in the UK 2025 - The latest data'</a> HR Magazine (2024) <a href="#">'HR Magazine - Time taken to fill vacancies rose in April'</a> Globe News Wire (2025) <a href="#">'British Businesses Spend 40 Days Filling Each Vacancy'</a> Adzuna (2025) <a href="#">'UK Job Market Report 29 September 2025 - Adzuna UK Job Market Reports'</a></p> <p>[2] The HR Director (2023) <a href="#">'100 days wait to fill essential posts, as employers jostle for talent'</a></p>	<p>Medium-high – based on some evidence</p>
<p>% impact from delayed redundancies which realise</p>	<p>24.7% generate full impact</p> <p>75.3% generate partial impact</p> <p>60% for the partial impact</p>	<p>We think the impact occurs in full to those who leave workforce.</p> <p>We estimate, using Labour Force Quarterly Survey data from 2019 to 2024, that 24.7% of individuals made redundant in the last three months are economically inactive when surveyed. We thus calculate the full impact of delayed redundancies on 24.7% of the number of individuals going through a redundancy consultation.</p>	<p>Cederlof and others (2021) <a href="#">'Mandatory Advance Notice of Layoff: Evidence and Efficiency Considerations'</a> The Quarterly Journal of Economics</p>	<p>[TBC]</p>

		<p>In addition, the impact occurs partially to those whose unemployment spell is reduced and to those who move to a lower paid job. The idea here is that greater notice provides workers with an incentive to search while still employed. Recent research by Cederlof and others (2021) on Swedish data finds that increasing notice periods reduce time spent unemployed. Their IV estimates imply that prolonging notice by one month reduces nonemployment exposure by 0.6 months – we therefore assume 60% on the partial impact of delayed redundancies (p613).</p>		
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## ANNEX B – OPTIMISATION PROBLEM

1. We sought to identify a threshold that balances employer and employee coverage. To do so, we identified the point at which a 1% change in employee coverage generates a 1% change in employer coverage. This is based on the logic that we want to maximise employee coverage (to increase protections) while minimising employer coverage (to reduce burdens). Moving away from this point implies giving greater emphasis to one coverage over the other, in other words, the Government is willing to “sacrifice” a greater proportion of businesses (so to speak) to gain a lesser proportion of employees – it is favouring employee coverage.
2. In effect, we sought to identify the point where the marginal rate of substitution of the following utility function is equal to 1:

$$U(x) = \text{Employee\_Coverage}(x) - \lambda \cdot \text{Business\_Coverage}(x)$$

Where  $x$  = threshold (total no. of employees)

$\text{Employee\_Coverage}(x)$  = proportion of employees covered at threshold  $x$  (derived from complimentary cumulative distribution function which is 1-cdf)

$\text{Business\_Coverage}(x)$  = proportion of businesses covered at threshold  $x$  (derived from complimentary cumulative distribution function which is 1-cdf)

$\lambda$  is a weighting parameter where a value of 1 suggests you assign equal weighting to both employee and employer coverage.

3. The table below provides the “optimal threshold” for different values of lambda, the coefficient which we use in our analysis to adjust the extent to which we care more about one coverage over the other.
4. From the below, we see that a fixed threshold of 1,000 would imply caring two to three times more about reducing employer coverage than about increasing employee coverage. A fixed threshold of 3,000 would imply caring about reducing employer coverage more than five times as much as more than increasing employee coverage.

**Table 40: Optimal fixed threshold under different policy preferences**

Lambda	Optimal threshold
0.2	93
0.5	234
0.8	374
1	367
1.5	701
2	935
3	1,402
5	2,337
10	4,672

*Lambda < 1 prioritise increasing protections for employees over minimising business burden.*

*Lambda = 1 value employee protections and business burden equally.*

*Lambda > 1 prioritise reducing business burden over increasing protections for employees.*

Source: Department for Business and Trade (2025) Analysis of Inter-Departmental Business Registry Q1 2025

