

Threshold for triggering collective redundancy obligations

Lead department	Department for Business and Trade
Summary of proposal	The proposal is to introduce an additional organisation-wide trigger for collective redundancy consultation and notification obligations, alongside the existing trigger of 20 or more redundancies at one establishment. The consultation shortlists three fixed-threshold options set within a range of 250 to 1,000 redundancies and a tiered threshold option.
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Legislation type	Secondary legislation
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RPC opinion

Rating¹	RPC opinion
Fit for purpose	The OA provides a sufficient rationale for intervention, identifying a gap in the current collective redundancy framework where large-scale redundancies dispersed across multiple establishments may fall outside consultation and notification obligations. The OA considers a credible range of threshold methods and levels and gives a reasonable explanation for excluding variable methods and exempting firms below 250 employees. However, the options analysis and SaMBA would be strengthened by a clearer SMB-specific explanation of the policy cost of exemption and the share of overall business costs that would otherwise fall on small businesses. The OA appraises the shortlisted options but would benefit from a clearer explanation of the trade-offs between the preferred fixed-threshold approach and the tiered alternative.

¹ The RPC opinion rating is based only on the robustness of the rationale, options identification (including SaMBA) and justification for preferred way forward, as set out in the [Better Regulation Framework guidance](#). RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality ²	RPC comments
Rationale	Green	The OA identifies a clear policy gap in the current “20 employees at one establishment” framework and provides a reasonable rationale for introducing an organisation-wide trigger. The OA would be strengthened by more clearly defining SMART objectives in line with Green Book expectations, particularly on specificity, measurability and timing.
Identification of options (including SaMBA)	Green	The OA considers four threshold methods, rejects two with explanation, and shortlists a fixed-threshold approach and a tiered fixed-threshold approach. The OA also gives a credible rationale for excluding firms below 250 employees, but the SaMBA would be strengthened by a clearer distinction between small and micro businesses and medium-sized business, in line with the Better Regulation Framework definitions, and by a clearer explanation of the policy cost of exemption and the share of costs that would otherwise fall on small businesses.
Justification for preferred way forward	Green	The OA provides monetised appraisal of the shortlisted threshold options and explains the trade-off between extending protections and avoiding constant consultations for the largest employers. The OA would be strengthened by a clearer explanation of the relative merits of the preferred fixed-threshold approach compared with the shortlisted tiered alternative, including the treatment of clarity, proportionality and litigation risk.
Regulatory Scorecard	Satisfactory	The OA provides a reasonable summary of overall, business and household impacts, including monetised estimates and qualitative discussion of non-monetised and distributional impacts. Part B gives clear directional judgements on wider government priorities, though some assessments would be strengthened by fuller explanation of their basis.
Monitoring and evaluation	Satisfactory	The OA sets out a broad monitoring and evaluation framework, including proposed

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

review within five years, candidate data sources, and a mixed-methods approach using data, surveys and stakeholder evidence. The section would be strengthened by clearer links between the SMART objectives, evaluation questions and metrics, and by setting out more explicitly how the department will test key assumptions and attribution challenges.

Summary of proposal

The proposal sets out options for an organisation-wide trigger for collective redundancy obligations. This trigger would determine the number of redundancies proposed across an entire organisation that would require an employer to notify the relevant Secretary of State and undertake collective redundancy consultation. The threshold number will be set in secondary legislation following public consultation, to allow the Government to test the practical impact of different options with stakeholders. This new trigger will sit alongside the existing trigger for employers to notify the relevant Secretary of State and undertake consultation when an employer proposes to make 20 or more redundancies at one establishment. The proposal is intended to strengthen existing collective redundancy rights and protections.

The OA considers four threshold-setting methods: fixed number, variable percentage, fixed tiered by employer size, and hybrid variable/fixed tiered. The OA eliminates the second and fourth method and identifies four options from the other two methods. The OA presents three options for a fixed threshold, with threshold levels of 250, 500 and 1,000, to reflect the extremities of the policy range and an illustrative estimate within the range which was used as an anchor in developing options. The OA also considers a tiered threshold option of 250 redundancies for organisations with 0 to 2,499 employees, 500 for 2,500 to 9,999 employees, and 750 for organisations with 10,000 or more employees.

The OA reports the below NPSV and EANDCB central estimates:

Option	EANDCB	NPSV
Fixed 250	£132 million	£2,630 million
Fixed 500	£94 million	£1,864 million
Fixed 1,000	£61 million	£1,185 million
Tiered	£91 million	£1,792 million

Rationale

Problem under consideration

The OA sets out that the problem under consideration is that in situations where employers with multiple sites make fewer than 20 redundancies across multiple establishments, they have not been required to undertake collective consultation and notification obligations, even when they make a significantly higher number of redundancies across the organisation. 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 reductions are dispersed across multiple sites.

The department also says that in some cases thousands of employees were not consulted on their redundancy. In those cases employers were also not required to notify the relevant Secretary of State, which limited early oversight and reduced opportunities for the Government to coordinate support for affected employees, when the employer has made significant redundancies dispersed across multiple sites and did not pass the threshold of 20 or more employees at one establishment. The OA should provide evidence of the cases that it says have occurred, and evidence more broadly of the nature and scale of the problem. The OA would also be strengthened by drawing on any relevant post-implementation reviews, evaluations or evidence on comparable interventions, where available.

Argument for intervention

The OA argues that the Government intervenes in the labour market to extend employment rights for efficiency and equity reasons, and that a well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs whilst empowering businesses to operate competitively. The OA would be improved by providing a logical explanation and/or evidence, where available, to support its argument for government intervention, including any trade-offs between stronger protections for employees and business flexibility and employment practices for firms. The OA should explain more clearly why the proposed organisation-wide trigger is the most appropriate response to the problem under consideration. The OA would also benefit from clearer explanation of why an organisation-wide trigger is justified where otherwise similar redundancy exercises may be treated differently depending on whether redundancies are concentrated at one establishment or spread across multiple sites

The OA also sets out a behavioural case for intervention based on heuristics and biases; including bounded rationality, salience, over focus on short-term cost savings and insufficient consideration of redeployment. This case cites a range of papers, articles and reports to support it. The OA summarises its argument for the proposed intervention, saying that collective redundancy processes slow employer decision-making when proposing large-scale redundancies and compel these employers to explore alternatives in more detail with employee representatives, with the aim of improving outcomes for employees, for employers, and for the economy.

The OA also says that in the absence of intervention it would remain possible for large-scale organisation-wide redundancies to proceed without adequate consultation protections. The OA states this undermines the intentions of collective consultation provisions and fails to adequately protect employees' rights during large-scale redundancies. The OA would be strengthened by explaining whether the proposed threshold design creates cliff-edge effects, how far these are an unavoidable feature of a threshold-based approach, what effect they may have on employer and employee behaviour around the threshold, and if there are any options to mitigate this.

The OA includes discussion of collective redundancy systems that exist internationally, within the objectives and theory of change section, to support its assessment that this policy will improve fairness and employee protections without harming international competitiveness.

Objectives and theory of change

The OA lists three 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.

These objectives should be revised to specify the magnitude of any changes, be timebound and be measurable, to enable appropriate use in options development, appraisal, and selection, and monitoring and evaluation.

The OA also sets out that the intended outcome is to expand the collective redundancy protections and benefits to more employers and employees.

The OA considers positive and negative drivers of impacts on economic growth which the department expects to be limited or zero overall.

The OA contains a theory of change comprising inputs, outputs, outcomes (first and second order), impact and risks. The OA would benefit from setting out the assumptions and supporting evidence for each step in the theory of change, including the mechanisms by which consultation is expected to change employer decision-making, affect employee outcomes, and influence firms' employment practices. The impacts are not currently specific enough to determine clearly whether they have occurred.

Identification of options (inc. SaMBA)

Identification of the ‘longlist’ of options

The OA says that the Employment Rights Act 2025 requires collective redundancy obligations to be triggered where, within a period of 90 days, 20 or more redundancies are proposed at one establishment (existing law); or a threshold number of employees are proposed to be made redundant across the organisation. The Act gives the Government the power to set the threshold through secondary legislation, without specifying how this threshold is determined. The OA therefore identifies four methods for the threshold, and considers their respective advantages and disadvantages:

- 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)

The OA outlines analysis the department undertook to inform threshold-level setting, analysing the Inter-Departmental Business Register and highlighting its limitations and the department’s key takeaways. The department utilises this analysis to identify a threshold of 466 employees, where it states equal weight would be given to employee and employer coverage, leading to the selection of 500 employees as an anchor for the simple fixed method level. The OA explains that the range of 250-1000 employees is based on this analysis, the evidence contained in the SaMBA and by considering case studies of large-scale redundancies.

Consideration of alternatives to regulation

The OA states that non-regulatory options were considered within the policy development process but were discarded in favour of legislation that became the Employment Rights Act 2025. The department treats this proposal, and accompanying consultation, as a continuation of that process and so non-regulatory options are not considered. The OA also states that non-regulatory options would not achieve the intended outcomes of the policy under consideration.

The OA sets out that a code of practice will be pursued alongside the regulatory options considered within the OA, intending to support stakeholders and improve policy implementation in combination with regulation. The OA would benefit from setting out some detail on the proposed code of practice, including how it will interact with the threshold proposals.

Justification for the shortlisted options

The OA includes four options across two methods within the department’s shortlist:

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

- 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

The OA previously set out why methods 2 and 4 were discarded (provisionally, though could be reconsidered post-consultation), arguing that they: would not sufficiently support the intended outcomes of the policy, and would create uncertainty for employers on when they are required to fulfil their collective redundancy obligations and may lead to litigation from disagreements on this, respectively. The OA should assess the longlisted options against the SMART objectives and critical success factors as part of the longlist appraisal process, including whether different threshold structures create materially different cliff-edge effects, behavioural incentives, and implications for clarity and litigation risk. The OA would also be strengthened by setting out more clearly how the shortlist relates to the range of options expected by the Green Book.

SaMBA and medium-sized business (MSB) assessment

The OA states that none of the shortlisted options would apply to micro, small and medium-sized businesses. It supports this by showing that most of the employees who could gain entirely new protections or strengthened rights work in organisations with more than 250 employees, and that many firms below 250 employees operate at a single establishment and therefore are already captured by the existing trigger where relevant. However, the Better Regulation Framework (BRF) defines medium-sized businesses as those with 50 to 499 employees. The OA appears to use the sub-250 employees cut-off to determine whether both small and micro, and medium-sized businesses are affected by the proposal. The OA must more clearly distinguish between small and micro businesses and medium-sized businesses and explain how medium-sized businesses across the full 50-499 employee range are impacted and the proportion of medium-sized businesses (according to the BRF definition) that are actually exempt.

The OA starts from an exemption-style approach and provides some evidence that most of the intended benefits would be preserved. However, the SaMBA is framed mainly around firms below 250 employees rather than specifically around small and micro businesses, and it does not clearly set out, even provisionally, how much of the policy objective would be sacrificed by a full SMB exemption or how much of the overall cost to business would otherwise fall on small businesses. The OA would therefore be strengthened by a more explicit SMB-specific SaMBA, or by explaining why further disaggregation is not proportionate at OA stage.

Justification for preferred way forward

Appraisal of the shortlisted options

The OA includes estimated equivalent annual net direct cost to business (EANDCB), estimated equivalent annual net direct cost to households (EANDCH) and total net present social value (NPSV) values for Option A – Fixed 250, Option A – Fixed 500, Option A – Fixed 1000 and Option B – Tiered option. The OA also sets out the number and percentage of employees who would be in scope of the policy, the number of employees with new and enhanced protections, the number and percentage of employers who could be in scope and across the entire business population, and the estimated additional number of collective redundancy consultations and notifications, for each of the threshold levels for Option A and for Option B. The OA includes a clear appraisal period, base years and sensitivity analysis.

Selection of the preferred option

The OA justifies the selection of Option A: Fixed threshold with a level set between 250-1,000 redundancies as the preferred option because it provides greater clarity. The department assesses that it is the easiest way to ensure employers, employees and trade unions understand employers' obligations, and is therefore the clearest and least likely method to result in disputes between employers and employees. The OA also explains that although the tiered alternative could cover a broader range of employers in principle, in practice a fixed threshold up to around 600 would be expected to generate more consultations and therefore more benefits for employees.

The OA would be strengthened by more clearly structuring the trade-off between the fixed-threshold and tiered approaches, including the relative implications for employer coverage, employee coverage, consultations generated, clarity, proportionality and litigation risk, and any cliff-edge effects. It would also benefit from clearer explanation of why the consultation is framed around a range rather than a more clearly identified preferred level within that range.

Regulatory Scorecard

Part A

Total impacts including non-monetised and distributional impacts

The OA states that the policy has the potential to reduce redundancies and mitigate the negative impacts of those that occur. It explains that employers incur costs from running consultations and submitting HR1 forms, and from wages where redundancies are delayed or prevented and from increased redundancy pay. It also states that employers 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. The scorecard rates the overall impact on total welfare as positive, based on both

monetised and non-monetised impacts, and reports positive central NPSV estimates for threshold levels of 250, 500 and 1,000.

The scorecard states that all anticipated significant impacts have been quantified and that relatively insignificant non-monetised impacts include possible costs arising from Acas (the Advisory, Conciliation and Arbitration Service) conciliation and Employment Tribunal cases, and possible insolvency effects, alongside benefits from wellbeing, improved staff morale and industrial relations, and prevented wage scarring (negative long-term pay effects). It rates non-monetised impacts as neutral overall and distributional impacts as uncertain, stating that no significant or adverse distributional impacts are expected but that the OA does not hold evidence to conclude this. The scorecard would be strengthened by explaining the basis for the distributional judgement more clearly and indicating more explicitly the relative importance of the non-monetised impacts within the overall welfare assessment.

Impacts on business including non-monetised and distributional impacts

The OA states that businesses incur costs from running consultations and submitting HR1 forms and from wages where redundancies are delayed or prevented, and from increased redundancy pay. It also states that businesses 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. The department rates the overall impact on businesses as negative and reports estimated EANDCB values of £131.9 million for threshold 250, £94.4 million for threshold 500, and £60.9 million for threshold 1,000. It also reports a one-off familiarisation cost of £202,000.

The department has treated many of the monetised impacts as a direct result of the intervention and included them in the EANDCB. The OA provides supporting evidence from the literature, survey data and stakeholder engagement for the assumptions used to generate these impacts, although the largest labour market effects remain sensitive to the modelling assumptions. This treatment appears appropriate for familiarisation, consultation and HR1 costs, which arise directly from the new legal requirement. The treatment of delayed redundancies is more arguable, but the department's case is that these effects follow automatically from the statutory consultation period. However, the treatment of prevented redundancies, avoided hiring costs, gained output and increased redundancy payments is less clear, because these impacts appear to depend on consultation changing employer behaviour or bargaining outcomes rather than following immediately and unavoidably from the legal requirement itself. The OA would therefore be strengthened by setting out more clearly, for each of the main monetised business impacts, why the chosen treatment as direct or indirect is appropriate and how it follows from the measure and the counterfactual.

The scorecard states that non-monetised business impacts are neutral, with negligible insolvency risk, neutral productivity effects and some benefits to industrial relations and staff morale. It rates distributional impacts on business as uncertain, referring to sectoral patterns in HR1 data and noting uncertainty around how impacts would fall across sectors. It also states that no disproportionate regional impacts are

expected. The scorecard provides a reasonable summary of business impacts but would be strengthened by a clearer summary of how impacts are expected to vary across sectors and business groups and by a more explicit explanation of why the non-monetised business impacts are not expected to alter the overall negative business rating. The OA would also be strengthened by explaining more explicitly whether, and if so how, the policy might affect employers' incentives to hire, substitute towards automation, or adjust the timing and pattern of workforce changes, even if the department expects these effects to be limited at the thresholds consulted on.

Impacts on households, individuals or consumers including non-monetised and distributional impacts

The OA states that households benefit from wages where redundancies are delayed and prevented, and from increased redundancy pay. It rates the overall household impact as positive, and reports estimated annual household benefits of £450.3 million for threshold 250, £319.5 million for threshold 500, and £203.6 million for threshold 1,000. The scorecard also rates non-monetised impacts on households as positive, citing expected wellbeing benefits and reduced risk of wage scarring.

As for the business impacts, the department has also treated the main monetised household impacts as arising directly from the intervention and included them in the EANDCH. The case is clearest for the wages associated with delayed redundancies, where the department's argument is that the statutory consultation period delays dismissal and so employees are paid for longer as a direct consequence of the measure. The treatment is less clear for the household benefits from prevented redundancies and increased redundancy payments, because these appear to depend on consultation changing employer decisions or on negotiations leading to better redundancy terms, rather than following immediately and unavoidably from the new requirement itself. The OA would therefore be strengthened by setting out more clearly why each of the main household impacts is treated as direct or indirect, and how that treatment follows from the measure and the counterfactual.

The OA provides supporting evidence for the assumption that consultation can delay redundancies, improve outcomes for some employees and lead to higher redundancy payments in some cases, although the scale of these effects remains sensitive to the modelling assumptions.

The department rates household distributional impacts as uncertain. It states that the OA does not hold evidence on the extent to which different groups are affected by collective redundancy specifically, but notes that the policy strengthens protections and that groups more likely to be made redundant may benefit disproportionately. It further notes that older workers, women with caring responsibilities, disabled individuals and people from ethnic minority backgrounds face heightened barriers to re-employment and long-term economic stability following redundancy. This is a reasonable summary of the household impacts of the policy. It would, however, be strengthened by a clearer explanation of how these group-level considerations affect the overall household judgement and whether any of them are likely to be material.

Part B

Business environment

The OA states that the policy will have a neutral effect on the UK business environment. It says that the policy may reduce employer flexibility in reducing labour input costs, but that the extent and impact of this is very limited because of the scale of redundancies required to trigger obligations. It also states that identifying alternatives to redundancies may in some cases be a more optimal course of action for businesses than the counterfactual. The department concludes that there will be 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. The scorecard would be strengthened by a more explicit explanation of the basis for the neutral assessment across entry, innovation and competition, including impacts on employer flexibility, but the OA does provide a clear qualitative rationale for the direction of the rating.

Trade and investment

The OA states that the policy will have no impact on international trade, either directly or indirectly. The OA says that the regulation is not a non-tariff measure under UNCTAD's classification, will have no impact on trade costs, and is not expected to affect international investment directly, although the wider Employment Rights Act 2025 may indirectly feed into investment decisions. It also states that the UK will remain below the OECD average for employment protections overall and for dismissal protections specifically. The scorecard rates international considerations as neutral. The scorecard would be strengthened by more proposal-specific supporting evidence, where available, but the OA provides an explicit rationale for the neutral assessment.

Natural capital and decarbonisation

The OA states that the policy has no impact and no interaction, either directly or indirectly, with natural capital, decarbonisation or the environment because it is an employment regulation. This category is rated as neutral in the scorecard. This is a sufficiently clear justification for the neutral assessment.

Monitoring and evaluation

Monitoring and evaluation

The OA sets out a broad monitoring and evaluation framework. It proposes a review within five years of policy implementation and identifies possible data sources including HR1 forms, employer and employee surveys, stakeholder evidence, the Labour Force Survey, BICS and CIPD Labour Market Outlook data. The OA also recognises that attributing changes in redundancy outcomes solely to the policy will be difficult.

The OA would be strengthened by clearer links between the SMART objectives, the proposed evaluation questions and the operational metrics that would be used to monitor success. The OA would also benefit from setting out more clearly which measures will be used to test the key assumptions in the appraisal, including assumptions about consultations generated, prevented redundancies, delayed redundancies, and improved notification. The OA would also be strengthened by setting out whether there are any triggers for earlier review if implementation or labour-market conditions differ from expectations.

Data collection

The OA identifies a range of possible data sources, including HR1 forms, employer and employee surveys, the Labour Force Survey, BICS, CIPD Labour Market Outlook data, and qualitative evidence from stakeholders such as Acas, trade unions and the Employment Tribunal system. The OA also notes that HR1 forms may need to be amended and that there may be barriers to collecting some data. The data-collection discussion is reasonable but would be strengthened by setting out a clearer initial set of monitoring indicators, how they relate to the policy objectives, and what specific data gaps the department expects the consultation and implementation period to address.

Post-implementation review (PIR)

The OA states that the government will undertake a proportionate review of the policy within five years following the policy taking effect and that it will monitor whether the measure has met its objectives, whether actual impacts were in line with those estimated in the OA, and whether there were unintended consequences. This is consistent with a broad commitment to post-implementation review. The OA would nevertheless be strengthened by setting out more clearly the intended timing, scope and key review questions for the PIR, including how it will test the original assumptions in the OA and how it will assess whether the regulation remains necessary and proportionate.

Regulatory Policy Committee

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