Covering Note

Analysis to support public consultation on reforms to zero hours and similar contracts

12th August 2026

Introduction

The government published a detailed package of analysis to support the consultation on reforms to zero hours and similar contracts: Make Work Pay: ending one-sided flexibility – reforms of zero hours and similar contracts - GOV.UK

This document summarises the key findings of the analysis. This note does not replace the full publications which provide a comprehensive assessment.

Why the government is intervening

The Employment Rights Act 2025 gained Royal Assent (became law) on 18 December 2025. The zero hours and similar contracts measures in the Act have not yet taken effect, with implementation dates for these measures to be updated after consultation. Regulations are required to outline key details, which the consultation focuses on. Following consultation, the government will develop final policy positions to deliver the measures. The government will then lay regulations in Parliament to make these policy positions law.

Evidence shows that many workers on zero hours and similar contracts face what is known as 'one-sided flexibility'. This means that workers take on the risks of unpredictable hours and income, while employers benefit from flexible arrangements. The government recognises that some employers require flexibility to manage short-term fluctuations in demand, and some workers value the flexibility that zero hours work provides. However, the evidence points towards a current imbalance, with negative consequences on workers' ability to manage their finances and lives effectively.

In this context, the government has three main objectives which will guide the final policy decisions:

- Establish a baseline of security and stability for workers facing unpredictable hours so they can plan their lives more effectively.
- Rebalance labour market flexibility so it works for both workers and employers.
- Support sustained economic growth across the diverse range of industries that make up the UK economy.

Key findings from the Options Assessments and research

The Options Assessments (OAs) set out the likely impacts of the policy options in the consultation. They aim to identify, and where possible, measure, the likely impacts on employers, workers and wider society, using the best available evidence.

1. **The evidence shows that 'one-sided flexibility' has a negative impact on workers' lives and finances.**

The measures are expected to improve income security and wellbeing by giving workers more stable contractual hours, more advance notice of shifts and changes, and pay where scheduled work is cancelled, moved or curtailed at short notice.

Over half (53%) of workers in insecure work report that income variability affects their ability to cover essential expenses[1]. Of those reporting that their shifts were changed or cancelled at short notice, most (59%) did not typically receive any compensation.

The reforms will help address this, with workers expected to receive payments of between £5 million and £1.2 billion due to the right to payments for shifts cancelled, moved or curtailed at short notice. This range captures the minimum and maximum impacts based on the broad range of policy options considered.

The reforms will result in further benefits to workers, such as a reduction in costs due to short notice travel and childcare arrangements, and higher wellbeing.

Over half (58%) of workers in insecure work would like consistent and guaranteed hours matching their usual working patterns[2]. Our research asked those in insecure work whether short notice of shifts had an impact on them: 60% reported an impact on their ability to plan or manage their personal life, 49% on the ability to budget for household and other expenses, and 42% on the cost of getting to work. Among parents, three in four (75%) report an impact on the cost of childcare.

Our research also shows that one in three 'precarious workers' report a financial impact due to recent issues at work linked to insecurity of hours and income – with an average reported loss of £250 over four weeks (or more than £3,000 per year)[3].

The overall benefit to workers could be in the billions of pounds, even if only a small number of workers experience greater certainty over their working hours. Alongside these direct benefits to workers, the reforms may generate wider economic benefits through improved wellbeing, workforce participation and productivity.

2. **The package will increase costs for employers, but also generate benefits that will support growth**

The government's economic assessment[4] for the Employment Rights Act concluded that, taken together, the Act could have a small, positive effect on growth[5]. Independent research from the University of Cambridge also shows that, where other countries have implemented laws to increase the predictability of work, it has generally been positive for employment.

Consistent with this, these measures are expected to support growth through improved worker wellbeing and engagement, which the literature has identified as being associated with increased productivity, while encouraging better workforce planning, investment in staff, and creating a more level playing field for employers who already provide secure and predictable work.

There may also be wider benefits due to higher wellbeing and labour market participation. Stress, depression and anxiety accounted for 22.1 million lost working days in 2024/25[6], equivalent to around £6.5 billion in lost output[7]. Our research also shows that the right to guaranteed hours could make it easier for around 4 in 10 people not in work to return to work[8].

However, there are some potential trade-offs. The measures will increase administrative costs and reduce flexibility for employers. This could make it harder for employers to respond to changes in demand, with potential knock-on impacts on output. The direct cost to employers of the reforms as a whole could be between £350 million and £2.9 billion per year. This range of costs captures the minimum and maximum impacts for each measure based on the broad range of policy options considered[9], and does not capture the full range of expected benefits, as many of these are not possible to monetise.

Overall, the zero hours and similar contracts measures, and the Employment Rights Act in total, are likely to have a small, positive impact on growth – subject to ensuring that the implementation is well-targeted and risks are mitigated.

3. **Based on what we have been able to monetise, the reforms as a whole could lead to a net cost of between £300 million and £1.4 billion per year.**

This takes into account both the monetised costs and benefits, and is equivalent to a net cost of between £3.0 billion and £14.1 billion over 10 years.

These figures are lower than simply adding together the monetised impacts in each individual OA, because each OA assesses the relevant right in isolation and there is some overlap between the impacts. **Simply adding the figures from each OA together will overstate the total impacts.**

The figures should be interpreted as a partial assessment, as they do not capture the full range of expected benefits such as improvements to wellbeing and lower reliance on higher cost travel and childcare, many of which cannot be robustly monetised.

4. **The reforms are likely to have the greatest effect where variable hours and short-notice working are most common.**

The impacts are expected to be concentrated in sectors where demand is more variable or unpredictable, and employers often adopt flexible staffing models – such as hospitality, arts, entertainment and recreation, administrative and support services, retail, education, and health and social care.

At lower and mid-range hours thresholds, employers and workers in scope are more likely to be in those sectors. Similarly, parameters which place greater limits on flexibility (e.g. shorter reference periods) are likely to have the greatest impact on sectors and businesses models that rely more heavily on short-notice scheduling and flexible hours.

The benefits are also likely to be felt most by workers who are more exposed to one-sided flexibility: young people (aged 16 to 24), parents, women, disabled workers and some ethnic minority groups.

However, the sectors and groups most likely to be impacted will depend on the detail of the regulations. As eligibility expands, impacts become less targeted and spread more widely across the labour market. At higher hours thresholds, the impacts could broaden to affect a wider range of rota, overtime and workforce-management practices.

While the measures within the consultation are intended to improve security and predictability for workers in insecure work, there is also some uncertainty around whether employers may adjust their use of contracts in scope or change how they offer additional hours to their workforce. We will continue to build our evidence on this.

Impact of different policy options listed within the consultation

The impacts vary depending on the final policy choices taken forward. The main drivers are the hours threshold, notice periods, payment rate, reference periods and regularity requirements. These affect both the number of workers and employers in scope, and the extent to which employers may need to change existing workforce planning and scheduling practices. Given that the monetisation focuses on a subset of key parameters (as set out in the OAs), the below is not intended to be a comprehensive assessment across all parameters in the consultation[10].

1. Hours thresholds for the right to guaranteed hours and for the shift rights

This is the biggest driver of the impacts. The current evidence of policy benefits is strongest at lower thresholds (20 hours per week or lower), while costs increase substantially as thresholds rise, particularly above 20 hours per week.

As the threshold rises, more workers are brought into scope, and so the monetised cost increases. The share of workers at or under the hours threshold rises fairly steadily when the threshold increases up to 32 hours. Beyond this, the increase is more pronounced as the measures start to capture more workers with conventionally full-time hours.

The share of employee jobs potentially at or below the threshold rises from 11% (3.3 million employee jobs) at 8 hours per week to 20% (5.9 million) at 20 hours, 34% (9.7 million) at 32 hours, 91% (26.2 million) at 40 hours and 99% (28.6 million) at 48 hours[11].

To illustrate the sensitivity of the costs to the hours threshold, we use the upper bound estimate of the direct cost to employers for the right to payments when shifts are cancelled, moved or curtailed at short notice as a starting point, and then reduce the hours threshold for eligible workers from 48 hours to 24 hours, holding all other parameters constant.

The indicative estimate for the overall direct cost to employers decreases from £1.3 billion per year at an hours threshold of 48 hours per week:

- £1.2 billion per year at an hours threshold of 40 hours per week;
- £450 million per year at an hours threshold of 32 hours per week; and
- £340 million per year at an hours threshold of 24 hours per week.

Similarly, to provide an indicative sensitivity to the hours threshold for the right to guaranteed hours, we again use the upper bound as a starting point – and then reduce the hours threshold for eligible workers from 20 hours to 8 hours, holding all other parameters constant.

The indicative estimate for the overall direct cost to employers decreases from £450 million per year at an hours threshold of 20 hours per week:

- £410 million per year at an hours threshold of 16 hours per week;
- £370 million per year at an hours threshold of 12 hours per week; and
- £340 million per year at an hours threshold of 8 hours per week.

2. **‘Short notice’ period where employers are required to make a payment to eligible workers if shifts are cancelled, moved or curtailed.**

As the length of the ‘short notice’ period increases, the number of workers that could receive payments also increases.

Based on the available evidence, the proportion of workers currently receiving less than the specified notice period and who could receive payments jumps from 25% to 65% when moving from 1 day to 3 days, before increasing at a steadier rate up to 5 days and 7 days.

3. **Percentage basis for the payment to eligible workers if shifts are cancelled, moved or curtailed at short notice**

Higher payment rates increase both the cost to employers and the corresponding transfer to workers. As the payment percentage increases, more workers are expected to receive payments as a result of the policy. Around 50% of workers who have had shifts cancelled receive less than 25% of their regular pay, rising to around 80% if the payment percentage were set at 75%[12].

To illustrate this, we use the upper bound estimate of the cost of payments when shifts are cancelled, moved or curtailed at short notice as a starting point – and then reduce the payment approach from 80% of what the worker would have earned from working the shift to 65% or 50%, holding all other parameters constant.

The indicative estimate for the overall direct cost to business decreases from £1.3 billion per year (at 80% of what the workers would have earned) to:

- £1 billion per year (at 65% of what the worker would have earned); and
- £690 million per year (at 50% of what the workers would have earned).

4. Notice of shifts presumed reasonable

As the number of weeks increases, the number of workers where businesses could need to adjust their scheduling practices also increases. Around 40% of workers receive less than 1 week's notice, rising to 63% at 2 weeks and 77% at 4 weeks[13].

To illustrate this, we use the upper bound estimate of the cost of reasonable notice – and then reduce the presumption of reasonable notice from 4 weeks to 2 weeks or 1 week, holding all other parameters constant[14].

The indicative estimate for the overall direct cost to business decreases from £1.2 billion per year (for the presumption of reasonable notice of 4 weeks) to:

- £960 million per year (for the presumption of reasonable notice of 2 weeks);
- £620 million per year (for the presumption of reasonable notice of 1 week).

5. Duration of reference periods for the right to guaranteed hours

This affects both the monetised administrative costs, and the impact on business flexibility. Longer reference periods increase the cost of tracking hours over time, but they may also allow employers to smooth short-term fluctuations in demand, and reduce the number of instances where employers are required to formalise guaranteed hours offers. This means the monetised cost captures only part of the trade-off: longer periods may cost more to administer but can preserve more flexibility for employers.

6. Regularity requirement: Number of weeks worked in reference period

As this requirement increases, the number of workers where employers could be required to make a guaranteed hours offer decreases. In general, we expect this relationship is more likely to occur for workers guaranteed no or a small number of hours per week – compared to, for example, workers with conventionally full-time guaranteed hours. Around 65% of zero hours contract workers work in all 12 weeks of a 12-week reference period, whereas 92% work at least 6 weeks of a 12-week reference period[15].

Annex A – Policy parameters for indicative central scenario

This annex sets out the policy parameters for the indicative central scenario. The individual OAs set out the policy parameters for the low and high estimates.

Table 1: Policy parameters modelled for indicative central scenario

	Right to guaranteed hours	**Right to reasonable notice**	**Right to payments for shifts cancelled, moved or curtailed at short notice**
Central scenario used for indicative estimate[16]	• Hours threshold: 16 hours per week • Regularity requirements (number of weeks over a reference period in which the worker must have worked): at least 8 weeks of a 12-week reference period • Regularity requirements (number of hours worked over a reference period in excess of contractually guaranteed hours): no requirement • Length of reference periods: 12 weeks (initial) and 26 weeks (subsequent) • Gap of 26 weeks between initial and subsequent reference periods (one per year)	• Hours threshold: 28 hours per week • Presumption of reasonable notice: 2 weeks	• Hours threshold: 28 hours per week • Short notice period: 3 days • Payment approach for short notice: 50% of the National Minimum Wage / National Living Wage • Very short notice: 1 day • Payment approach for very short notice: 65% of National Minimum Wage / National Living Wage

Annex B – Indicative package-level estimates

Each OA presents monetised impacts, including headline figures for the direct costs to employers per year[17] and the total net impacts per year[18]. **As the consultation covers a broad range of options, the OAs present lower and upper estimates based on combinations of policy choices that generate lower or higher impacts.**

The individual OA figures should not simply be added together to estimate the impact of the package. Each OA assesses a right in isolation, while in practice the measures are likely to affect overlapping employers, workers, systems and workforce-planning processes. **This means that simply adding the monetised impacts will overstate the total impacts, as there will be double counting across the package.**

Tables 3 therefore presents an indicative package-level aggregation. The figures exclude some workforce planning costs where they would otherwise be counted more than once, while retaining the reasonable notice workforce planning costs as the clearest proxy for package-wide changes. The figures are indicative, depend on the final policy choices, and remain a partial assessment because some expected benefits cannot currently be robustly monetised.

Table 2: Monetised direct cost to business per year

Measure	**Low**	**Indicative Central**	**High**
Right to guaranteed hours	£100 million	£270 million	£450 million
Right to reasonable notice of shifts	£240 million	£640 million	£1.2 billion
Right to payments for shifts cancelled, moved or curtailed at short notice	£20 million	£160 million	£1.3 billion
Indicative total	**£350 million**	**£1.1 billion**	**£2.9 billion**

Table 3: Monetised total net impacts per year

Measure	**Low**	**Central**	**High**
Right to guaranteed hours	-£83 million on average per year	-£230 million on average per year	-£390 million on average per year
Right to reasonable notice of shifts	-£200 million on average per year	-£550 million on average per year	-£1.0 billion on average per year
Right to payments for shifts cancelled, moved or curtailed at short notice[19]	-£11 million on average per year	-£23 million on average per year	-£23 million on average per year
Indicative total	-£300 million on average per year	-£800 million on average per year	-£1.4 billion on average per year

[1] 'Experiences of Workers in Insecure Work Research Report', DBT, 2026
[2] 'Experiences of Workers in Insecure Work Research Report', DBT, 2026
[3] Weighted averages from MHCLG survey which only included those that earned less than £30,500 per year. Of those who reported a financial loss, 70% reported lost earnings (with an average loss of £178 over four weeks), 56% reported extra travel costs (average cost of £48), 43% reported extra borrowing costs (average cost of £118), 37% reported other unexpected costs (average cost of £90), 25% reported childcare and other care costs (average cost of £35), 18% reported benefit deductions or sanctions (average cost of £37), and 18% reported employer fines or deductions (average cost of £24).
[4] 'Employment Rights Act Economic Analysis and Summary Impact Assessment', HM Government, 2026
[5] 'Employment Rights Act Economic Analysis and Summary Impact Assessment', HM Government, 2026
[6] 'Working days lost in Great Britain', Health and Safety Executive, 2025.
[7] 'Employment Rights Act Economic Analysis and Summary Impact Assessment', HM Government, 2026
[8] 'Precarious Work and Economically Inactive Survey', MHCLG, 2026
[9] For the right to guaranteed hours, the top end estimate is based on an hours threshold of 20 hours per week, as per the government's preference.
[10] Many of the parameters in the consultation contain options for respondents to present 'other' views, and some parameters have unique options for agency workers. These are not explicitly considered in the modelling and therefore are not presented in this note. Refer to individual OAs for the full option list.
[11] DBT Analysis of ONS microdata.
[12] 'Precarious Pay and Uncertain Hours', Living Wage Foundation, 2023
[13] 'Experiences of Workers in Insecure Work Research Report', DBT, 2026
[14] For the purpose of this analysis, we are assuming that where workers are currently receiving less than the period presumed reasonable, that notice is unreasonable. This is a simplifying assumption given limitations to the evidence base.
[15] 'Low Pay Britain 2025', Resolution Foundation, 2025
[16] These central scenarios have been created as indicative of what the potential monetised impacts could be outside of the minimum and maximum impacts for each measure based on the broad range of policy options considered and use the central value of each parameter where possible. Note that, given the policy design, there are several parameters where there is no clear central value. Where

this is the case, one of the central options has been selected to present the indicative cost; however, this does **not** represent a policy preference. Policy detail will be set out following consultation.
[17] This corresponds to the Equivalent Annual Net Direct Cost to Business (EANDCB) in individual OAs.
[18] This corresponds to an annualised version of the Net Present Social Value (NPSV) in individual OAs.
[19] The central and high estimates are the same for the monetised net total impacts, as the main difference in scenarios relate to the cancellation payments, where costs and benefits net off.