# Options Assessment

Title: Ending one-sided flexibility - reforms of zero hours and similar contracts: Right to guaranteed hours

Type of measure: Secondary Legislation

Department or agency: Department for Business, Innovation, Science and Trade

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# 1. Summary of proposal

1. The government is committed to tackling one-sided flexibility, ensuring that all jobs provide a baseline of security and predictability. This includes ending exploitative zero hours contracts. The government will deliver this commitment through three measures:

    a. A right to guaranteed hours, where the number of hours offered reflects the hours worked by a qualifying worker during a reference period.

    b. A right to reasonable notice of shifts.

    c. A right to payment for shifts cancelled, moved or curtailed at short notice.

2. These measures will apply to workers in scope, including agency workers in scope. However, they apply differently to agency workers than to directly engaged workers, and it may be appropriate for there to be further differences set out in regulations for agency workers. This is outlined throughout the longlisting and shortlisting sections of this Options Assessment (OA).

3. Once the rights in relation to zero hours measures in the Employment Rights Act 2025 (the Act) come into effect, employers will be required to make guaranteed

hours offers to qualifying directly engaged workers that reflect the number of hours they worked over a reference period. The duty will apply in respect of an initial reference period for each qualifying worker. After the initial reference period (the duration of which will be set out in regulations, although the government preferred option is 12 weeks), the duty will apply to qualifying workers for each subsequent reference period. Where the worker qualifies for the right, the employer will need to make an offer to provide guaranteed hours to the worker in the form of a new or varied worker's contract at the end of each reference period that reflects the number of hours they worked over the reference period. After a guaranteed hours offer has been made, the worker will be able to choose to accept or decline this offer. The Act creates an equivalent obligation on end hirers to make guaranteed hours offers to qualifying agency workers who will benefit from similar rights to directly engaged workers.

4. Workers and agency workers will need to meet conditions to qualify for the right to guaranteed hours. Further policy details relating to some eligibility conditions, how the guaranteed hours offer will be calculated, and whether there are any exceptions to the duty will be set out in regulations. This OA is published alongside a consultation on these policy details prior to making secondary legislation. As a result, it presents a range of possible policy parameters that are being consulted on to show the range of possible impacts, while reflecting the potential policy decisions (and uncertainty) at this stage.

5. The government has set out preferred options for two key elements of the policy: a 12-week initial reference period and an hours threshold within the range of 8 to 20 hours per week. However, the consultation seeks views on a wider range of options to gather stakeholder views alongside further evidence, including government-commissioned research (see paragraph 219 for further detail), before determining the most appropriate approach.

6. This OA only assesses regulatory options. This is because primary legislation has already been passed which sets up the regulatory framework. The OA accompanies a consultation that looks at different ways of implementing this legislation. This OA summarises our evidence on the right to guaranteed hours, building on the impact assessment[1] published when the Employment Rights Bill (the Bill), which later became the Act, was introduced to Parliament in 2024.

# 2. Strategic case for proposed regulation

### Market failures

7. The detriment faced by workers due to one-sided flexibility, particularly where contracts provide no or very few guaranteed hours, is caused by a combination of market failures. Although the evidence of this detriment is strongest for workers with no or few guaranteed hours, the market failures still apply for workers with higher levels of guaranteed hours where they continue to experience unpredictability or one-sided flexibility because of not having all of their hours of work contractually guaranteed.

[1] Impact assessment: ZHCs - Right to Guaranteed Hours, DBT, 2024

8. One-sided flexibility occurs when unpredictable scheduling and income risks are shifted onto workers, leaving them unable to plan their finances or personal lives effectively. Without guaranteed hours that reflect the number of hours they regularly work, workers face income volatility and insecurity, while employers retain full control over scheduling decisions, creating an imbalance that can lead to exploitative practices and inefficient labour market outcomes.

9. Employers can transfer undue risk onto their workers due to their ability to exert market, or monopsony, power[2]. The Competition and Markets Authority (CMA)[3] finds that monopsony power is a feature of many parts of the UK labour market and has a real cost for workers, as it allows employers to push down terms and conditions. In the CMA's research, pay and hours worked are the main elements explored, but this would also apply to wider terms and conditions including the predictability of shift patterns.

10. Employer-worker relationships that lack guaranteed hours are by their nature imbalanced in favour of the employers. This imbalance of power may exist where workers in low-skilled and labour-intensive sectors are more substitutable, giving them less bargaining power. Alternatively, monopsony power may occur because workers have limited choice of employer, partly due to lack of geographical mobility, or workers facing financial precarity are unwilling to change job due to the risk of doing so.

11. In addition, variable and insecure forms of work have a number of negative externalities[4]. The unpredictability of work hours contributes to stress, anxiety, and poor mental health among affected workers. These personal costs frequently translate into broader societal burdens, including increased reliance on public health services and welfare support. The social cost of not having guaranteed hours is not reflected in the private transaction between employer and employee, leading to over-provision of variable hours contracts.

12. Moral hazard arises when one party can take risks because the costs of those risks are borne by another party. The use of contracts with no or very few set hours creates a situation where employers can externalise business risks, such as fluctuating customer demand or operational uncertainty, onto workers.

13. These market failures are therefore expected to be most pronounced where workers have no or few guaranteed hours, with the strength of the case for intervention likely to decline as existing guaranteed hours increase.

### Negative impact on workers

14. Used in the right way, zero hours contracts can provide workforce flexibility to employers and employment opportunities to those who might otherwise not enter the labour market at all. A report from the Chartered Institute of Personnel and

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[2] Monopsony power refers to the market situation where a single or dominant employer has significant control over the labour market, enabling them to set wages and employment conditions below competitive levels. In the context of zero hours contracts, this power is amplified because workers often lack alternative employment options and bargaining strength, making them more vulnerable to exploitative scheduling and pay practices.

[3] Competition and market power in UK labour markets, Competition and Markets Authority, 2024

[4] A cost or benefit incurred by a third party who did not choose to be involved in the economic transaction. This could be the worker's household that suffers from the insecurity, or parties to whom the worker has ongoing financial commitments.

Development (CIPD) (2022)[5] found that students, people with fluctuating health conditions, and older workers downshifting towards retirement are among the groups who can benefit most from the flexibility afforded by zero hours contracts. This is consistent with 2026 Department for Business and Trade (DBT) survey evidence[6], which finds that nearly three-quarters (72%) of workers in insecure work report that their current working arrangements are well suited to their lifestyle, often reflecting how these roles can fit around education, caring responsibilities, or other commitments. These workers will still be able to remain on a zero hours contract once these measures are implemented by declining the guaranteed hours offer if they receive one.

15. However, this headline satisfaction can mask underlying concerns about the terms and security of these arrangements. While 72% report that their arrangements suit their lifestyle, over half (58%) of respondents in insecure work also say they would prefer guaranteed hours that match their usual working patterns (DBT, 2026)[7], suggesting that many value the flexibility of their working patterns but would prefer greater certainty within them. This is consistent with wider evidence indicating that these arrangements do not work for a sizeable minority of workers: 19% of workers on zero or 'short' (that is, low, as defined by CIPD) hours contracts indicate that this contractual arrangement does not suit their circumstances (CIPD, 2025)[8], compared to just 3% of respondents in general. Similarly, 87% of workers with no guaranteed hours report wanting more hours in their contract (Living Wage Foundation (LWF), 2022)[9]. The strength of these impacts is likely to vary by the level of guaranteed hours already provided, with detriment expected to be greatest among workers with no or few guaranteed hours and to reduce as existing guaranteed hours increase.

16. The evidence from DBT (2026) also suggests that the lack of predictability and income stability associated with one-sided flexibility can have significant impacts on workers' financial security. Over half (53%) of workers in insecure work report that variability in working hours directly affects their ability to cover living costs and essential expenses, with this rising to 65% among those with dependent children. Younger workers aged 26 to 35 appear particularly affected, with around 62% reporting that variability in hours impacts their ability to meet costs, including a subset reporting significant impacts.

17. The 2017 Taylor Review of Modern Working Practices[10] found that many workers on zero hours contracts struggle with one-sided flexibility, whereby workers are often required to be available to their employers at late notice without any guarantee of work in any given week. This makes it difficult for individuals to manage their time and their financial obligations or, for example, secure a mortgage, creating a situation where individuals bear most of the financial risk of fluctuating demand for work. Likewise, this occurs disproportionately in the lowest-paid sectors of the economy.

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5 Zero Hours Contracts, Evolution and Current Status, CIPD, 2022

6 Experiences of Workers in Insecure Work Research Report, DBT, 2026

7 Experiences of Workers in Insecure Work Research Report, DBT, 2026

8 Good work index, CIPD, 2025

9 The Living Hours Index, Living Wage Foundation, 2022

10 Good work: The Taylor Review of Modern Working Practices, Matthew Taylor, 2017

18. These impacts are most directly evidenced among workers with variable hours and lower income security. For workers with a higher number of guaranteed hours, the main detriments may be more closely related to work-life conflict and disruption to personal planning than to income volatility.

### Negative impact on productivity

19. One-sided flexibility is associated with a higher likelihood of workers being dissatisfied, depressed and anxious about work and displaying poorer mental health and wellbeing[11]. A 2022 systematic review of 16 studies by Shiri et al.[12] found that low employee control over work schedules was linked to a significantly higher risk of depressive symptoms, psychological distress, burnout, and accumulated fatigue. These issues are linked to lower levels of worker productivity[13].

20. Furthermore, zero hours and similar contracts allow poor workforce planning practices to persist. This is because employers are not obligated to offer any work, allowing them to avoid forecasting labour needs and place the burden on workers, even though there is evidence that proper workforce planning is good for businesses as well as for workers[14]. Zero hours contracts are linked to high staff turnover, volatile earnings, weaker training, and limited career progression, which reinforces the conclusion that while employers gain scheduling flexibility, workers bear the risk of inconsistent hours and earnings instability, which undermines labour supply relationships. A full breakdown of these is included in the 'Non-monetised benefits' section.

### Background

21. The Taylor Review[15] recommended the creation of a right to request a contract that guarantees hours that better reflect the actual hours worked for those on zero hours contracts. In 2018, the government consulted on introducing a new right to request a more predictable contract. The government committed in the Good Work Plan[16] (2018) to introduce a new right for all workers (including agency workers) to request a more predictable contract after 26 weeks with their employer. The Workers (Predictable Terms and Conditions) Act 2023[17] (often known as the Predictable Work Act, referred to here as 'PW 2023') would have created a new right for workers to request more predictable working conditions.

22. However, in 2018, the Low Pay Commission[18] (LPC) suggested that this framework would not tackle the underlying issue of one-sided flexibility as it provided businesses with a wide scope of reasons to reject requests, and so was likely to leave many workers suffering the same issues as they would without the legislation.

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[11] Low Pay Britain 2025, The Resolution Foundation, 2025; Zero Hours Contracts, ReWage Policy Brief, Dix et al., 2023, Zero Hour Contracts and Mental Health, Wilson, N. and McDaid, S., 2022

[12] The Effect of Employee-Oriented Flexible Work on Mental Health: A Systematic Review, Shiri et al., 2022

[13] The Role of Mental Health on Workplace Productivity: A Critical Review of the Literature, Oliveira et al., 2022

[14] A Response to Government on One-Sided Flexibility, LPC 2019

[15] Good work: the Taylor review of modern working practices, Taylor, 2017

[16] Good Work Plan, Department for Business, Energy and Industrial Strategy, 2018

[17] Workers (Predictable Terms and Conditions) Act, Department for Business and Trade, 2023

[18] Low Pay Commission Report, Low Pay Commission, 2018

23. The Act will, once the zero hours measures come into effect, create a new obligation on employers to make a guaranteed hours offer to qualifying workers. Workers in scope of the right to guaranteed hours must have worked for their employer during a reference period on a zero hours contract or arrangement, or on a worker's contract which has a number of hours contractually guaranteed that is below or at an 'hours threshold' which will be specified in regulations. Workers who are guaranteed hours (within the hours threshold) must exceed their contractual hours of work during the reference period in order to be in scope. For a worker to qualify, the hours they worked during a reference period will also need to meet conditions as to number or regularity or otherwise (which will be specified in regulations). For brevity, we refer to all workers in scope – both directly employed workers and agency workers – as 'variable hours workers' or 'variable hours contracts' throughout this document.

24. The Act also provides a right to guaranteed hours to qualifying agency workers. Agency workers can experience one-sided flexibility in the same way as directly engaged workers. Applying the measures to agency workers prevents agency work becoming a loophole for employers to avoid the new legislation. Hirers will be responsible, by default, for making guaranteed hours offers to qualifying agency workers. Guaranteed hours offers must reflect the number of hours that an agency worker works under the direction and supervision of their hirer during the relevant reference period. The conditions that an agency worker must meet to qualify for the right will be further set out in regulations, and may differ from those set out for directly engaged workers. The hours worked by an agency worker during a reference period will need to meet conditions as to number or regularity, or otherwise as specified by regulations. While the government understands that most agency workers do not currently have any hours guaranteed to them contractually, some do (for example by their agency). As with directly engaged workers, it is the intention (as it is consulted upon) to exclude agency workers from the right to guaranteed hours where they are already guaranteed hours over an hours threshold (for example, by their agency).

# 3. Objectives for intervention

25. The key policy objectives of this measure, together with the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice, are to tackle the issue of one-sided flexibility and rebalance the benefits and risks between employers and workers.

26. More specifically, the aims are to provide workers with greater security and predictability in their hours and income both in the short and longer term, as well as providing incentives for employers to invest in improved shift schedule planning and management practices. It is the government's intention to achieve this while taking a targeted approach to ensure that there is not a disproportionate effect on employers who already provide secure, stable work. This will provide a level playing field for employers who already provide their workers with secure, stable work.

27. The government's preferred range for the hours threshold, as stated in the consultation, is 8 to 20 hours per week, reflecting this targeted approach, as it is considered that options within this range are more likely to provide a favourable balance of costs and benefits. The options for the hours threshold are expressed in

terms of a number of hours per week for illustrative purposes. However, we recognise that not all workers are guaranteed hours on a weekly basis – for example, some workers are guaranteed hours over a month or a year. We will ensure that regulations take account of this.

28. Within the consultation on reforms of zero hours and similar contracts, the government has set out three core objectives which will guide the final policy decisions.

    a. Establish a baseline of security and stability for workers facing unpredictable hours so they can plan their lives more effectively.

        i. Improve the security of hours and income for workers and agency workers on variable hours contracts.

        ii. Improve the financial stability for workers and agency workers on variable hours contracts.

    b. Rebalance labour market flexibility so it works for both workers and employers.

        i. Promote genuine two-sided flexibility that enables workers and agency workers to balance their working life with their personal commitments such as caring or parental responsibilities, by providing an option for workers to choose between their existing contract and a guaranteed hours offer.

        ii. Facilitate a two-way employment relationship where the benefits and risks of flexible working are shared evenly, and the financial risk of uncertain demand is shared more fairly.

        iii. Ensure that employers (or hirers/agencies) can only modify or opt out of these measures with agreement from the relevant trade union to ensure agreements benefit both workers/agency workers and employers (or hirers/agencies).

    c. Support sustained economic growth across the diverse range of industries that make up the UK economy.

        i. Encourage employers, hirers and agencies to invest in workforce planning and improve scheduling practices.

        ii. Provide a level playing field for employers, hirers and agencies who already provide security and predictability.

        iii. Target the measures towards those workers and agency workers lacking security and predictability, ensuring that the measures deliver benefits for these workers that are proportionate to the additional obligations for employers, hirers and agencies.

29. Guided by these objectives, this legislation aims to reduce insecure work by:

    a. Increasing the proportion of workers that have contracts that accurately reflect the number of their hours worked.

b. Increasing workers' ability to choose whether to work on a zero hours contract.

### Impacts on growth and HM Government objectives

30. The Plan for Change[19] sets out objectives to support the lowest paid workers with job security and improved working conditions, whilst also bringing business right to the heart of delivering growth. The Act is expected to have a small, positive impact on growth over the medium to long term, as outlined in the government's Economic Analysis and Enactment Summary Impact Assessment[20], reflecting improvements in job quality, workforce stability and productivity, alongside fairer competition between firms.

31. The government has three main objectives for the zero hours and similar contracts reforms, which have guided the development of the consultation and intend to guide final policy decisions to be made after the consultation:

    a. Establish a baseline of security and stability for workers facing unpredictable hours so they can plan their lives more effectively;

    b. Rebalance labour market flexibility so that it works for both workers and employers;

    c. Support sustained economic growth across the diverse range of industries that make up the UK economy.

32. The right to guaranteed hours is intended to contribute to these objectives by addressing the mismatch between hours worked and hours contracted, providing qualifying workers with greater certainty over their baseline income and working time. By reducing reliance on arrangements where employers retain significant discretion over how many hours a worker works, the policy could support improved financial stability, job quality and worker engagement, while encouraging more efficient workforce planning and better alignment between labour demand and contracted supply. These mechanisms may support productivity where current arrangements lead to underemployment, churn, or inefficient allocation of labour.

33. However, these potential benefits need to be balanced against the costs and risks to business. The policy will introduce costs for employers, agencies and hirers related to administration of guaranteed hours offers, and may reduce employer flexibility where businesses currently rely on variable hours arrangements to manage fluctuations in demand. This could affect hiring decisions, workforce composition, or the use of alternative staffing models (e.g. agency work), particularly in sectors where demand is uncertain, seasonal, or difficult to predict. The magnitude of these risks is likely to vary depending on the design of the policy, including eligibility criteria, reference periods, and the extent of any exemptions or flexibilities.

34. The government is consulting on a range of options for the right to guaranteed hours, to ensure that policy decisions are informed by evidence from employers, workers, agencies, hirers and other stakeholders. The policy parameters will aim to

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[19] Plan for Change, HM Government, 2024

[20] Employment Rights Act Economic Analysis and Summary Impact Assessment, HM Government. 2026

improve security and predictability for workers by providing access to guaranteed hours that better reflect the number of hours they regularly work, while ensuring businesses retain flexibility, supporting a balanced approach to sustained economic growth.

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

35. Under the 'Do Nothing' scenario, employers would continue to be able to engage workers on a zero hours basis, or on other forms of variable hours contracts without any obligation to make an offer to enter into a contract with guaranteed hours that reflects the number of hours the worker worked during the reference period. Likewise, we assume the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice are also not implemented under the 'Do Nothing' scenario. This would mean that the problems of income insecurity and unpredictability associated with the one-sided flexibility involved in certain variable hours contract employment relationships would persist due to the market failures outlined in paragraphs 7 to 13 of section 2. Further discussed in section 2 is evidence on the harmful impact of insecure work, with zero hours contract workers more likely to say their contractual arrangement does not suit their circumstances, as well as low employee control over work schedules being linked to significantly higher risk of depressive symptoms, psychological distress, burnout and accumulated fatigue. For these reasons, the 'Do Nothing' option is discounted.

36. All analysis in this OA is conducted relative to this status quo, with all options presented being regulatory as all options are a continuation of the Employment Rights Act 2025. Where costs or benefits are estimated under the proposed measures, these figures represent the incremental impact compared to the 'Do Nothing' scenario. This approach ensures that the assessment reflects the additional effects of intervention beyond the existing baseline.

37. Many countries have sought to ban zero hours contracts outright, making them impermissible for any or most workers. New Zealand, Ireland and Norway have introduced legislation to mandate guaranteed hours in contracts: New Zealand and Norway through outright bans, and Ireland through a prohibition with limited exceptions. In the Netherlands and Finland, if workers consistently work a set shift pattern, their employers must offer them a contract on those terms. Analysis finds that after the Act's implementation, the UK will move up the rankings for employment protections amongst OECD countries, shifting from near the bottom towards closer to the average[21]. Following the Act's implementation, the analysis finds that the GB protections for zero hours contracts specifically would be higher than the average of the selected OECD countries.

38. The Act, once the zero hours measures come into effect, will create a new obligation for employers to make a guaranteed hours offer to qualifying workers. To be in scope of this right to guaranteed hours, workers must have worked for their

[21] Assessing the legal and economic implications of the Employment Rights Act 2025, Carter et al., 2026

employer during a reference period on a zero hours contract or arrangement, or on a worker's contract which has a number of hours guaranteed that is below or at an 'hours threshold' which will be specified in regulations. For a worker to qualify, the hours they worked during a reference period will also need to meet conditions as to number or regularity or otherwise (which will be specified in regulations).

39. The Act also creates a right to guaranteed hours for qualifying agency workers. Agency workers can experience one-sided flexibility in the same way as directly engaged workers. Creating a similar right to guaranteed hours for qualifying agency workers prevents agency work becoming a loophole for employers to avoid the new legislation.

40. For directly engaged workers, the guaranteed hours offer will be an offer to enter into a new or varied worker's contract depending on the circumstances. The offer should set out a number of hours of work that the employer would provide to the qualifying worker to work if the offer was accepted. The number of hours offered must reflect the hours that the worker worked for that employer during a reference period. The duty to provide an offer will apply to employers of qualifying workers in respect of an initial reference period (the length of which will be set out in regulations, but it is the government's preference for it to be 12 weeks long).

41. After the initial reference period, there will be subsequent reference periods. At the end of each reference period (initial or subsequent) employers will be required to issue guaranteed hours offers to qualifying workers. The length and timings of the subsequent reference periods will also be set out in regulations and are also being consulted upon.

42. Workers may qualify for a guaranteed hours offer after a subsequent reference period if:

   a. they qualified for a guaranteed hours offer after the previous reference period but did not accept it, and meet the qualifying requirements at the end of this subsequent reference period;

   b. they did not qualify for a guaranteed hours offer after the previous reference period, for example because they did not work regularly enough, but do qualify after a subsequent reference period; or

   c. they accepted a guaranteed hours offer after the previous reference period and moved onto guaranteed hours. If a worker accepts a guaranteed hours offer and enters into a contract guaranteeing them hours at or below the hours threshold, and then works in excess of those hours in a subsequent reference period, meeting the qualifying criteria, they will qualify to receive an offer. However, if the number of hours guaranteed in their contract is above the hours threshold, then they will not be in scope for an offer for any subsequent reference period.

43. Workers in scope of the right to guaranteed hours must have worked for their employer on a zero hours contract or arrangement, or have a number of hours guaranteed in their worker's contract that is at or below an 'hours threshold' that will be specified in regulations. In the latter case, they would also need to work in excess of their contractual hours. The hours worked by the worker for the employer

during the reference period will also need to meet conditions as to number or regularity, or otherwise, which will be set out in regulations.

44. For agency workers, the guaranteed hours offer will be an offer to enter into a worker's contract with the end hirer, setting out a number of hours of work the hirer would need to provide and the agency worker would need to work if the offer is accepted. The number of hours offered must reflect the hours that the agency worker worked for that end hirer during a reference period.

45. Should an agency worker accept a guaranteed hours offer, they will become directly engaged by their end hirer through entering into this new worker's contract. Agency workers who accept a guaranteed hours offer would therefore be directly engaged workers (for that hirer) in subsequent reference periods.

46. Agency workers may be eligible to receive a guaranteed hours offer after a subsequent reference period in the scenarios set out in (a) or (b) of paragraph 42.

47. While the government understands that most agency workers are not currently guaranteed any hours, it is the intention to exclude agency workers in regulations from the right to guaranteed hours where they are already guaranteed hours above an hours threshold (for example, by their agency). The government is consulting on two options for how the hours threshold could be applied to agency workers. These are to exclude workers from guaranteed hours offers where:

    a. they already have a contract guaranteeing hours above the threshold (for example, by their agency) regardless of which hirer these hours are to be worked for; or

    b. they already have a contract guaranteeing hours above the threshold specifically in respect of work to be done for one hirer (for example, by their agency).

48. The hours worked by an agency worker during a reference period will also need to meet conditions as to number or regularity or otherwise. It will be the responsibility of the hirer (by default) to make an offer of guaranteed hours when required.

49. The government recognises that some workers and agency workers need and value the flexibility that a zero hours contract can provide, for example some students and people with caring responsibilities. Workers and agency workers will therefore be able to decline a guaranteed hours offer and remain on their existing contract or arrangement if they prefer.

50. This policy aims to reduce the prevalence of one-sided flexibility for those workers and agency workers in scope, ensuring that they can access a contract with guaranteed hours should they prefer that arrangement, and therefore be able to more accurately predict their income over time. This policy will remove the potential concerns with the balance of power associated with workers having to request a contract, by placing the obligation on the employers and hirers as relevant.

51. This has been given effect through primary legislation, with this OA accompanying a consultation on some of the specific details of eligibility for the right, and details of how employers and hirers must calculate the offer.

52. While the exact scope of those who would be covered by this legislation has not yet been determined, there are three main groups who could be covered: zero hours contract workers and those working under zero hours arrangements (under the first they are under an obligation to accept work, but not under the second – in this OA we refer to all of these workers as on zero hours contracts for brevity), workers with a contract which specifies a number of hours at or under a threshold (e.g. those with some guaranteed hours but in line with or fewer than the level set out in regulations) and in scope agency workers.

53. To ensure proportionality of this measure, as set out in the objectives in the previous section, the definition of the hours threshold is being consulted upon and therefore part of this OA. The government's preference is for the hours threshold for the right to guaranteed hours to be between 8 and 20 hours per week. Based on the evidence and analysis set out in this OA, options in this range are more likely to provide a favourable balance of costs and benefits.

54. A baseline of 8 hours per week mitigates against potential avoidance behaviour of employers moving workers to contracts with a very low number of hours. Options up to 20 hours per week would be more likely to ensure that workers experiencing one-sided flexibility benefited from the right to guaranteed hours, while balancing the need to be proportionate in the costs to employers and the potential for unintended impacts on the wider jobs market.

55. The government is consulting on options up to 48 hours per week. This approach will help test the implications of higher thresholds, to inform the policy decision after the consultation.

56. Likewise, among these groups, there may be provisions for some limited, circumstance-based exemptions from this legislation. This, too, would be set out in secondary legislation following this consultation. We anticipate that any exemptions would be rather narrow to meet the policy intent.

57. Having reference periods is necessary to ensure that workers and agency workers are offered guaranteed hours that reflect the number of hours they worked over a representative period of time. The government's preference is that the initial reference period should be 12 weeks long, balancing the need for workers and agency workers to be offered guaranteed hours reasonably soon after they start working for an employer or hirer, and the need for an initial reference period long enough to establish the hours that they regularly work. However, the length of both the initial and subsequent reference periods will be set out in secondary legislation, and both are consulted on.

**Theory of change**

58. The theory of change for this appraisal sets out the causal chain from implementing a right to guaranteed hours through to longer term impacts. For this appraisal, the 'do nothing' baseline assumes that the current status quo remains in place, with no statutory right to guaranteed hours. Employers may continue to rely on zero hours contracts, contracts with some guaranteed hours, or casual arrangements without obligations to provide a guaranteed minimum number of hours that reflect the hours worked by the worker on a regular basis, resulting in fluctuating income and scheduling uncertainty for workers who regularly perform work. The risks identified in the theory of change are assessed in more detail in the evidence base section

from paragraph 270 and will be mitigated through the consultation and evidence-building process.

59. The scale and nature of these outputs, outcomes and impacts will depend on the final policy parameters set in regulations. The expected benefits are likely to be strongest where workers have no or few guaranteed hours, while higher hours threshold options may increase coverage but have a stronger impact on employer flexibility.

60. **Inputs:**

   a. Introduce a statutory right to guaranteed hours, ensuring that qualifying workers and agency workers receive guaranteed hours offers which reflect the number of hours that they worked over a reference period, which they can choose to accept or reject.

61. **Activities:**

   a. Employers, hirers and agencies will need to review workforce patterns to identify qualifying workers and provide guaranteed hours offers.

   b. Update employment contracts, payroll, and rostering systems to embed compliance processes associated with tracking hours and making guaranteed hours offers.

   c. Communicate new contractual entitlements and scheduling policies to managers and workers, with training for HR and payroll teams.

   d. Implement workforce planning and demand forecasting tools to align staffing levels with guaranteed hours and reduce reliance on ad hoc scheduling.

62. **Outputs:**

   a. Increase in workers holding contracts that guarantee a minimum number of hours that reflect the hours that they regularly work.

   b. Greater predictability in scheduling and income stability for workers.

   c. Reduced reliance on zero hours contracts and other variable hours contracts where regular work is performed but not reflected by the worker’s contractually guaranteed hours.

   d. Potential increase in advisory caseloads for the Advisory, Conciliation and Arbitration Service (Acas) and in disputes for employment tribunals.

63. **Outcomes:**

   a. Improved job satisfaction and wellbeing due to more stable earnings and predictable schedules.

   b. Better workforce stability, reducing stress and absenteeism and potentially increasing average job tenure.

c. Increased administrative and fixed labour cost burdens for employers in managing guaranteed hours offers and compliance with the duty including requirements to provide relevant information.

d. Potential reduction in scheduling flexibility for employers, hirers and agencies, prompting adjustments in staffing models (e.g. greater use of part-time or fixed-term contracts).

64. **Impacts:**

a. More inclusive growth by supporting workers and agency workers (e.g. those with caring responsibilities) and reducing income and scheduling precarity.

b. Improved retention and workforce stability, reflecting greater worker security.

c. Impacts on overall growth, productivity and employment (see the 'Impacts on growth and HM Government objectives' and 'Non-monetised costs and benefits' sections for further detail).

# 5. Summary of long-list and alternatives

65. While the Act introduced the primary legislation, there are many ways of enacting this primary legislation. This OA considers the detail that will be set out in secondary legislation and accompanies a public consultation. As such, it assesses a range of different options for the details that are being consulted on, all of which contribute towards a regulatory option of the right to guaranteed hours.

66. This consultation is designed to be broad and open, and does not present a government preferred option for most of the powers that are being consulted on. However, the government does have a preferred option for two of the key powers of this policy. Specifically, the government has a preference for a 12-week initial reference period, which was set out in Plan to Make Work Pay[22]. In addition, the government's preference, as expressed in the consultation, is to set the hours threshold within the 8 to 20 hours per week range (see paragraph 120 for a summary of the justification, with further detail throughout this OA). Accordingly, this OA presents a range of options for each of the key elements of policy detail under consultation, following a longlisting exercise.

67. This decision has been made as the intention is to gather a wide range of stakeholder views alongside further evidence, including government-commissioned research (see paragraph 219 for further detail), before determining the most appropriate and proportionate approach. Similarly, the consultation presents a range of options to understand how different thresholds and timeframes interact with each other and affect workers, employers, agencies and hirers, including across different sectors. Alongside the questions on specific powers, the consultation includes questions for respondents to outline any interactions, implications or impacts of each individual policy. The consultation also seeks views on potential wider impacts of the hours threshold options on employers' future use

[22] LABOUR'S PLAN TO MAKE WORK PAY - Delivering A New Deal for Working People

of contracts with hours guaranteed and on the availability of additional hours for workers. This approach aims to ensure the government can work with all stakeholders to develop effective reforms to deliver increased security and stability at work while retaining business flexibility.

68. The consultation will be used to test assumptions, refine impact estimates, and supplement existing evidence with qualitative and quantitative insights from employers, workers, agencies and other stakeholders, alongside government-commissioned research. Responses to the consultation, together with emerging evidence, will inform final policy decisions, which will be set out in the government response and reflected in the final impact assessment accompanying secondary legislation.

69. The parameters covered in this OA do not reflect all powers being consulted on, but rather where the consultation provides a range of options rather than wider open text input. These are:

   a. Hours threshold

   b. Regularity requirements

   c. Calculation of guaranteed hours

   d. Length of initial reference period

   e. Length of subsequent reference periods

70. This OA considers wide ranges of options for the powers listed above. It first longlists these options against the objectives of the policy, before subsequently giving a fuller assessment of the associated costs and benefits of each option, as well as considering the directly engaged workers, agency workers, employers, hirers and agencies who would be impacted. The longlist considers the powers where there is scope to implement in many ways, while the shortlist gives the exact options considered in the consultation, including on those powers where the scope for implementation is more limited or binary. Most of the costs and benefits identified apply to all the options under consideration, though the scale of the impact varies by option.

**Hours threshold**

71. As set out in the objectives and guiding principles above, the core intent of the hours threshold, in line with the objectives of the right to guaranteed hours is to establish a baseline of security for workers who are guaranteed some hours, but experience unpredictability of hours and income in a similar way to zero hours workers; and rebalance flexibility such that it works for employers, hirers, agencies, workers and agency workers. It is not the government's intention to include workers in scope who already have a baseline level of security and predictability.

72. The inclusion of an hours threshold is designed to ensure that the policy targets those who need the rights most, and that it provides a meaningful improvement on the baseline of security and flexibility for workers. Similarly, this acts as an anti-avoidance measure, such that employers cannot guarantee a very low amount of

hours and avoid the right to guaranteed hours while providing minimal extra security to workers.

73. At the longlisting stage, the following options were under consideration:

74. **Option 1 (discarded): Only those on zero hours contracts or arrangements**

a. Where workers are guaranteed a small number of hours each week, they may face the same issues as those on zero hours in respect of knowing how many hours they will work and therefore how much they earn. Likewise, the hours threshold is important as an anti-avoidance measure, as without including this threshold, employers could avoid their obligations by moving workers to a contract with very few hours guaranteed, providing little improvement to their insecurity of hours. Approximately 2.6 million employee jobs in the UK were estimated to be zero hours contracts or arrangements in April 2025 according to the Annual Survey of Hours and Earnings (ASHE)[23].

75. **Option 2: An hours threshold of between 8 and 48 hours, with a government preference of between 8 and 20 hours per week, and an option of 'other'**

a. We are consulting on a broad range of options for the hours threshold, from 8 to 48 hours per week, to understand how different thresholds would affect the balance between targeting support at those who experience the greatest insecurity and minimising unintended impacts on workers and employers. At higher thresholds, the consultation tests whether workers with more substantial numbers of contractually guaranteed hours may still regularly be impacted by misalignment between hours worked and those contractually guaranteed, while also allowing government to assess the proportionality of extending coverage beyond the groups for whom evidence of detriment from one-sided flexibility is strongest. Testing this full range allows government to assess how eligibility, coverage and potential avoidance risks vary across different design choices, ensuring the hours threshold is appropriately calibrated to provide meaningful improvements in predictability without capturing workers who already have a sufficient baseline level of predictability and security.

b. The government preference of between 8 and 20 hours per week would allow for an hours threshold that would capture and provide access to a baseline of security through the right to guaranteed hours to between 3.3 million and 5.9 million employee jobs[24] compared to the status quo, as well as mitigating against avoidance behaviour of employers moving workers to contracts with very few hours. This is because at a minimum of 8 hours per week, this represents a sizeable financial commitment per week for employers when compared to zero hours contracts.

[23] DBT Analysis of ONS Microdata
[24] DBT Analysis of ONS Microdata

**Regularity requirements**

76. As set out in the Act, to be a qualifying worker or agency worker for a guaranteed hours offer, the hours worked during the reference period must satisfy conditions set out in regulations around regularity. It is the intention that those who work regularly for their employer or hirer but for whom this is not reflected in their employment contract are captured by this new right, and not those who work very sporadically for an employer or hirer. However, there is a range of ways in which regularity and number could be defined.

77. This consultation considers whether there should be one or two main 'tests' for the regularity requirements:

    a. A specified weekly distribution of hours over the reference period requirement.

    b. A total hours over contracted hours requirement, in addition to test (a).

78. **Option 1 (discarded): No regularity requirements**

    a. The regularity requirement power within the Act is included to capture those who work regularly for their employer but for whom this is not reflected in their employment contract, rather than those who work very occasionally for an employer or hirer. As such, not including requirements around the regularity with which someone must work over the reference period would lead to all workers and agency workers (on a contract or arrangement which has a number of hours that is at or below the threshold), including those who only provide work sporadically, qualifying for guaranteed hours offers, which is not the intent of the policy.

79. **Option 2 (discarded): A weekly distribution requirement of fewer than half of the weeks**

    a. Under this option, hours worked during the reference period would have to be distributed over a specified minimum number of calendar weeks, but this minimum would be fewer than half of the total number of weeks in the reference period. The weeks would not have to be consecutive. This option would provide some regularity requirement, and would therefore be more targeted than having no regularity requirements at all. However, a threshold of fewer than half of the weeks would be unlikely to provide sufficient evidence that the worker or agency worker is working regularly for their employer or hirer, and is therefore discarded. Respondents can however suggest this option as an 'other' option and the government will take into account such responses when deciding on the regularity requirements.

80. **Option 3: A weekly distribution requirement of at least half of the weeks**

    a. Under this option, hours worked during the reference period must be distributed over a specified minimum number of calendar weeks out of the total length of the reference period. The weeks would not have to be consecutive. This option would ensure that the worker or agency worker must work in at least half of the weeks to qualify. This option also allows the government considerable scope to consult with stakeholders on the number of weeks that the weekly distribution requirement should contain.

81. **Option 4: A weekly distribution requirement of at least half of the weeks AND a total hours requirement of hours worked over the contractual hours, with options of fewer than 48 hours, 48 hours, 72 hours and 96 hours, and 'other'**

   a. Hours worked during the reference period must be distributed over a specified minimum number of calendar weeks and in addition meet a total minimum number of hours in excess of the worker's total number of contracted hours. Including a minimum number of extra hours worked over the reference period would create a 'buffer' where employers and hirers can provide small numbers of extra hours to workers and agency workers without any obligation to guarantee these hours going forward. The range of between 48 and 96 hours, with the options of fewer than 48 hours and other, will also ensure that a worker or agency worker only qualifies for a guaranteed hours offer if the offer would provide a meaningful increase in guaranteed hours. This option retains considerable flexibility for the hours and weeks requirements to be set out after consultation with stakeholders. The excess-hours options are framed around the government's preference for a 12-week initial reference period. If the initial period is longer, the hours would scale up proportionally.

   b. There may be alternative routes to defining the test for regular working, and the government is open to views on other options, therefore the consultation includes an 'other' option.

82. **Option 5 (discarded): A weekly distribution requirement of at least half of the weeks and a total hours requirement of hours worked over the contractual hours, of over 96 hours**

   a. While the regularity requirements are included to ensure only those working regularly for their employer or hirer are captured by the right to guaranteed hours, it is not intended to act as a barrier to exclude workers and agency workers from the right. The 96-hour requirement represents an extra 8 hours per week (based on the government's preferred 12-week initial reference period) over contracted hours that the worker or agency worker must work. An hours requirement higher than 96 hours (or proportionally higher for an initial reference period above 12 weeks), would also increase the risk of employer manipulation to ensure that workers do not qualify for a guaranteed hours offer. Respondents can however suggest this option as an 'other' option and the government will take into account such responses when deciding on the regularity requirements.

### Guaranteed hours offer calculation

83. Once qualifying workers' hours have been tracked over the reference period, a guaranteed hours offer will need to be made. Within this offer, the hours calculated will need to reflect the hours worked during the reference period and could be allocated over a time period. The Act allows the government to make provisions about how a guaranteed hours offer reflects the number of hours worked during the

reference period. The government is consulting on the options to set a standard recurring time period for the allocation of the guaranteed hours (for example, one week or one month) for all guaranteed hours offers, and on the option to allow employers the flexibility to determine the recurring time period for the allocation of the hours. At the longlisting stage, the following options were considered:

84. **Option 1 (discarded): Government to mandate a recurring time period over which employers or hirers need to allocate the hours in guaranteed hours offers without first consulting**

   a. The government mandating the recurring time period over which employers need to allocate hours could help to ensure predictability and security for workers and agency workers. However, it could lead to reduced flexibility for employers, therefore we discard taking this approach without consulting first on the option.

85. **Option 2 (discarded): Allow employers or hirers flexibility to determine the recurring time period without first consulting**

   a. Allowing employers or hirers to choose the recurring time period over which they need to allocate hours would give them greater flexibility. However, it could reduce predictability and security for workers, therefore we discard taking this approach without consulting first on the option.

86. **Option 3: Consult on whether government is to mandate a recurring time period or allow employers and hirers flexibility to determine the recurring time period to allocate the guaranteed hours**

   a. This option would give stakeholders the option to choose whether employers and hirers should have the flexibility to determine the recurring time period over which they need to allocate hours in guaranteed hours or whether the government should mandate a recurring time period. This allows for the collection of evidence from the consultation. The question also includes a free text option for respondents to explain their answer.

87. As well as the options on whether the government mandates a recurring time period or allow employers and hirers flexibility to determine the recurring time period, there are also options on what time periods can be mandated by government or chosen by employers or hirers. The following longlisting options were considered:

88. **Option 1 (discarded): Limited options of a week or a month**

   a. This option would help to facilitate a baseline of predictability and security for workers as they would be aware of what hours they are working over a defined, standard time frame of a week or a month, which is a typical arrangement for many guaranteed hours contracts. However, it would mean less flexibility for businesses to set longer or shorter recurring time periods of the hours allocation, therefore, we discard this as an approach without consulting first on the options.

89. **Option 2: Consult on options of a week, a month or other**

   a. This approach allows stakeholders to provide their feedback on the time periods government should be allowed to mandate or employers or hirers should be allowed to choose. Respondents are asked to select one option in the scenario that the government would mandate a recurring time period, but may select as many options as they see as appropriate in the scenario that employers and hirers have flexibility to determine the recurring time period. Respondents are also asked to explain their answers.

### Adjustment margin

90. The Act also enables employers and hirers to be given some flexibility to use an 'adjustment margin' when making guaranteed hours offers. An adjustment margin could help protect employers and hirers against theoretical legal liability arising from minor calculation errors. In some cases, it could also make it easier to align guaranteed hours offers with an employer's usual shift allocation pattern, for example, where shifts are always 8 hours long and an offer is close to a multiple of 8, it could be revised up or down (as far as the adjustment margin allows). At the longlisting stage, the options considered for both the situation where the government mandates the recurring time period and where employers and hirers have the flexibility to decide were:

91. **Option 1 (discarded): Not allow for the use of an adjustment margin**

    a. This would ensure that guaranteed hours calculations and offers directly reflect the average number of hours worked over the reference period. However, this would reduce flexibility for employers and might increase the risk of theoretical legal liability arising from minor calculation errors, therefore we discard taking this approach without first consulting on the option.

92. **Option 2: The options of a fixed figure, a percentage of the hours generated by the calculation, or no adjustment margin**

    a. This option would provide stakeholders with the option to choose whether employers and hirers should have the flexibility to use an adjustment margin which is a fixed figure or a percentage of the hours generated by the calculation, or whether employers and hirers should not have the flexibility to use an adjustment margin.

### How the offer must reflect hours worked over the reference period

93. As stated within the Act, a guaranteed hours offer must reflect the number of hours the qualifying worker worked during the relevant reference period. Regulations will set out how the number of hours to be guaranteed should be calculated by the employer or hirer – there are various options of different averages. At the longlisting stage, the following options were considered:

94. **Option 1: Average of hours worked, either mean or median**

    a. These options are carried forward to keep calculations simple for employers and hirers, while retaining the option to consult on the type of average used for this calculation. The median would mean that not all hours are accounted for necessarily, but it would mean that weeks with abnormal overtime would have less bearing on the eventual offer.

95. **Option 2 (discarded): Average of hours in weeks where work has been provided**

   a. This option represents the guaranteed hours offer equating to total hours worked divided by the number of weeks in which the worker or agency worker actually worked (excluding weeks where no non-contractual hours were worked). This is not taken forward as a consultation option because it is not seen as a proportionate use of the power; it would overestimate in low demand weeks and could inflate guaranteed hours, exceeding operational capacity.

**Initial reference period**

96. The guaranteed hours offer must be calculated by employers and hirers based on the hours worked by a qualifying worker during the relevant reference period. A qualifying worker may work multiple reference periods, with the initial reference period beginning on the day that the right to guaranteed hours provisions come into force or (where the worker is not employed on commencement) the first day of the worker's employment with the employer, or, in the case of agency workers, the first day that the agency worker is working for and under the supervision and direction of the hirer. Regulations will set out the end of this initial reference period, thereby determining its length. The options considered at the longlist stage were:

97. **Option 1 (discarded): An initial reference period of below 12 weeks**

   a. The option of a reference period under 12 weeks was considered at the longlisting stage and discarded, as it is difficult to determine longer-term trends in hours regularly worked from short term fluctuations. This is particularly pertinent in sectors which have highly volatile or seasonal demand, with shorter reference periods more sensitive to week-on-week fluctuations. These are often the sectors which are more likely to employ workers in scope of this legislation. Under 12 weeks, the guaranteed hours offer may lead to scenarios where employers and hirers create obligations beyond their operational capacity, or if they fall in a period of low demand it may lead to low offers for workers and agency workers. Respondents can, however, suggest responses below 12 weeks, within the 'other' option and the government will take into account such responses when deciding on the initial reference period.

98. **Option 2: An initial reference period of between 12 and 52 weeks, with the option of 'other' (with 12 weeks as the government preferred option)**

   a. This option allows for a range of options to be presented to stakeholders at consultation, starting at 12 weeks (approximately three months) as the lowest suggestion, and 52 weeks (approximately a year) as the highest suggestion. As stated in option 1, a reference period of fewer than 12 weeks is not seen to be representative of wider working patterns, while a reference period of longer than 52 weeks would mean that workers and agency workers could experience the harms associated with one-sided flexibility and insecurity for a longer period of time. Of those with 20 or fewer guaranteed hours from ASHE (2025), approximately 26% have been with their employer for 52 weeks or fewer (see Table 2 in section 6). This suggests that, under a longer reference period, a significant proportion of workers may not remain with their employer long enough to complete the reference period, and may therefore not become eligible for a guaranteed hours offer. The government has set out a preference of 12 weeks as the length of the initial reference period.

b. The government is also open to views on other options. The consultation therefore includes an option for ‘other’ to capture these views.

### Subsequent reference periods

99. After the initial reference period, there will be subsequent reference periods. At the end of each reference period (initial or subsequent) employers and hirers will be required to issue guaranteed hours offers to qualifying workers and agency workers. A worker could qualify for a guaranteed hours offer after a subsequent reference period if they meet conditions laid out in paragraph 42.

100. Should an agency worker accept a guaranteed hours offer from a hirer, the agency worker would take up a worker’s contract and will become directly engaged by that hirer. Agency workers who accept a guaranteed hours offer would therefore be captured by subsequent reference periods as directly engaged workers in respect of that employer or hirer.

101. Agency workers may also qualify to receive a guaranteed hours offer from a hirer after a subsequent reference period if they meet conditions (a) or (b) set out in paragraph 42.

102. Regulations will set out the timings and length of subsequent reference periods, which may differ from that of the initial reference period. Longer subsequent reference periods, or subsequent reference periods with gaps between them, could reduce the administrative burden for employers and hirers, as the duty to make guaranteed hours offers would arise less frequently. However, longer subsequent reference periods would extend the time workers must wait to receive guaranteed hours offers after the initial and subsequent reference periods. The government aims to strike the right balance between enabling workers who remain in scope after the initial reference period to qualify in a subsequent reference period and ensuring that the duty to make a guaranteed hours offer does not arise too frequently for employers/hirers.

### Length of subsequent reference period

103. **Option 1 (discarded): Shorter than 12 weeks**

a. As with the initial reference period, a shorter reference period may lead to distortions in the guaranteed hours offer made as it potentially does not reflect longer term trends in demand and hours. To account for both effects, the option of a subsequent reference period shorter than 12 weeks is discounted. The 12-week subsequent reference period is to ensure the balance between a worker or agency worker demonstrating a regular number of hours worked, and allowing them to access a guaranteed hours contract without having to wait too long. Respondents can however suggest responses below 12 weeks, within the ‘other’ option and the government will take into account such responses when deciding on the subsequent reference periods.

104. **Option 2: Between 12 and 52 weeks, with the option of "other"**

a. As with the initial reference period, options for the subsequent reference period lasting either 12, 26 or 52 weeks are carried forward. There is also an 'other' option to allow for the government to capture views of other options.

### Enforcement options

105. Enforcement has been considered as part of the longlisting process because the effectiveness of the right to guaranteed hours will depend on whether workers and agency workers can understand and enforce their rights in practice. As with all reforms to employment rights, the zero hours measures need to be accompanied by effective enforcement if they are to achieve their intended policy objectives.

106. **Option 1: Existing individual enforcement system**

a. Under the Act, the right to guaranteed hours will be enforced through the existing individual enforcement system, with workers and agency workers able to challenge non-compliance through Acas early conciliation and, where necessary, the employment tribunal system.

b. Unlike the right to payment for shifts cancelled, moved or curtailed at short notice, where an employer's failure to comply with the duty to make a payment to an eligible worker for a changed or cancelled shift at short notice is a measurable event with a clear financial impact that may be enforced through the Fair Work Agency (in addition to the individual enforcement system), enforcement of the right to guaranteed hours requires a case-specific assessment. This is better suited to the individual enforcement system.

107. **Option 2 (discarded): Fair Work Agency**

a. Enforcement through the employment tribunal system is considered more appropriate than enforcement through the Fair Work Agency (FWA). The FWA currently enforces rights involving nonpayment or underpayment of arrears under the Notice of Underpayment (NoU) civil penalty regime. It is not possible to enforce non-pay related rights, such as the right to guaranteed hours, under this regime. Therefore, the only aspect of the Act's measures relating to zero hours and similar contracts that the FWA has the power to enforce is the right to payment for shifts cancelled, moved or curtailed at short notice.

b. The government will work with partners to produce guidance, including public bodies such as Acas and stakeholders like employers, trade bodies, and trade unions, to ensure there is enough support for workers and employers to understand their new rights and obligations.

**Non-regulatory options**

108. Non-regulatory options were considered at the inception of this policy (see published impact assessment[25]) but were discarded in favour of legislation in the form of the Act. This consultation and the policy options considered within are a continuation of this process, seeking to adjust the policy introduced in the Act. Non-regulatory options are therefore not considered here. Furthermore, they would not achieve the intended outcomes of the policies under consideration.

109. Further reasons for not considering non-regulatory options are that non-legislative approaches such as guidance are unlikely to have enough 'bite' to protect vulnerable workers facing detriment as there would be little incentive for employers to change their behaviour. Where some employers want to provide greater security and fairly share the risks of unpredictable demand, there is a commercial incentive for some employers to transfer risk to workers unfairly as demonstrated by the status quo of one-sided flexibility evidenced. Only regulation will achieve a level playing field for employers and enable workers to access a contract with guaranteed hours. Alternatively, an outright ban on variable contracts, such as zero hours contracts, would be ill-targeted and unnecessarily burdensome since there are many cases where flexibility is genuinely beneficial to worker and employer.

# 6. Description of shortlisted policy options carried forward

110. The previous section outlined how we eliminated some of the possible options for the powers related to the guaranteed hours measures in the Act. The following section describes in more detail the shortlisted options carried forward, and why they are being considered in this consultation and OA.

111. As set out in the Implementation Roadmap[26], the government is consulting now to ensure that we get the detail of regulations right. The consultation presents a range of options to understand how different thresholds and timeframes interact with each other and affect workers, agency workers, employers, agencies and hirers, including across different sectors. This approach aims to ensure the government can work with all stakeholders to identify the optimal balance that provides a baseline of security and stability while maintaining necessary business flexibility. It is not the government's intention to include workers in scope who already have a baseline level of security and predictability.

112. This OA does not present a preferred way forward across many of the powers being considered in this consultation. This broad approach follows the government's public commitments to consult stakeholders widely before taking decisions on the extent to which the powers are used to set secondary legislation. The government is indicating that it wants to get the detail right, ensuring that reforms provide a baseline of security for workers, support growth and are proportionate for employers.

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[25] Impact assessment: ZHCs - Right to Guaranteed Hours, DBT, 2024

[26] Implementing the Employment Rights Bill Roadmap, DBT, 2025

113.On the hours threshold, the government is consulting on a range from 8 to 48 hours per week, but with a government preference for between 8 and 20 hours. This has been chosen on the basis that options within this range are more likely to provide a favourable balance of costs and benefits, the reasons for which are outlined in the relevant evidence base section from paragraph 125. Similarly, for the initial reference period, the ‘12 weeks’ option is presented as the government preferred option. This is because 12 weeks allows the duty to offer guaranteed hours to arise more quickly, enabling workers and agency workers to secure stable hours sooner after establishing a pattern of engagement. As demonstrated by Figure 6 in the relevant evidence base section below, it is found that even 12 weeks has been shown to smooth out most fluctuations for individual workers, meaning that this option provides genuine two-sided flexibility and targets exploitative practices quickly by ensuring workers and agency workers can benefit from guaranteed hours after proving an ongoing work commitment over approximately three months.

114.The consultation contains the same options for directly employed and agency workers in relation to the right to guaranteed hours, with the government seeking further detail on how the hours threshold specifically should be applied in relation to this arrangement to reflect the different nature between the two working relationships. The government has not provided different options for agency workers because the options being considered in the consultation are wide enough to account for the difference in this type of work. While the regulations may set out different conditions for agency workers, the options contained in the consultation are the same in relation to the right to guaranteed hours.

115.The government will analyse the results of this consultation, alongside existing and upcoming sources of data, to reach a decision on the preferred option and set this out in the consultation response.

116.As a result, this section provides an overview of the options being carried forward to the shortlist, while the annex contains a more detailed breakdown of the qualitative and quantitative impacts of each policy decision in terms of workers and employers impacted, and how.

**Hours threshold**

117. The options below reflect the range of proposed hours for the hours threshold being consulted on. The government will need to carefully consider the potential impacts of each option on workers with some guaranteed hours, as well as on employers and the economy before making a final decision in light of the consultation response. The government’s preference is to set the threshold within the range of hours between 8 and 20 hours per week on the basis that options within this range are more likely to provide a favourable balance of costs and benefits.

118.The hours threshold options which are carried forward into the consultation are:

a. 8 hours per week

b. 12 hours per week

c. 16 hours per week

d. 20 hours per week

e. 24 hours per week

f. 28 hours per week

g. 32 hours per week

h. 36 hours per week

i. 40 hours per week

j. 44 hours per week

k. 48 hours per week

l. 'Other' (please specify)

119. Table 1 in the evidence base section below shows a snapshot of data on basic hours from ASHE (2025), with number of workers broken down by each option being considered in the shortlist.

120. The selection of the government's preferred hours threshold range of between 8 and 20 hours per week (or the equivalent if hours are calculated on a different basis to weekly, for example, monthly) reflects a balance between proportionality for employers and ensuring meaningful security for workers, while remaining targeted such that they are not interfering with current arrangements which already provide security and two-sided flexibility. This is corroborated by evidence from both the DBT[27] (2026) and LWF[28] (2022) surveys, which suggests that measures of one-sided flexibility are strongest for workers on zero hours contracts or agency workers, but are still present for those guaranteed some hours. The LWF finds that unmet demand for guaranteed hours is concentrated among workers with the lowest guaranteed hours. As guaranteed hours increase, the share of workers wanting more hours falls. Although some workers with higher guaranteed hours would prefer fewer hours, this group is notably smaller than the proportion of low-hours workers seeking more guaranteed hours. This relationship follows a linear trajectory, with the desire for more hours gradually decreasing as the number of hours already guaranteed increases; the same pattern emerges for working above contracted hours, where those with fewer hours guaranteed in their contract were more likely to work more than contracted.

121. 8 hours per week has been selected as the lowest option as this will correspond to approximately one full day's worth of work for many workers. At this level, we expect workers in scope to be the most vulnerable to one-sided flexibility and insecure work, meaning that this option is likely to be most targeted at the sections of the labour market with the highest vulnerability.

122. We are also considering options where the hours threshold is set at 12 or 16 hours to provide stakeholders with a range of options to consider. A contract with a

[27] Experiences of Workers in Insecure Work Research Report, DBT, 2026

[28] The Living Hours Index, Living Wage Foundation, 2022

minimum of 16 guaranteed hours per week is considered the Living Hours accreditation standard.[29]

123.We consider the ceiling of the government preferred options in this consultation and OA to be set at 20 hours. Alongside this, outside of the government preference, the ceiling of all options in this consultation is set at 48 hours, with options between 24 and 48 hours in 4-hour intervals.

124.As for directly engaged workers, the government intends to exclude agency workers from the right to guaranteed hours where they are already contractually guaranteed hours (for example, by their agency) over an hours threshold, to be specified in regulations. While the options for the hours threshold remain the same for agency workers as they are for directly employed workers, the government is consulting on two options for how the hours threshold should be applied in the context of agency workers. Regulations could establish that agency workers would be excluded from scope of the right to guaranteed hours offers either:

a. where they already have a contract guaranteeing hours above the threshold (for example, by their agency) regardless of which hirer these hours are to be worked for; or

b. where they already have a contract guaranteeing hours above the threshold (for example, by their agency) specifically for one hirer.

**Evidence base**

125.The hours threshold determines the scope of the right to guaranteed hours. A worker's contract must guarantee fewer or the same number of hours compared to the number set for the hours threshold or the worker will not be in scope of the measure. This is to ensure that this right is targeted at providing a baseline of security while maintaining a proportionate approach to ensure that this legislation meets its core objectives. Where this is set will determine how many workers will be in scope and therefore the associated cost of this legislation.

126.There is no single, robust data source of the number of guaranteed hours across the labour market. Therefore, we have to use a proxy using existing labour market data sources, which has some limitations. Within the Bill stage impact assessment[30], we estimated that around 2.4 million workers could be impacted by the zero hours contract rights. This corresponds to an estimate using the January to March 2024 Labour Force Survey (LFS)[31] of those on zero hours contracts, agency workers and those who were paid hourly and had hours which varied week-by-week. This estimate captured those who were most likely to be impacted by the zero hours measures (due to having varying hours) but was not exhaustive of all those who might be eligible, as it did not correspond to a specific hours threshold.

127.Within this analysis, we use the 2025 ASHE[32] instead of using updated LFS estimates. This decision has been taken as it is believed that it better represents

[29] Living Hours, Living Wage Foundation

[30] Impact assessment: ZHCs - Right to Guaranteed Hours, DBT, 2024

[31] DBT Analysis of ONS microdata

[32] DBT Analysis of ONS microdata

the number of zero hours jobs and those with hours under each hours threshold. There are several reasons for this. Firstly, the LFS (self/worker-reported) identifies someone on a zero hours contract if they are ‘employed’ and provide some hours of work in the reference week, whereas ASHE (employer-reported) reports the number of zero hours contracts, even if they do not provide any work in a given week. Likewise, not everyone on a zero hours contract or arrangement will realise that their hours are not guaranteed, particularly where they are working fairly regular hours. Similarly, with non-zero hours work below each threshold, ASHE provides an employer reported estimate of hours worked at a basic rate, whereas LFS worker reported hours worked are less reliable. As such, we believe ASHE better represents the number of workers potentially in scope of these measures.

128. Table 1 sets out our estimates of the number of employee jobs in ASHE in 2025 by whether their basic hours fall under different thresholds. This will include agency workers on these contracts; however, we cannot specifically isolate these workers. While we consider that ASHE is a more robust dataset than LFS for the purposes of our analysis (as set out in the previous paragraph), there are still some limitations. Most importantly, basic hours are not necessarily guaranteed. This means that we are likely underestimating the number of employee jobs that are captured by each threshold. For example, an employee could be guaranteed 5 hours per week, and have been paid 10 hours per week at a basic rate in the reference period for ASHE. In addition, it is worth noting that ASHE estimates the number of employee jobs rather than employees. While we consider this to be more robust for the purposes of an assessment of economic impacts, this will overestimate the number of employees in-scope as some employees will have multiple jobs. Finally, ASHE only includes employee jobs paid through PAYE. This means that ASHE will exclude individuals paid outside of PAYE that are still in scope of the policy.

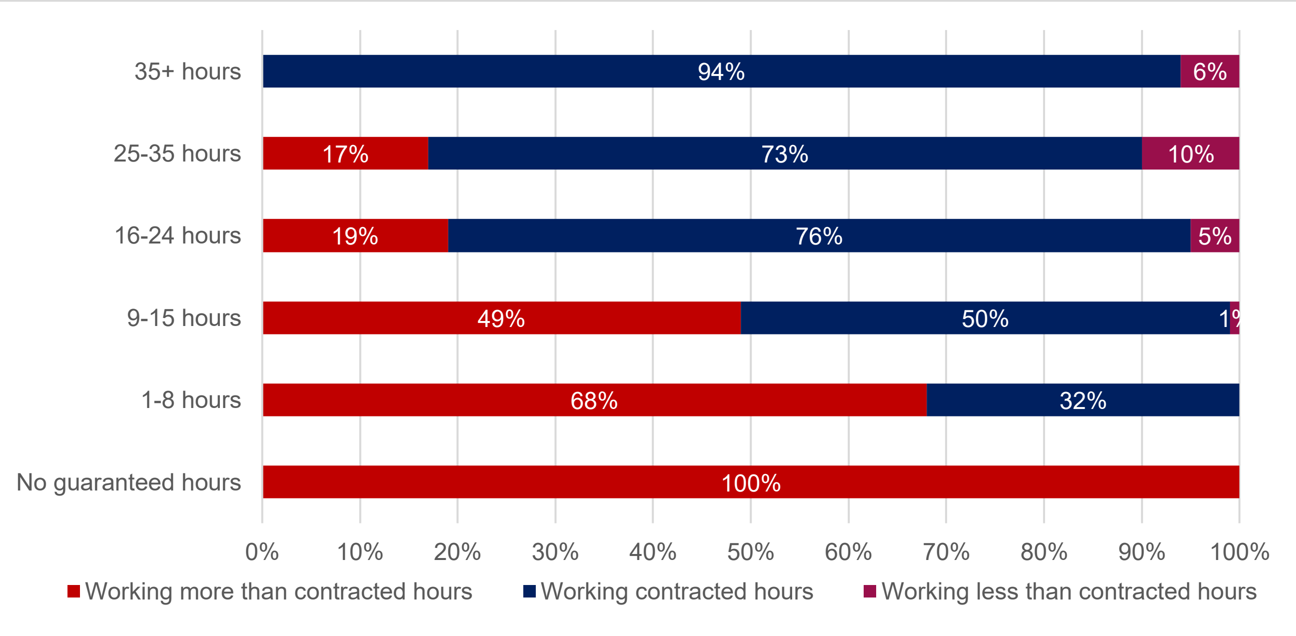
**Table 1: Potential number of employee jobs in scope under each hours threshold option**

| Basic Hours | Number of employee jobs (millions) |
|---|---|
| **8 hours** | 3.3 |
| **12 hours** | 3.9 |
| **16 hours** | 4.8 |
| **20 hours** | 5.9 |
| **24 hours** | 7.2 |
| **28 hours** | 8.2 |
| **32 hours** | 9.7 |
| **36 hours** | 14.4 |
| **40 hours** | 26.2 |
| **44 hours** | 27.9 |
| **48 hours** | 28.6 |

129. Workers on zero hours contracts have no guaranteed hours, so 100% work more than their contracted hours if they provide any work to an employer. However,

Figure 1 taken from the LWF (2022)[33] paper 'The Living Hours Index' shows that this pattern persists for workers with low levels of guaranteed hours: 68% of those on contracts guaranteeing 1 to 8 hours per week work beyond their contracted hours, compared to 49% on 9 to 15 hours and 19% on 16 to 24 hours. This demonstrates that many workers on contracts within the government's preferred hours threshold options do not have their actual hours worked accurately reflected in their contracts. Therefore, these workers would benefit from the right to guaranteed hours, where the number of hours offered reflects the hours worked by a qualifying worker during a reference period.

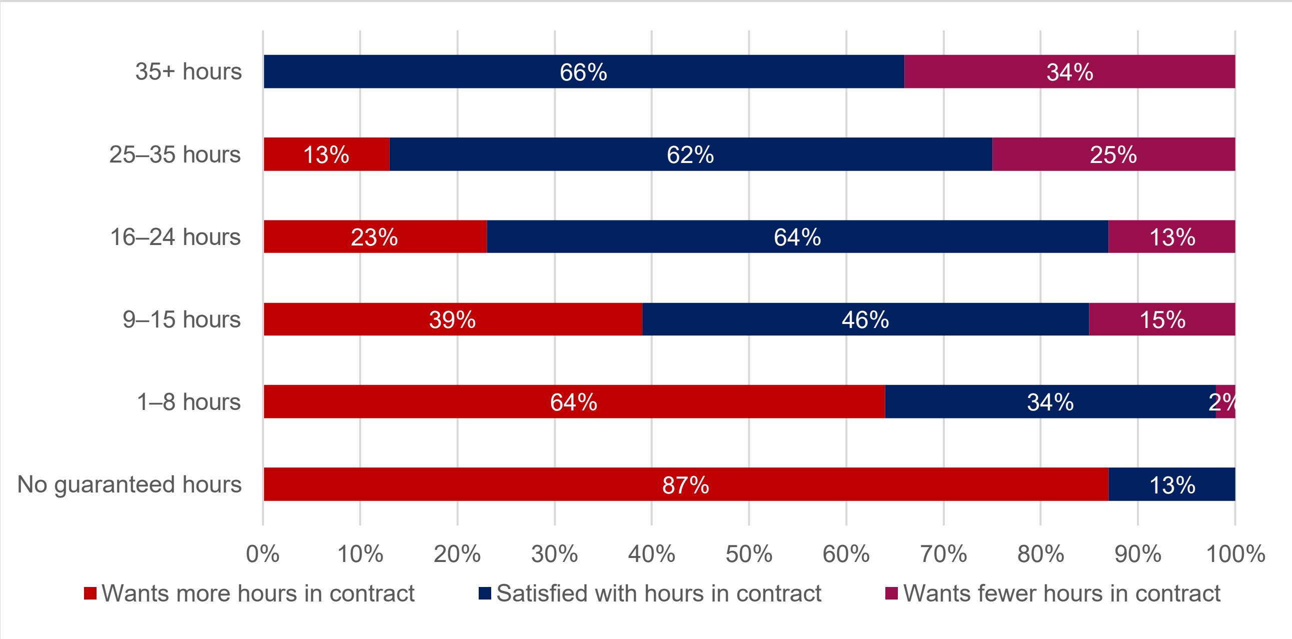
**Figure 1: Proportion of workers who work more, the same as, or less than their contracted hours, by number of hours guaranteed currently, 2021**




130.Figure 2 from the same LWF paper demonstrates that, as guaranteed contractual hours increase, the proportion of workers who want more hours in their contract decreases. Of the workers with no guaranteed hours, 87% want more hours in their contract. At 9 to 15 hours per week, this falls to 39%; at 16 to 24 hours, 23% of workers want more hours in their contract; and at 25 to 35 hours, only 13% want more hours. As with Figure 1, this demonstrates that, at the hours thresholds considered within the government preferred options, a large proportion of workers would like to have more hours that are contractually guaranteed.

33 The Living Hours Index, Living Wage Foundation, 2022

**Figure 2: Proportion of workers who want more, the same or fewer guaranteed hours, by number of hours guaranteed currently, 2021**




131. There is further evidence on insecurity at work that draws on data for usual hours worked per week (rather than guaranteed hours), such as Resolution Foundation analysis[34] of whether workers face anxiety about unexpected changes to their hours, by bands of usual hours worked. The analysis finds that workers who usually work up to 25 hours per week are just as likely as workers on fewer hours to face anxiety about unexpected changes to their hours. However, usual hours worked and guaranteed hours are very different: we do not know from the data how many of those 25 hours are guaranteed. For example, an average worker on a zero hours contract in the LFS usually works around 23 hours per week[35]. This worker, on a zero hours contract, would be in-scope of the hours threshold under every option for the hours threshold in the consultation because the threshold relates to hours that are contractually guaranteed, whereas a worker on a zero hours contract does not have any hours contractually guaranteed.

132. Agency workers who work under the supervision and direction of a hirer during a reference period, meet the regularity requirements set out in regulations, and are not subject to an exception, are in scope of the right to guaranteed hours, with the end hirer obligated to make a guaranteed hours offer to qualifying agency workers after the initial reference period. As set out previously (please see paragraph 47), the government intends to exclude agency workers from the right to guaranteed hours where they are already contractually guaranteed hours (for example, by their agency) over an hours threshold, to be specified in regulations. Accepting a guaranteed hours offer from the hirer results in the agency worker entering into a worker's contract with the hirer and becoming directly engaged by that hirer. Evidence from the Recruitment and Employment Confederation (REC) (2024)[36]

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[34] Low Pay Britain 2025, Resolution Foundation, 2025

[35] People in employment on zero hour contracts, ONS, 2026

[36] Voice of the worker, REC, 2024

suggests that there are approximately 1 million temporary agency workers in the UK, which corresponds to DBT estimates using the LFS.

133.While evidence on the current contractual hours agency workers receive is sparse, DBT's Agency Worker Survey[37] (2021) provides some insight on hours that workers had agreed to work with hirers, although there is no clarity on whether these are contractually agreed and obligated from the perspective of the hirer. Agency worker respondents to the DBT survey split relatively evenly between those who had agreed to work 35 hours or fewer per week excluding overtime with their main hirer (34%), those that had agreed to work 36 or more hours a week (29%), and those that indicated that they did not have agreed hours with the hirer (36%).

### Regularity requirements

134.As set out in the longlisting section, the options being consulted on around the regularity requirements pertain to two main tests: the number of weeks over the reference period in which the worker or agency worker must have worked, and, in addition, the total number of hours worked over the reference period in excess of any contractually guaranteed hours.

135.The options below concern the initial reference period of an assumed 12 weeks (12 weeks being the government preference for the initial reference period). The government intends for the regularity or number requirements to be adjusted proportionately for longer initial or subsequent reference periods.

a. **One test: a weekly distribution requirement**

   i. 6 calendar weeks across a 12-week initial reference period

   ii. 8 calendar weeks across a 12-week initial reference period

   iii. 10 calendar weeks across a 12-week initial reference period

   iv. 12 calendar weeks across a 12-week initial reference period

   v. 'Other'

b. **Two tests: a weekly hours requirement with the same options as above and a total hours requirement**

   i. Fewer than 48 hours (in excess of contracted hours) across a 12-week initial reference period

   ii. 48 hours (in excess of contracted hours) across a 12-week initial reference period

   iii. 72 hours (in excess of contracted hours) across a 12-week initial reference period

[37] Agency Worker Survey, DBT, 2021

iv. 96 hours (in excess of contracted hours) across a 12-week initial reference period

v. 'Other'

136. Two tests are considered within this OA, with a variety of options for the stringency of those tests presented for consultation with stakeholders. The option of continuing with either one or two tests for regularity is focused mainly on allowing employers to continue to operate with flexibility and provide employer confidence when offering limited-term overtime to workers. However, this creates risks of avoidance behaviour and creates a higher barrier for workers to access guaranteed hours. There may be alternative routes to defining the test for regular working, and the government is open to views on other options.

137. The option of having one test for regularity provides workers with a route through which they can move on to more guaranteed hours should they work with an employer or end hirer in a given number of weeks. This would, however, mean that workers who are guaranteed some hours each week under the hours threshold, may qualify for a new guaranteed hours offer even with very minimal overtime in the reference period.

138. Including a minimum number of hours worked over the reference period would create a 'buffer' where employers can offer small numbers of additional hours to workers without any obligation to guarantee these hours on a permanent basis. It could also ensure that a worker only qualifies for a guaranteed hours offer if the offer would provide a meaningful improvement over their existing contracted hours.

139. The options presented for the weekly distribution requirement range between 6 weeks and all 12 weeks of an assumed 12-week initial reference period, with the options increasing in two-week increments and the option of 'other' provided to capture any alternative views. As set out in the longlisting stage, 6 weeks is considered the minimum threshold for the weekly distribution requirement as it corresponds to half of the weeks in the reference period; below this threshold, workers with more sporadic working patterns would be captured. The highest requirement considered is that the worker must have worked for all 12 weeks of the assumed 12-week initial reference period.

140. To provide an indication of how many workers may qualify for the right under the options, Figure 3 in the evidence base section below shows data from the Resolution Foundation's 'Low Pay Britain'[38] (2025) paper, which estimates how often workers exceed their contracted hours over a 12-week period.

141. For the second test, the total hours requirement of hours worked over the contractual hours over the reference period, the specific options considered in this OA begin at a minimum of 48 hours worked over contracted hours over the reference period, with the option of fewer than 48 hours included also. As outlined in the longlisting section, the aim of this requirement is to retain some flexibility for employers to offer small amounts of limited overtime, while also ensuring that any guaranteed hours offer represents a meaningful improvement on their baseline contract, essentially ensuring that any guaranteed hours offer would lead to at least

[38] Low Pay Britain, Resolution Foundation, 2025

an extra 4 hours on average per week when considered over a 12-week reference period.

142. The options considered in this assessment are at intervals of 24 hours, or the equivalent of an extra 2 hours per week when considered over an initial reference period, up to the option of 96 hours which corresponds to approximately 8 hours per week on average when considered over a 12-week reference period. These intervals are chosen to accommodate a wide range of diverse working patterns, with lower thresholds ensuring that those workers who have worked more than their contracted hours but potentially only minimally are still eligible – subject to other criteria – for a guaranteed hours offer and benefit from the higher baseline of security that this would provide. Similarly, these lower thresholds would ensure that those workers with fluctuating health or easing back into work will be able to qualify for a guaranteed hours offer even if they only work a few extra hours per week. By contrast, higher thresholds would provide employers more flexibility to offer overtime without the concern that they would have to continue to guarantee those hours in a guaranteed hours offer, and it would mean that workers would only qualify for a guaranteed hours offer if they worked considerably more than their contracted hours in the reference period.

143. The consultation also considers how the way in which regularity is defined might differ for subsequent reference periods if they are a different length to the initial reference period. The government proposes in the consultation that the reference period should scale in the event of longer subsequent reference periods, with respondents being able to disagree with this statement.

### Evidence base

144. The regularity requirements set out the number of weeks in which a worker must have worked and, potentially, total number of hours a worker must have worked over their contractual obligations during a reference period to qualify for a guaranteed hours offer. The options for weeks worked carried forward in the shortlist section range from 'at least 6 weeks' to 'all weeks in the reference period', and the hours over contracted options range from between 'fewer than 48 hours' and at least 96 hours. As such, these options will differ greatly in how they impact workers and employers.

145. Figure 3[39] draws on evidence from the Resolution Foundation[40], which estimated the proportion of weeks over a 12-week reference period that workers with similar characteristics to zero hours contract workers and those with usual hours of 25 or fewer worked above their contracted hours. While this is not directly related to the options for regularity considered in this OA, it gives an idea of how many workers with similar characteristics to zero hours contract workers may meet these requirements, and the frequency with which those with usual hours of 25 or fewer go above their weekly contracted hours.

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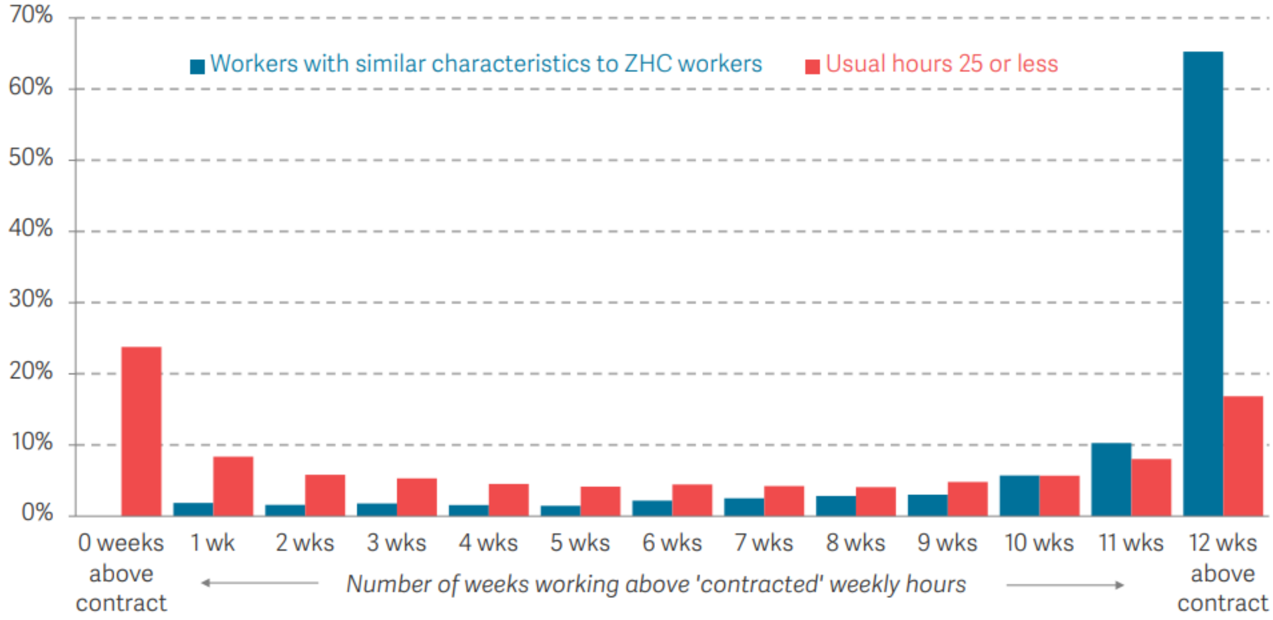
[39] The blue bars represent workers with similar characteristics to those on zero hours contracts. The analysis takes zero hours contracts rates from the LFS, analyses these workers' demographics and industry, then assigns zero hours contract status on workers from the ASHE data set according to these probabilities. An example of this is that in the LFS 22% of men aged 16 to 24 years working part time in hospitality are on a zero hours contract, so the analysis assumes the same proportion of men aged 16 to 24 years working part time in hospitality in the ASHE dataset are also on zero hours contracts.

[40] Low Pay Britain, Resolution Foundation, 2025

**Figure 3: Estimated distribution of workers by number of weeks in which workers worked above their contracted hours over a 12-week period, GB, 2019**




146. This data does not speak explicitly to the number of hours worked over contracted, so it is unclear how the hours over contracted options would affect eligibility, however it does show a pattern of working more than contracted. For those with zero hours contracts, around 65% worked more than their contracted hours in every week of the reference period; with 17% of those with 25 usual hours or fewer working more than contracted in every week of the reference period. For those who work more than contracted in at least 9 weeks (75%) of the reference period, the figures are around 84% of zero hours contract workers, and around 35% of those with 25 usual hours or fewer. For the lowest option considered, 6 weeks of the reference period, this would mean 92% of zero hours contract workers meet regularity requirements, and 48% of those with 25 hours or fewer.

147. This evidence shows the high proportion of workers who are consistently working over their contracted hours in every or nearly every week, particularly among those identified as similar to zero hours contract workers. This shows that, particularly for higher regularity requirement options being considered, potential impacts on flexibility are likely to be limited as there will be limited change in actual working patterns. Meanwhile, it suggests that many workers with low numbers of contracted hours are keen to take on more and consistent hours, implying that they might have preferences for more hours guaranteed.

148. To check this, we use employer-level evidence taken from Datta (2024)[41], which provides worker level hours and weeks worked data for a specific employer over a 4-year period. It is estimated that a permanent employee works in at least 89% of weeks, allowing for a full 28-day statutory annual leave entitlement. The median zero hours contract worker provides at least some work in just over 70% of their employed weeks at the employer, suggesting that they work considerably fewer weeks, compared to their permanent counterparts.

[41] Why do flexible work arrangements exist?, Datta, 2024

149. There is no evidence directly describing the working patterns of agency workers to be able to determine the effect of different options related to regularity. The DBT Agency Worker Survey[42] asked about actual hours worked per week, and it found that agency workers typically worked 35 hours or fewer each week on their main assignment (63%). Just over a third (36%) worked more than 35 hours a week. However, this does not indicate whether these hours worked were consistent, and specifically consistent over the course of 12 weeks. Analysis by the REC in its Recruitment Industry Status Report found that the average length of assignments in 2023 was 22 weeks, up from 15 weeks in 2022[43].

## Guaranteed hours offer calculation

150. The guaranteed hours offer will need to reflect the number of hours a qualifying worker or agency worker worked during a reference period. The government is considering two options for how the guaranteed hours offer should be calculated.

    a. The mean number of hours worked over the reference period.

    b. The median number of hours worked over the reference period.

151. Basing the options directly on the average number of hours worked (either mean or median) is aimed at providing administrative simplicity based on the data that employers would be collecting while tracking the hours of their workers in the reference period.

152. The option of the median is considered, which represents the middle value of weekly hours when sorted. This is because it allows 'outlier weeks' to have a lower impact on the resulting average, offering a more stable measure of typical weekly engagement of workers. This would better reflect the central tendency of work patterns, especially for those with fluctuating hours. However, there is more scope for employers (or agencies and hirers) to manipulate the hours in the reference period to ensure that workers or agency workers receive fewer hours in their offer. Similarly, workers or agency workers who pick up more hours as the reference period goes on will not necessarily have these reflected in their offer.

153. The option of the mean number of hours worked over the reference period would equate to the total number of hours divided by the number of weeks in the reference period. The mean captures the overall workload over time and is seen to be simple to calculate. However, it is more susceptible to outlier weeks and therefore could be inflated by a few weeks of very high hours, even if most weeks have a very small number of extra hours worked. Therefore, the mean could be less representative of a typical weekly engagement with the worker, compared to the overall total.

## Evidence base

154. The extent to which these options affect the impacts set out in the monetised costs and benefits section depends on how much the hours worked by workers on contracts in scope vary from week to week.

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[42] Agency Worker Survey (2021), DBT, 2021

[43] UK recruitment industry status report 2023/24, REC, November 2024

155. The DBT (2026)[44] survey on workers in insecure work indicates that of all workers in insecure work, 21% reported that their working hours were inconsistent over the previous 12 weeks. Similarly, 61% of insecure workers with some form of guaranteed hours in their contract said that they had worked more hours than contracted in the last 12 weeks, with just under half (48%) indicating that this was a weekly occurrence.

156. Employers responding to the CIPD's 2022 Labour Market Outlook[45] were asked about the typical working hours pattern of their staff on zero hours contracts. In all, 31% of employers suggested that the working hours of their zero hours workers were broadly the same each week, 19% of respondents said the working hours varied greatly each week, and 11% said working days varied greatly each week. Meanwhile, 9% of employers thought the working hours of their zero hours workers were impossible to predict.

157. In response to the LPC's one-sided flexibility consultation[46], the REC asked a similar question to their members. They found that a slightly lower proportion (29%) said their low-paid agency workers worked similar hours each week, with demand fairly steady. 11% said those workers' hours varied seasonally, while one in five said those workers' hours fluctuated by four to eight hours each week, and 16% said they fluctuated by more than eight hours each week. The hospitality sector experienced the most variability.

158. To understand the range of hours worked by zero hours workers, we refer to Datta (2024)[47], who used a firm-level dataset of hours worked. Figure 4 suggests that over 10% of workers have very little (or no) volatility in their hours, with the difference between their first and third quartile of most worked hour weeks being zero. At the 25th percentile, workers still experience relatively low hour volatility, with an interquartile range (IQR) of approximately 2.5 hours. The median worker has an IQR of 7.5 hours, indicating a moderate degree of variation in typical working hours.

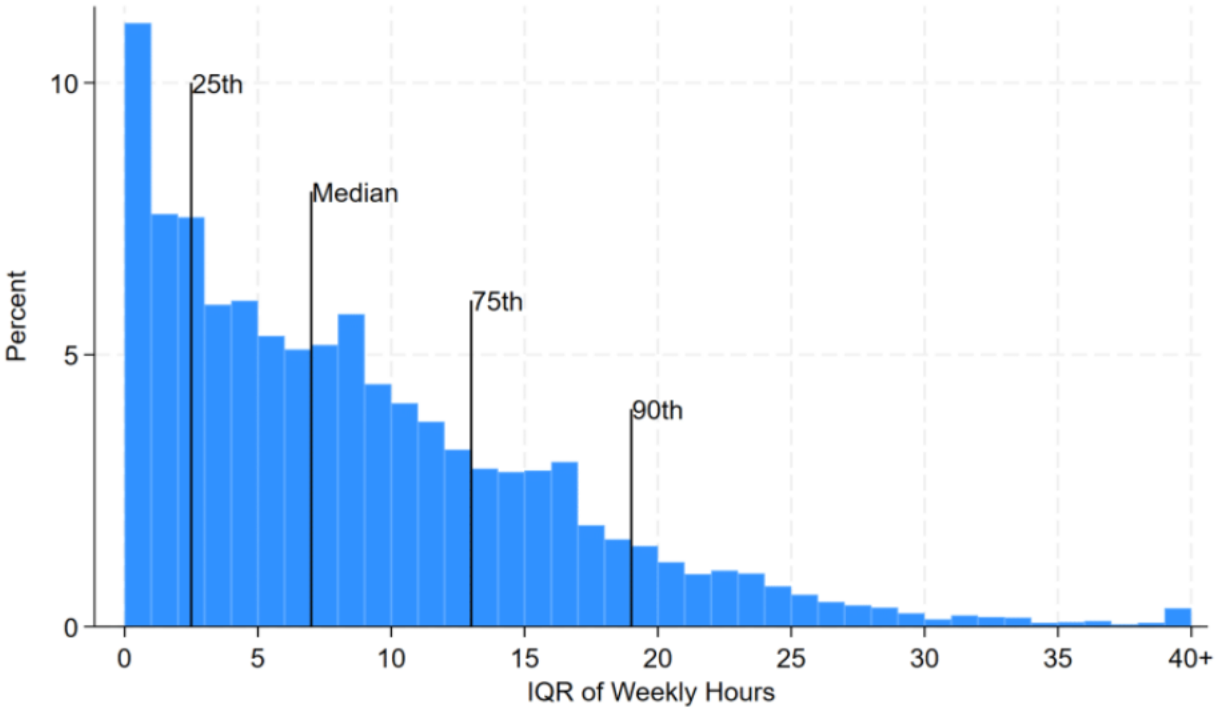
[44] Experiences of Workers in Insecure Work Research Report, DBT, 2026

[45] Zero Hours Contracts, Evolution and Current Status, CIPD, 2022

[46] A Response to Government on One-Sided Flexibility, LPC, 2019

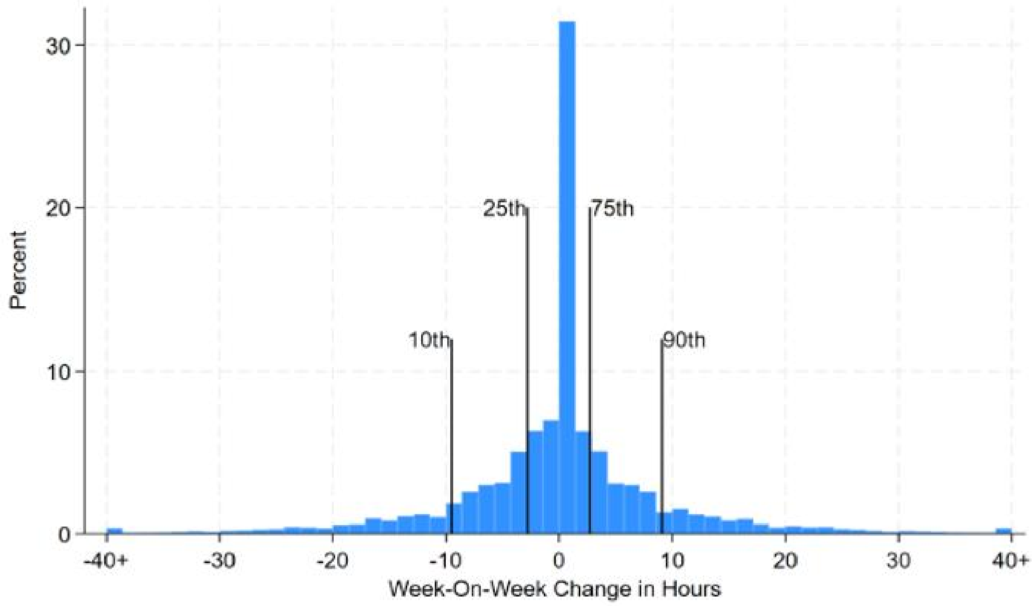
[47] Why do flexible work arrangements exist?, Datta, 2024

**Figure 4: Distribution of worker-level interquartile range of weekly hours**




159.The IQR measures capture long-run variation in worker-level hours. While these may be representative of general volatility, they could also be influenced by one-off structural changes in an individual's working pattern (e.g. dropping from 4 days a week to 2 days a week). To examine short-run variation more closely, Figure 5 plots the distribution of week-on-week hours changes at the worker-week level. Short-run variation in hours appears limited. About one-third of worker-weeks show no change from the previous week, and half experience only small shifts (around ±2 hours). The distribution is tightly centred at zero, indicating stability for most workers. However, the tails reveal occasional large swings: roughly 20% of worker-weeks change by 10 hours or more, highlighting that extreme adjustments, while less common, do occur.

**Figure 5: Distribution of worker-level week-on-week hours changes**




**Adjustment margin**

160.In some cases, the calculation may produce a decimal number. Employers and hirers could be allowed an 'adjustment margin' to change this number to a more practical figure for the guaranteed hours offer. The options being considered are:

a. Fixed figure

b. A percentage of the hours generated by the calculation

c. No adjustment margin

d. ‘Other’

161.An adjustment margin could help protect employers against potential legal liability arising from minor calculation errors. In some cases, it could also make it easier to align guaranteed hours offers with an employer’s usual shift allocation pattern, for example, where shifts are always 8 hours long and an offer is close to a multiple of 8, it could be revised up or down (as far as the adjustment margin allows).

162.The adjustment margin could be a fixed figure (e.g. 2 hours) or a percentage of the hours generated by the calculation (e.g. 10%). Employers and hirers would be able to add or subtract the margin from the offer. The margin, whether a percentage or a fixed amount, would need to be small to ensure the offer reflects the number of hours worked during the reference period.

**Period over which guaranteed hours must be allocated**

163.The consultation asks whether employers and hirers should have the flexibility to determine the period over which hours provided in a guaranteed hours offer are allocated, or whether that period should be mandated by government. This OA considers the three options of the time periods in the shortlist:

a. A week

b. A month

c. Other

164. Respondents are asked about these options in a) the scenario where there's flexibility for employers to choose the period – in which case respondents can select more than one option, and b) the scenario in which government sets the period, in which case respondents can only select one option.

165. The options carried forward to the shortlist represent a wide range of contractual arrangements and time periods over which employers and hirers may need to allocate the hours in a guaranteed hours offer. This is designed to ensure stakeholders can input on the decision using a comprehensive set of options, which balance significantly improved stability of hours and income against providing flexibility to both workers and employers to guarantee hours over a longer period of time.

166. The option of allocating a number of hours on a weekly basis provides a high level of predictability for workers and ensures guarantees of having sufficient labour supply week-to-week for employers. However, it provides less flexibility for employers and hirers, where hours consistently offered every week may be difficult to accommodate going forwards, particularly in sectors with fluctuating demand.

167. An option to allocate a number of hours of work over a month offers a balanced approach towards predictability and flexibility, particularly where employers need to manage short-term fluctuations. This option would mean that weeks in which employers and hirers have lower demand than usual have less chance of leading to financial losses as they still have obligations around guaranteed hours to their workers, which can now be smoothed over a longer time period.

**Length of initial reference period**

168. For the options carried forward, there is a wide range of impacts, with longer initial reference periods likely to better smooth out fluctuations in hours and therefore better reflect the hours which the worker will work over the whole year. However, these would keep workers and agency workers in insecure contracts for longer periods of time. Likewise, over longer periods of time there is increased scope for manipulation of hours to avoid triggering obligations. The options considered in the shortlist section are:

a. 12 weeks

b. 26 weeks

c. 52 weeks

d. ‘Other’

169. Table 2 in the evidence base section below provides data on tenure of employee jobs with basic hours at or under the hours thresholds being considered in this OA from the ASHE (2025) dataset, showing the percentage of employee jobs with 20 basic hours or fewer and the percentage with 21 or more hours by current length of employment. This provides an idea of the proportion of workers who have currently been working for fewer than 12, 26 and 52 weeks respectively, as well as those who have worked for longer than any reference period being considered, which shows the share of workers in scope who reach the initial reference period or would still be under it at any given point in time. This indicates that those working 20 basic hours or fewer were considerably more likely to be in their job for less time than those with 21 basic hours or more.

170. The range of options has been considered to allow the government to secure a wide range of stakeholder views on the initial reference period, particularly to reflect on diverse sectoral impacts. This is also reflected in the 'other' option included in consultation, which will allow for alternative options to be expressed in responses. The length of the reference period balances the administrative cost associated with tracking hours over the initial reference period against the flexibility for employers and hirers once the guaranteed hours offer has been made, with longer reference periods likely to better represent long-term trends.

171. The 12-week option is the government's preferred option, as referenced in the Plan to Make Work Pay document and throughout the Act's progression through Parliament. This option is considered the shortest option for the initial reference period length to meet all of the policy objectives. This shorter window allows the duty to offer guaranteed hours to arise more quickly, enabling workers and agency workers to secure stable hours sooner after establishing a pattern of engagement. As demonstrated by Figure 6 in the evidence base section below, it is found that even 12 weeks has been shown to smooth out most fluctuations, meaning that this option provides genuine two-sided flexibility and targets exploitative practices quickly by ensuring workers and agency workers can benefit from guaranteed hours after proving an ongoing work commitment over approximately three months.

**Evidence base**

172. The length of the initial reference period determines the length of time over which hours will need to be tracked to facilitate compliant guaranteed hours offers. The government's preferred option is for the initial reference period to be set at 12 weeks, with alternative options being consulted on at 26 and 52 weeks, with the option of 'other'. Many workers on zero hours or other variable hours contracts have considerable turnover between roles, meaning that a longer reference period runs the risk of excluding many workers who leave the role before they reach the end of the reference period.

173. Table 2 shows the proportion of those with 20 hours or fewer and those with more than 20 hours by their tenure based on ASHE (2025). Those with 20 hours or fewer are considerably more likely than those with 21 hours or more to have joined their employer in the last 52 weeks (26% of workers compared to 14%), with the 12-week, 26-week and 52-week reference periods suggesting that 6%, 13% and 26%, respectively, of workers at or under the hours thresholds being considered having worked less time currently with their employer than the relevant reference period length.

**Table 2: Percentage of employee jobs with tenure of up to each reference period length considered**

| Tenure | 0-12 weeks | 0-26 weeks | 0-52 weeks | 53+ weeks |
|---|---|---|---|---|
| **0-20 basic hours** | 6% | 13% | 26% | 74% |
| **21+ basic hours** | 2% | 6% | 14% | 86% |

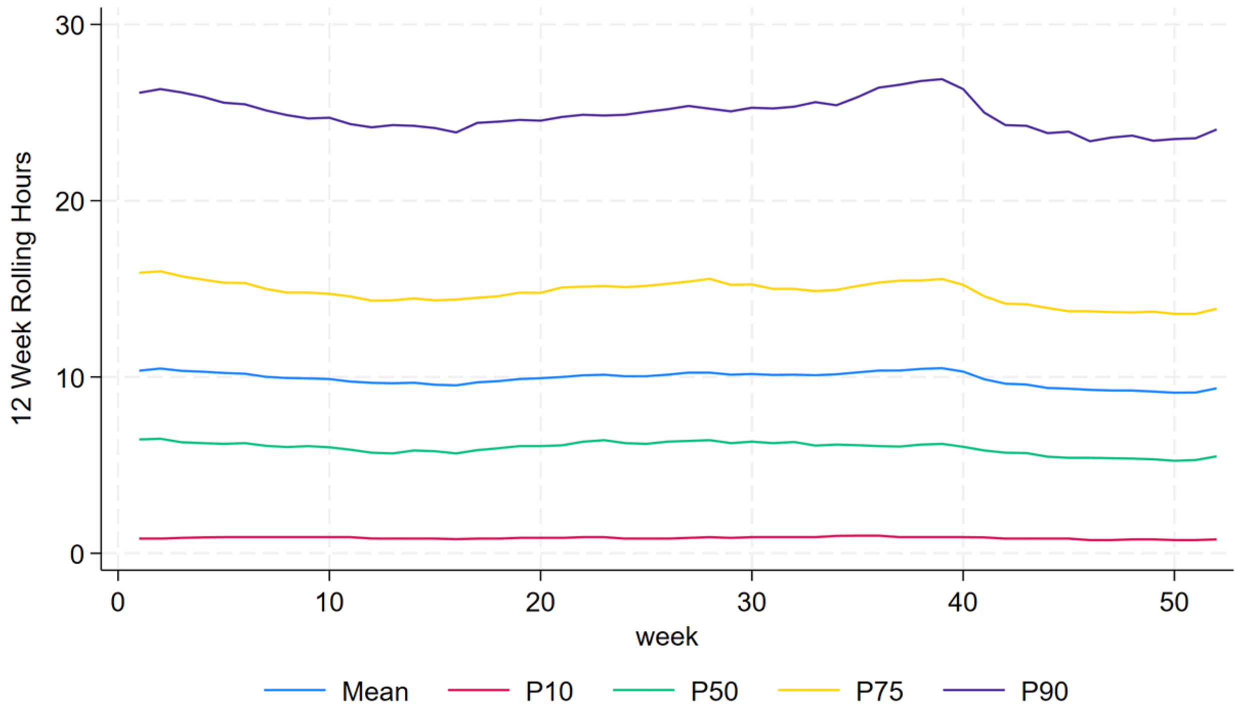
174. Alongside the direct cost implications, the main cost impact on employers and hirers associated with a longer reference period is related to the flexibility impact of the guaranteed hours offer. It is expected that shorter reference periods are more likely to lead to short term demand fluctuations being captured in the guaranteed hours offer; this is particularly pertinent in sectors with large seasonal fluctuations. 77% of respondents to a CBI Employment Trends Survey (2025)[48] poll believed that the proposal to introduce a right to have a guaranteed hours contract reflective of the past 12 weeks does not take account of seasonal peaks in demand and will lead to guaranteed hours contracts that cannot be sustained all year round.

175. Analysis commissioned by DBT through Nikhil Datta[49] suggests that even a 12-week reference period is long enough to smooth out most week-on-week fluctuations in hours, which is demonstrated in Figure 6. This figure shows how many hours workers would be guaranteed to work each week using hours worked, based on when they started their job. The research looks at a single, large employer and analyses time sheets for staff who started between September 2016 and November 2018. For each start date, the numbers are averaged over the first calendar week they worked. This analysis is not representative of the entire economy, as it is based only on one large employer.

[48] CBI/Pertemps Employment Trends Survey 2025, CBI, 2025

[49] Zero Hours Contracts: Evidence and Policy Implications, Datta, 2026

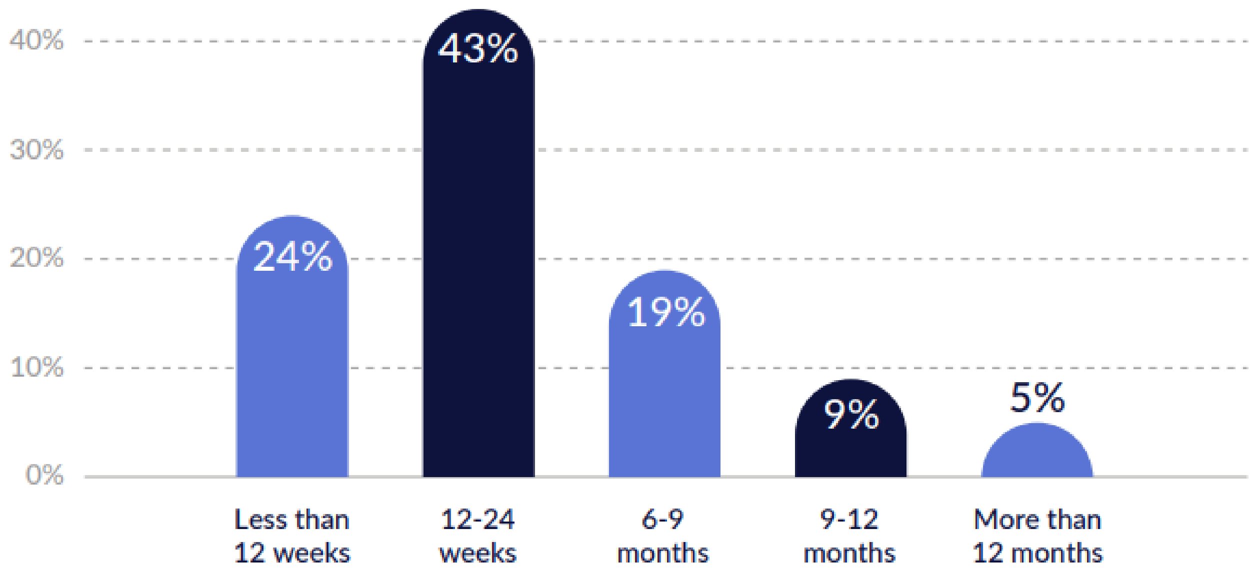
**Figure 6: Distribution of 12-week rolling hours by start date**




176.As laid out in the regularity section, agency workers have a different type of employment engagement with hirers than directly employed workers have with their employers. They are often on short-term contracts, with the average length of assignments in 2023 estimated by the REC at approximately 22 weeks, up from 15 weeks in 2022[50]. Figure 7 shows the distribution of survey responses regarding length of assignment of temporary workers. This evidence suggests that a longer reference period of 26 weeks would exclude approximately 67% of temporary agency workers, and a 52-week reference period would exclude 95% of temporary agency workers.

[50] UK recruitment industry status report 2023/24, REC, November 2024

**Figure 7: Distribution of survey responses regarding length of temporary workers' assignments, 2023/2024**




**Subsequent reference periods**

177.After the initial reference period, there will be subsequent reference periods. After the end of each reference period (initial or subsequent) employers and hirers will be required to issue guaranteed hours offers to qualifying workers and agency workers. There are two key components being consulted on regarding the subsequent reference period:

a. How long the subsequent reference period should be in weeks; and

b. When the subsequent reference period should begin.

178.Subsequent reference periods cannot be used to reduce the hours already guaranteed in a worker's contract. If both the worker and the employer wish to reduce the number of guaranteed hours, they may do so through mutual agreement to vary the contract.

179.The length of subsequent reference periods may differ from that of the initial reference period. Longer subsequent reference periods, or subsequent reference periods with gaps between them, could reduce the administrative burden for employers and hirers, as the duty to make guaranteed hours offers would arise less frequently. However, longer subsequent reference periods would extend the time workers must wait to receive guaranteed hours offers between reference periods.

180.For the length of subsequent reference periods, there are three options being considered:

a. 12 weeks

b. 26 weeks

c. 52 weeks

d. ‘Other’

181. For when the subsequent reference period should begin, the question in the consultation is ‘should each reference period begin as soon as the previous one finishes?’

a. Yes

b. No

c. ‘Other’

182. Within this consultation and OA, we consider the scenario where the reference period begins as soon as the previous ends, and also where there is a gap between reference periods. If there is no gap, the employer must always record the hours worked by an in scope worker, and every hour is included in the calculation. If there is a gap, the employer does not have to record hours during that period, and any hours worked in the gap are not included in the calculation. The trade-off is that having gaps reduces the administration required with tracking hours and formulating guaranteed hours offers, but employers must consistently keep track of when the next subsequent reference period should start relative to the previous, whereas aligned length and frequency will reduce this burden. Additionally, gaps mean workers have to wait longer before the next subsequent reference period.

183. As with the initial reference period, the options carried forward to the shortlist stage of differing lengths lead to impacts on a sliding scale. The length of the subsequent reference period balances the administrative cost associated with tracking hours over the initial reference period against the flexibility for employers and hirers once the guaranteed hours offer has been made, with longer reference periods likely to better represent long-term trends.

**Evidence base: Length and timings of subsequent reference periods**

184. As with the initial reference period, the length of the subsequent reference periods has implications for costs to employers/hirers and benefits to workers of the legislation. The three specific options carried forward to the shortlist relating to subsequent reference period lengths are 12 weeks, 26 weeks or 52 weeks. The two specific options carried forward for timings are for subsequent reference periods to start as soon as one ends, or for there to be a gap and are also consulted upon.

185. There is evidence of high worker turnover in the sectors that employ a lot of workers who would be in scope of the right to guaranteed hours, with 2024 analysis by CIPD of ASHE suggesting that the average job turnover per year for workers is 34%, with this ranging between 24.5% (public administration and defence) and 52.2% (accommodation and food services) depending on the industry[51].

186. We anticipate that the majority of workers who would have a strong preference for more guaranteed hours would be able to access these after the initial reference

[51] Benchmarking employee turnover: What are the latest trends and insights, CIPD, 2024

period. By including a subsequent reference period, this policy aims to ensure that those who miss out on the initial guaranteed hours offer due to not meeting eligibility requirements, or those who choose to turn down the initial offer, are able to access guaranteed hours should they want it.

**Temporary need, exemptions and exclusions from the right to guaranteed hours**

187. Employers can use limited-term contracts to manage periods of increased demand – for example, due to seasonal fluctuations. If a limited-term contract is shorter than the relevant reference period, the employer would not need to make a guaranteed hours offer to a qualifying worker, provided it was 'reasonable' for the contract to be entered into as a limited-term contract (for example, the worker is only needed for 8 weeks to perform a specific task, and the contract terminates after it is completed).

188. Where a worker does qualify for a guaranteed hours offer, the guaranteed hours offer should be an offer to enter into a permanent contract unless it is reasonable for it to be an offer to enter into a limited-term contract. The Act provides that it is reasonable for a guaranteed hours offer to be of limited term, where it would be reasonable for the employer or hirer to consider: (1) that a worker is only needed to perform a specific task and the contract will be terminated when that task is performed, (2) that a worker is needed only until a particular event occurs (or does not occur) and so the contract terminates at that point, (3) that there is a 'temporary need' of a description (that does not include (1) or (2) above), that will be set out in regulations, and the contract is to expire when it is reasonable for the employer to consider that need will be over.

189. The government intends that the circumstances to be included in the definition of 'temporary need' should be the same for agency workers as for directly engaged workers. The consultation asks whether there are examples of temporary need which are not related to a specific task or event – and would need to be addressed through regulations. The options are:

   a. Yes, there are examples of temporary need that are not related to a specific task or event - and would need to be addressed through regulations.

   b. No, there are not examples of temporary need that are not related to a specific task or event that would need to be addressed through regulations.

190. The Act allows the Secretary of State to make exemptions or exclusions for directly engaged or agency workers. The second power would allow the government to exclude workers of a specified description as set out in regulations e.g. workers who have more than one contract with the same employer and one of these contracts exceeds the hours threshold. The first power would allow the government to exempt employers and hirers from the duty to make a guaranteed hours offer in exceptional circumstances specified in regulations in respect of a reference period e.g. employers whose premises flooded and are unable to trade whilst their business is closed.

191. The Act also enables the Secretary of State to determine cases in which the responsibility to offer agency workers guaranteed hours would be placed on the

agency or another intermediary (for example, a party involved in the supply or payment of an agency worker), instead of the hirer. This power can be applied where the agency worker is of a description specified in regulations.

192. Regarding whether certain workers should be excluded from the right, the consultation options for directly engaged (and agency workers) are:

   a. Yes, there should be certain types of (agency) workers excluded.

   b. No, there should not be certain types of (agency) workers excluded.

193. Regarding whether there should be specific circumstances in which employers or hirers are exempt from the duty to make guaranteed hours offers, the consultation options are:

   a. Yes, there are certain circumstances in which employers/hirers should be exempt.

   b. No, there are no circumstances in which employers/hirers should be exempt.

194. Regarding whether there should be any cases where the duty to make a guaranteed hours offer should be placed on the agency or another intermediary instead of the hirer, the options are:

   a. Yes, there should be cases where the duty to make a guaranteed hours offer should be placed on the agency or another intermediary.

   b. No, there are no cases where the duty to make a guaranteed hours offer should be placed on the agency or other intermediary.

195. For all the options listed above, the consultation provides free text for respondents to explain their answers.

196. Introducing additional examples of temporary need, exemptions or exceptions could allow affected employers to retain flexibility in using variable hours contracts without needing to convert into guaranteed hours contracts. This may help businesses maintain current operations, particularly in situations where flexibility is essential. However, introducing additional examples of temporary need, exemptions or exclusions would reduce the number of workers who benefit from the right to guaranteed hours.

**Impact on small and micro businesses**

197. It is likely that small and micro businesses will be disproportionately impacted by the policy. This may be because they often lack dedicated HR functions to understand and implement the changes, and to ensure ongoing compliance with them. Additionally, small and micro businesses are likely to be more exposed to demand fluctuations due to their reliance on flexibility, and their lower financial resilience and a more limited ability to absorb costs, compared to larger businesses.

198.However, the government would not be able to exclude small and micro businesses without a significant adverse impact on the effectiveness of the policy and its objectives. This is because a significant proportion of workers on variable hours contracts work in small and micro businesses, and so an exemption would significantly undermine the ability of this policy to address the possibility of employers exploiting their workers on variable hours contracts through one-sided flexibility. Likewise, there is the risk of creating a 'two-tier' labour market, as small and micro businesses would avoid the costs associated with improving security and predictability of those on variable hours contracts and might even be incentivised to hire more people on these forms of contract, distorting cost-competitiveness at the expense of medium and large businesses, while also creating a disincentive for smaller firms to grow and therefore become in scope of the policy. Furthermore, with an exemption, there would be a risk that medium and large businesses, who are not exempt from these regulations, potentially subcontract small and micro businesses to provide services as a way to avoid this legislation.

199.See paragraphs 331 to 342 in the Wider Impacts section for further discussion on why small and micro businesses may be disproportionately impacted, and why an exemption would undermine the policy objectives.

# 7. Regulatory scorecard

200.As set out in section 5, this OA and accompanying consultation document does not set out preferred options across most powers consulted on, however all powers underpin a regulatory change set out in the Employment Rights Act 2025, and how these powers are used will determine the scope and impact of the Act. In the absence of preferred options for how the powers being consulted on will be used, this section presents a range of impacts based on the lowest and highest impact options. Where the government has indicated a preferred option (for example, an hours threshold of between 8 and 20 hours per week), this has been used in the regulatory scorecard and the analytical annex.

**Part A: Overall and stakeholder impacts**

**(1) Overall impacts on total welfare**

| Impact | Description of impact | Directional rating |
|---|---|---|
| **Description of overall expected impact** | The overall impact of the policy is uncertain as it depends on the options chosen after consultation.<br><br>The main impact of the right to a guaranteed hours contract is a transfer of risk from workers on variable hours contracts facing insecurity (from | **Uncertain**<br><br>**Based on all impacts (incl. non-monetised)** |

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| | unpredictable hours) to employers/hirers. This represents a significant benefit in terms of greater wellbeing and income security for workers, while imposing a cost to employers associated with administering the guaranteed hours offer.<br><br>Increasing job security in the form of providing more permanent, stable forms of work has been shown to positively contribute to worker level and business productivity. However, it is acknowledged that the right to guaranteed hours could reduce the ability of employers, agencies and hirers to operate flexibly and potentially reduce employer confidence to hire or offer overtime to their workers due to potentially increased costs. | |
| **Monetised impacts** | With our current evidence base, the only impacts we can monetise are the business administration costs. These include costs associated with familiarisation with the policy change and the subsequent set up costs of businesses to the requirements of this policy, the ongoing costs to business of having to track hours in order to calculate the correct contract required, and the process by which they offer this to their workers.<br><br>To provide an indicative range of the Net Present Social Value (NPSV), we model two scenarios based on the range of policy options in the consultation. These scenarios are based on the government preferred options, where relevant.<br><br>The NPSV figures represent the difference between the total monetisable social benefits and total monetisable social costs. This is calculated over a standard 10-year appraisal period, as per HMT Green Book guidance. The figures use 2025 as the price base year and 2027 as the present value base year in which costs and benefits start from.<br><br>If the hours threshold were set at 8 hours per week, regularity requirements (number of weeks worked) were set to 12 weeks of a 12-week reference period, regularity requirements (number of hours worked over contracted) were set to at least 96 hours in excess of contracted hours over 12-week reference period, the length of the initial and subsequent reference periods were both set at 12 weeks, and the gap between the initial and subsequent reference periods was 40 weeks, we estimate an indicative NPSV of -£2.3 billion. To | **Negative** |

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| | provide an order-of-magnitude on a 'per year' basis, this corresponds to around -£230 million per year when averaged over a 10-year period.<br><br>If the hours threshold were set at 20 hours per week, regularity requirements (number of weeks worked) were set to at least 6 weeks of a 12-week reference period, there were no regularity requirements (number of hours worked over contracted), the length of the initial reference periods were set at 12 weeks and subsequent reference periods at 52 weeks, and the subsequent reference period starts as soon as the first reference period finishes, we estimate an indicative NPSV of -£7.5 billion. To provide an order-of-magnitude on a 'per year' basis, this corresponds to around -£750 million per year when averaged over a 10-year period.<br><br>The NPSV should be treated with some uncertainty and caution. It is important to note some limitations when interpreting the monetised NPSV.<br><br>First, the main drivers of the monetised NPSV are the cost to business of workforce planning, tracking hours, and offering new contracts. These costs are subject to a number of uncertain assumptions. This range should therefore be treated as indicative only.<br><br>Second, we expect the costs presented in this OA to be subject to some double counting when considering the wider package of measures. For example, workforce planning costs have been estimated in this OA and in the OAs for the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice. While the specific calculations differ (e.g. due to variations in the employers affected), we expect there could be significant overlap.<br><br>Third, we are unable to monetise the policy benefits (such as the improvements in wellbeing and productivity, and a more level playing field for employers who already have adopted these practices) due to limitations to the evidence base. As a result, the NPSV represents a partial assessment, focusing on the policy costs. It is important to view the NPSV in the context of the qualitative analysis of the policy benefits set out in | |

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| | this OA and supported by a range of survey data and research. | |
| **Non-monetised impacts** | Overall, the non-monetised impacts of this policy are uncertain at this stage.<br><br>While not monetised, we expect the cost of loss of flexibility for employers to be significant. We know that employers value flexibility, particularly where they operate in a sector with highly fluctuating demand.<br><br>However, workers will benefit from this policy in the form of improved income security and predictability. Several studies have shown a link between better quality jobs and improved wellbeing, particularly where it relates to anxiety generated around income and being able to effectively plan work and social lives. This can help workers gain access to credit, subsequently allowing easier access to markets which require finance such as housing.<br><br>There is a chance that for some employers, this increased formalisation of working arrangements, through wellbeing enhancements and increased incentives for workers to stay with their employer, alongside incentives to make improvements to scheduling and demand forecasting, could lead to improvements in productivity. | **Uncertain** |
| **Any significant or adverse distributional impacts?** | Employers: Workers in scope of hours thresholds within the government preferred range of 8 to 20 hours are more concentrated in sectors associated with variable-hours and insecure work, including retail, hospitality, and health and social care, with a disproportionate impact also felt by the recruitment sector. Likewise, micro and small businesses will face greater relative impacts than medium and large businesses.<br><br>Workers: Workers in scope of hours thresholds within the government preferred range are more likely to be female, young (aged 16 to 24 years), disabled, and from some ethnic minority backgrounds than those who are not in scope at these hours thresholds.<br><br>With hours thresholds above the government preferred range, coverage broadens substantially and the in-scope population becomes less concentrated in the sectors and groups most | **Uncertain** |

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|---|---|---|
| | strongly associated with insecure work, making the policy less tightly targeted on the most precarious workers. | |

**(2) Expected impacts on employers**

| Impact | Description of impact | Directional rating |
|---|---|---|
| **Description of overall business impact** | The statutory change places an obligation on businesses to offer guaranteed hours contracts to qualifying workers and agency workers after a relevant reference period. Businesses will incur costs related to familiarisation and implementation as well as procedural costs of the policy. Alongside this, there is the potential loss of flexibility which may affect the viability of certain business models and incur higher workforce planning costs.<br><br>As a result of improvements in worker welfare and incentives for better planning of work and shifts, there is potential for productivity improvements, which would drive benefits to firms. Similarly, some firms will already be operating in ways that comply with this legislation, such as avoiding zero hours or other forms of variable-hours contracts. This will allow these firms to compete on a level playing field with firms that transfer excessive risk to their variable hours workers. | **Negative** |
| **Monetised impacts** | To provide an indicative range of the Equivalent Annual Net Direct Cost to Business (EANDCB) of this measure, we model two scenarios based on the range of policy options in the consultation. The figures use 2025 as the price base year and 2027 as the present value base year in which costs and benefits start from. These scenarios are based on the government preferred options, where relevant.<br><br>If the hours threshold were set at 8 hours per week, regularity requirements (number of weeks worked) were set to 12 weeks of a 12-week reference period, regularity requirements (number of hours worked over contracted) were set to at least 96 hours in excess over contracted over 12-week reference period, the length of the initial and subsequent reference periods were both set at 12 weeks, and the gap between the initial and subsequent reference periods was 40 weeks, we | **Negative** |

| | | |
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| | estimate an indicative EANDCB of £100 million over a 10-year appraisal period.<br><br>If the hours threshold were set at 20 hours per week, regularity requirements (number of weeks worked) were set to at least 6 weeks of a 12-week reference period, there were no regularity requirements (number of hours worked over contracted), the length of the initial reference periods were set at 12 weeks and subsequent reference periods at 52 weeks, and the subsequent reference period starts as soon as the first reference period finishes, we estimate an indicative EANDCB of £450 million over a 10-year appraisal period.<br><br>The wide range reflects the range of options in the consultation. The main driver of the monetised EANDCB is the cost to business of tracking hours, and formalising contract offers. This cost is subject to a number of uncertain assumptions. This range should therefore be treated as indicative only. | |
| **Non-monetised impacts** | The main non-monetised impact on business of this policy is the potential loss of flexibility for those firms that rely on these forms of contract, particularly where demand is seasonal or unpredictable. The degree to which employers, hirers and agencies lose flexibility will depend on details that are defined in secondary legislation and on how they choose to evolve their business models in response.<br><br>There may also be a benefit to firms through improved wellbeing for workers and incentives for better planning of work and shifts feeding through to productivity improvements. | **Negative** |
| **Any significant or adverse distributional impacts?** | Yes. The contracts that are in scope of the hours thresholds within the government preferred range of 8 to 20 hours per week are used considerably in the hospitality, arts, entertainment and recreation, and administrative and support services sectors, as well as in retail, education, and health and social care. With thresholds above the government preferred range, coverage of the right to guaranteed hours broadens across the economy, before almost all workers come into scope at the highest options. However, wherever the threshold | **Uncertain** |

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|---|---|---|
| | is set, workers will still need to have worked over those hours in order to qualify for a guaranteed hours offer.<br><br>These policies are likely to have impacts on those sectors which have variable, sometimes unpredictable demand. Some sectors rely on business models where they keep a pool of flexible workers to meet demand. The right to guaranteed hours would reduce the viability of these business models and potentially these industries due to the increase in costs associated with this policy and the right to reasonable notice of shifts and right to payment for shifts cancelled, moved or curtailed at short notice.<br><br>It is estimated that there are around 1 million temporary agency workers in the United Kingdom (UK)[52]. Due to the expected inclusion of some agency workers, this policy could have an impact on the operation of the agency work model and thus agencies in the UK. | |

**(3) Expected impacts on households**

| Impact | Description of impact | Directional rating |
|---|---|---|
| **Description of overall household impact** | This change is expected to directly and positively impact workers, by reducing anxiety associated with unpredictability and income insecurity, which have numerous wellbeing and financial implications for workers. Therefore, this policy is aimed at balancing out some of the risks of this type of employment by transferring this risk from the workers to the firms employing them, and vice versa with the benefits of flexibility. | **Positive** |
| **Monetised impacts** | We are unable to monetise any impacts to households (EANDCH), as the main impacts to workers will come in the form of wellbeing and financial security improvements, where we lack the evidence base to robustly estimate a monetised impact.<br><br>This is because while there is evidence linking job security and quality of work to wellbeing, there is not robust evidence directly linking having | **Positive** |

[52] Voice of the worker, REC, 2024

| | | |
|---|---|---|
| | guaranteed hours to wellbeing impacts. However, we expect these impacts to be significant given the insecurity faced by some variable hours contract workers. | |
| **Non-monetised impacts** | This statutory change is expected to directly and positively impact households through allowing qualifying workers with variable hours whose contractually guaranteed hours are at or below the hours threshold and who meet the definition of "regularity", an option to move onto a guaranteed hours contract where they qualify for an offer after a relevant reference period, if they would prefer that, while allowing those who value variable contracts to stay on them. This reduces anxiety associated with unpredictability and income insecurity, which have numerous wellbeing implications for workers.<br><br>Estimates from the LWF[53] suggest that workers can lose out on up to more than £50 per month from the 'insecurity premium' which transpires from higher costs associated with late planning, such as higher childcare or transport costs. This partly reflects workers' inability to robustly plan ahead for working time.<br><br>Findings from DBT (2026)[54] show that 53% of workers surveyed report that variability in working hours impacts their ability to cover living costs and expenses, with higher proportions seen among agency workers (67%) and those with dependent children (65%). | **Positive** |
| **Any significant or adverse distributional impacts?** | Many people in scope of this policy are lower paid. These workers are therefore more exposed to fluctuations in weekly hours and the effect this has on their income. This policy is expected to primarily affect low-income workers by providing improved certainty around their hours and pay. Similarly, workers that fall under the government preferred option for the hours threshold of between 8 and 20 hours per week are more likely to be young (aged 16 to 24 years), female, disabled and from some ethnic minority backgrounds relative to their representation in the wider working population. This | **Uncertain** |

53 Precarious Pay and Uncertain Hours, Living Wage Foundation, 2023
54 Experiences of Workers in Insecure Work Research Report, DBT, 2026

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| | implies that these workers would benefit disproportionately from the wellbeing impacts of this policy. Workers who have a preference for flexibility, such as students, will still have the option to reject the guaranteed hours offer if they prefer the flexibility of their current arrangements.<br><br>However, there is potentially a concern for labour demand – these policies could have an adverse effect on the number of individuals employed, even if it has a positive effect on the hours worked and income security of those in employment. Similarly, there is a risk that employers might respond to the policy by offering fewer hours to those under the hours threshold, which again may disadvantage certain groups of workers.<br><br>However, we expect these risks to be relatively small as this policy will provide the right to qualifying workers who work regularly over a reference period so that their contract formalises the hours they are already regularly working and a worker will not qualify if they are truly working sporadically and do not meet the regularity requirement. In these circumstances, where the worker is not eligible for a guaranteed hours offer, the worker will remain on their current contract. | |

**Part B: Impacts on wider government priorities**

| Category | Description of impact | Directional rating |
|---|---|---|
| **Business environment:** Does the measure impact on the ease of doing business in the UK? | The UK's flexible labour market, or the ability of its jobs market to match labour supply and demand, thereby maintaining low unemployment, is often cited as a major benefit of doing business in the UK. One key part of this flexibility is the array of variable hours contracts possible in the UK and the relative lack of regulation on these forms of work.<br><br>Although this legislation will place burdens on employers, hirers and agencies, particularly those in sectors where the use of these variable hours contracts is frequent, there are also several aspects of the policy that will benefit employers. Most notably, this legislation will | **May work against** |

| | | |
|---|---|---|
| | level the playing field for employers already providing security over hours worked and provide positive productivity benefits to employers as a result of wellbeing improvements for workers.<br><br>The evidence on whether the measure will positively or negatively impact investment is ambiguous, but overall, we expect any impacts on investment to be small. Whilst some studies suggest that greater employment protections can increase capital investment[55], other studies find the opposite effect[56]. There is also evidence in the literature of a link between job quality, wellbeing and productivity. As such, by improving the security and predictability for workers in these forms of contract, employers could potentially be incentivised to invest more in their workers, and this alongside improved wellbeing may feed through into productivity improvements.<br><br>Evidence from investment surveys suggests that labour costs and employment protections are not primary considerations for foreign direct investment[57].<br><br>This is supported by additional analysis which finds that after the Act's implementation, the UK will move up the rankings for employment protections amongst OECD countries, shifting from near the bottom towards closer to the average[58]. Following the Act, the analysis finds that the UK protections for zero hours contracts specifically would be higher than the average of the selected OECD countries. | |
| **International Considerations:** Does the measure support international trade and investment? | It is not expected that this policy will have any direct impact on trade and investment. Variable hours contracts are predominantly used in non-traded sectors, such as retail, hospitality, health and social care. In addition, the increase in labour costs is modest relative to total labour costs in the economy, and therefore the impact on export and import competitiveness is likely to be negligible. | **Neutral** |

[55] Employment Protection Legislation, Capital Investment and Access to Credit: Evidence from Italy, Cingano et al., 2016

[56] Employment Protection, Investment, and Firm Growth, Bai et al., 2020

[57] EY UK Attractiveness Survey - June 2025, EY Global Limited, 2025

[58] Assessing the legal and economic implications of the Employment Rights Act 2025, Carter et al., 2026

| | | |
|---|---|---|
| | Furthermore, we expect there to be little impact on foreign investment in the UK. Labour costs and the level of employment protections are reported to be low considerations for businesses when deciding to deploy FDI in the UK[59]. If this measure supports a more productive, resilient and skilled workforce, this could even improve the UK's attractiveness as an investment destination. Indeed, a World Skills UK report finds that enhancing the skills of the UK workforce is essential to attracting foreign investment.[60]<br><br>Therefore, we expect the impact to be neutral because the overall impact on international trade and investment is expected to be negligible. This measure predominantly affects non-traded sectors, the increase in labour costs is modest relative to total labour costs in the economy, and the UK's employment rights framework will remain in line with international norms. There is no evidence that this measure or the Act overall will create a competitive disadvantage or deter foreign investment. | |
| **Natural capital and Decarbonisation:** Does the measure support commitments to improve the environment and decarbonise? | It is not expected that this policy will have any impact on the environment. | **Neutral** |

# 8. Monitoring and evaluation

201. Since much of the detail of this policy will be delivered through secondary legislation, this OA accompanies an extensive consultation exercise with stakeholders to ensure that the policy design works for those it affects.

202. However, to determine whether the policy is meeting its objectives, the government also intends to undertake proportionate monitoring and evaluation of this measure once implemented.

59 EY UK Attractiveness Survey - June 2025, EY Global Limited, 2025

60 Wanted: skills for inward investors, WorldSkills UK, 2022

203. Monitoring and evaluation will be critical to provide policymakers with evidence to optimise delivery, to ensure accountability, and to inform effectiveness and impact. A range of complementary monitoring and evaluation activities are required to assess the policy's progress and effectiveness. A monitoring and evaluation plan will be developed using HMG best practice which will be proportionate to this requirement. This will include both quantitative and qualitative data collection to inform analysis.

204. Our monitoring and evaluation approach will provide:

  a. Accountability: We will assess whether the objectives of the policy outlined have their intended effect and whether they are being delivered as planned.

  b. Learning: We will provide insight via systematic monitoring of whether the policy is doing what it is intended to do.

  c. Inform policy and allocative decisions: Monitoring and evaluation will help us target resources where they have the greatest impact. Ultimately, evaluation will provide information on whether to stop, refine or continue a policy.

205. We will also undertake a Post-Implementation Review of this policy within five years of introduction (when the secondary legislation comes into effect). This allows the policy time to become sufficiently established.

206. For the purposes of this OA, it is assumed that this measure will be implemented in 2027.

207. Following consultation, we will develop the necessary secondary legislation to implement the policy. Alongside this secondary legislation we will set out a full monitoring and evaluation plan.

208. At a high level, our Monitoring and Evaluation plans will consider:

  a. Whether the measure has achieved its stated objectives (please see sections 3 and 4).

  b. Whether the impacts of the policy were in line with those estimated in this OA and the previous impact assessment on the right to guaranteed hours.

  c. Whether the policy has resulted in any unintended consequences.

209. Our initial monitoring and evaluation work is focused on baselining, developing key metrics, and ensuring that there is a coordinated programme of research to fill evidence gaps. This includes our research conducted by Ipsos, which as mentioned in further detail in the assumption log, features a large-scale quantitative survey and in-depth qualitative interviews. The questions of this survey have been tailored to fill evidence gaps in our understanding of the status quo, and to fill important gaps for our analysis where previous assumptions were based around proxy or outdated evidence.

**Key sources of data**

210. An overview of considered monitoring and evaluation data collection approaches:

a. To help monitor if the policy has met its intended outcomes, we will conduct regular engagement with key stakeholders. This will provide us with direct feedback on the effectiveness of the measures and allow for further insight on how successful the measure has been.

b. The government is considering the case for commissioning surveys of a statistically representative group of individuals and employers to ensure that regulations are working as intended for different groups. This will provide evidence on whether the policy is achieving its intended outcomes, such as increasing the number of workers with contracts that accurately reflect the hours they regularly work.

c. Consideration of convening focus groups of stakeholders and representatives to ensure that the regulations are working as intended. This provides another way of gathering evidence on the effectiveness of the policy in meeting its objectives.

d. Monitoring of existing data releases. These include quarterly data from the ONS on the use of zero hours and temporary contracts from the LFS as well as annual publications of the ASHE. Alongside this, there are one-off and semi-regular surveys completed by think tanks and business stakeholders that cover the behaviour of employers regarding their use of zero hours contracts. These options provide metrics which can be measured to assess the effectiveness of the policy. Think tanks and business stakeholders may also complete surveys specific to the measure in order to gain an insight into their effectiveness which would provide a more direct assessment of the policy's effectiveness.

**Review objectives**

211. Any review of the right to guaranteed hours measure would look to assess whether the anticipated outcomes as set out in the Theory of Change and Objectives for Intervention have been achieved, and the extent to which unintended consequences have occurred. These plans will be developed alongside HMT Green Book and Magenta Book guidance.

212. Below are some high-level potential evaluation questions, these are subject to change and further developments:

a. To what extent has the guaranteed hours measure led to an increase in workers holding contracts that guarantee a minimum number of hours that reflect the hours that they regularly work?

b. To what extent has the guaranteed hours measure increased the predictability of work schedules for workers?

c. In what ways has the measure achieved its intended outcomes and impacts?

d. In what ways has the measure produced or contributed to any unintended consequences?

213. We will also evaluate the economic impact of the right to guaranteed hours measure, including its costs and benefits. These questions will vary depending on the final scope of the evaluation, though potential questions which are subject to change and further developments include:

a. What costs have been incurred by employers?

b. What benefits have been generated from the measure to both employers and workers?

c. What is the nature and scale of direct and indirect benefits to all parties?

d. What is the nature and scale of direct costs incurred by employers?

e. What is the nature and scale of indirect costs incurred by employers and the wider economy as a result of this measure?

214. We will continue to develop our monitoring and evaluation plans with a focus on how we are gathering insights into the impacts of the options taken forward after consultation, taking into consideration proportionality and feasibility. We will also consider opportunities to align our Monitoring and Evaluation work with the wider evaluation of the Act; this will be subject to further consideration.

# 9. Minimising administrative and compliance costs

215. The government has committed to continuing full and comprehensive engagement and consultation on the implementation of the Plan to Make Work Pay, working with employers, workers, trade unions and other stakeholders. As set out in 'Next Steps to Make Work Pay', the government will take a phased approach to engagement and consultation on these policy measures, as well as phasing commencement.

216. By holding a 12-week consultation, this will allow employers from all sectors, workers, trade unions and other stakeholders to fully engage with the complex policy issues at hand, with the government committed to holding roundtables and bilateral sessions with stakeholders to ensure that the government appropriately considers the most effective options. Phasing commencement of the Act means that stakeholders will have suitable time to familiarise themselves with the legislation and adapt their working practices to ensure preparedness when the changes come into effect.

217. The government is committed to ensuring there is sufficient support and non-statutory guidance for employers of all sizes. We will be working closely with Acas

and others to ensure comprehensive non-statutory guidance on the zero hours measures is in place to support workers and employers.

218. The government is also considering how best to engage stakeholders during the familiarisation period to ensure that the details of the new requirements are clear, particularly to smaller employers.

## Declaration

Department: Department for Business, Innovation, Science and Trade

Contact details for enquiries: ERDAnalysisEnquiries@businessandtrade.gov.uk

Minister Responsible: Minister for the Future of Work – 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: Kate Dearden.

Date: 12/08/2026

# Annex

## Assumption log and appraisal approach

219.The analysis makes several assumptions; the most important are set out below in Table 3. The references for these sources are included elsewhere in the OA. We will continue to test these with stakeholders, including through the public consultation, with the aim of refining them for the final impact assessment. In addition, DBT has published and commissioned research to improve its evidence in relation to these and other assumptions. While this new evidence has been used to refine key assumptions within the existing modelling framework, the analysis has not, at this stage, been extended to incorporate fundamentally new modelling approaches. This reflects the need to ensure any such developments are subject to sufficient testing, validation, and stakeholder engagement to support a robust and proportionate assessment, and will be considered further for the final impact assessment as the evidence base matures. As a summary of the evidence that the government has commissioned and published:

a. A research report from Ipsos. This published research combines a quantitative survey of 2,381 people and a series of 18 in-depth interviews[61], conducted by independent research agency Ipsos. It explores the experiences of individuals on variable hours contracts (such as zero hours contracts or arrangements, those with 16 or fewer hours guaranteed in their contract and agency workers) covering topics including contractual arrangements, regularity of work, variability of hours, shift management and the impact on agency workers more specifically. Following engagement with stakeholders, we tailored the questions in this survey to fill evidence gaps in our understanding of the status quo, and to fill important gaps for our analysis where previous assumptions were based around proxy or outdated evidence. Alongside this, a series of in-depth qualitative interviews was conducted to provide richer insights into the responses to the quantitative survey. The mixed methods approach strengthens both the evidence base and the assumptions underpinning the analysis.

b. Empirical analysis by Nikhil Datta (University of Warwick)[62] uses linked administrative data from a large low-pay service sector firm. It examines worker preferences for zero hours contracts and fixed-hours roles, patterns of hours variability, and theoretical scenarios to test the potential impacts of varying eligibility requirements. The analysis combines evidence from job application behaviour (to estimate willingness to trade pay for contract type), observed

[61] Experiences of Workers in Insecure Work Research Report, DBT, 2026

[62] Zero Hours Contracts: Evidence and Policy Implications, Datta, 2026

working patterns, and simulated policy scenarios, allowing comparison of projected guaranteed hours with actual hours worked.

220. The Employment Rights Bill Implementation Roadmap[63] states that the zero hours measures will be implemented in 2027. As such, in our appraisal, we use 2027 as the present value base year and 2025 as the price base year, to account for the data sources used in the analysis. We consider the costs and benefits over the course of a 10-year appraisal period discounting future years at a rate of 3.5% per annum as per HMT Green Book Guidance.

221. Across several assumptions, the evidence base becomes weaker and more proxy-based as the hours threshold extends beyond the workers most strongly associated with insecure and variable-hours work, and model outputs at higher thresholds should therefore be interpreted with greater caution.

[63] Implementing the Employment Rights Bill Roadmap, DBT, 2025

**Table 3: Assumptions used in quantitative analysis**

| Assumption/Risk | Source | Robustness | Sensitivity to the monetised outputs | Explanation and Risks |
|---|---|---|---|---|
| Number of workers in scope on day one | ASHE (2025) | Medium-High: employer reported survey data | High | This survey provides an estimate of employee jobs impacted at different hours thresholds. This is calculated by whether they are on a zero hours contract as well as the number of basic hours worked.<br><br>As such, this could be an underestimate of workers due to those who are working their extra hours at a ‘basic’ rate rather than an ‘overtime’ rate, but this does not provide an estimate of contractually guaranteed hours.<br><br>As a result, this may underestimate the number of workers in scope at a particular hours threshold, as hours contractually guaranteed will nearly always be the same as or lower than hours worked. |

| | | | | |
|---|---|---|---|---|
| Number of employers affected | DBT Business Population Estimates (2025), Resolution Foundation (2024) | Medium: Robust source, other sources provide lower estimates | High | The Resolution Foundation paper provides an estimate of the number of employers who employ at least one worker on a ‘flexible’ form of contract – which is approximately 75% of all employers.<br><br>This source refers to employers who use any kind of flexible contract, but it does not refer to specific hours thresholds. This means that employer impacts cannot be dynamically estimated at different hours thresholds. Although, other sources such as the ONS Business Insights and Conditions Survey suggest that the Resolution Foundation paper overestimates the proportion of employers affected.<br><br>Depending on the hours threshold, a higher or lower proportion of employers could be captured by the legislation. |
| Number of employers who would adapt workforce practices (workforce planning) | Resolution Foundation (2024) | Medium: robust source, however not directly related to workforce planning | Medium | This source provides an estimate of employers who would change their usage of ‘flexible’ contracts from a right to guaranteed hours, which we use as a proxy for those employers who will struggle to operate in the same way once they have to make guaranteed hours offers.<br><br>This is our best estimate for employers who would adapt workforce planning practices, but is not based on data directly related to workforce planning. It could therefore be an underestimate or overestimate. |
| Unit cost associated with workforce planning, per employer | Stakeholder engagement, ASHE (2025) | Medium-low | Medium-High | This assumes that employers will spend on average 15 minutes per week extra on workforce planning as a result of the right to guaranteed hours, multiplied by the equivalent wage range of workers responsible for this process.<br><br>This assumption is based on logic and some evidence from stakeholder engagement but this evidence is not robust. We will continue to build our evidence in this space over the coming months. |

| | | | | |
|---|---|---|---|---|
| Cost of setting up system to track hours | BEIS Employer Survey (2021) | Medium-high | Medium | This is based on survey evidence which was for a similar scale of change in terms of tracking hours in regard to the Working Time Directive (WTD).<br><br>However not directly relevant to the tracking of hours necessary for this provision, which may be more or less stringent than the WTD. |
| Unit cost associated with tracking and formalising contracts, per worker | ASHE (2025), BEIS Employer Survey (2021) | Medium | Medium | This assumption is based on previous impact assessment methodology which has been tested with employers previously, and is comprised of a unit cost per guaranteed hours offer made. |
| Percentage of workers who would meet regularity requirements | Resolution Foundation (2025), ASHE (2025) | Medium-high | Medium-low | This is based on a robust weekly hours and pay dataset, which estimates the number of weeks workers worked above contractual hours over a 12-week reference period. This assumption combines this evidence with ASHE estimates of the size of the in-scope population at the lowest and highest hours thresholds being considered.<br><br>However, this source uses number of weeks worked over contract as a proxy for the regularity requirements outlined in this consultation.<br><br>Therefore, this may understate or overstate the percentage of workers meeting requirements which are based on number of weeks worked and total hours worked over contract. |
| Attrition rate of workers over a year | CIPD analysis of the Annual Population Survey (2024) | Medium: Robust source, but not directly comparable to the workers in scope | Medium-low | This provides average attrition rate over the course of a year for workers, as well as providing the highest and lowest rates based on different sectors.<br><br>However, it does not speak to workers we estimate will be in scope of this legislation and therefore may understate or overstate the attrition of workers. |

| | | | | |
|---|---|---|---|---|
| Workers expected to accept a guaranteed hours offer | DBT (2026), CIPD (2025) | Medium | Medium-low | DBT (2026) indicates that 58% of workers in insecure work agree or strongly agree that they would like consistent and guaranteed hours in their contract which are the same as the hours they usually work.<br><br>DBT (2026) also finds that 12% of those on zero or short hours contracts do not feel that their contractual arrangement suits their circumstances.<br><br>Neither piece of evidence is a perfect proxy for take-up of guaranteed hours offers: the first DBT figure reflects stated preferences rather than actual behaviour under a specific policy design, while the latter figure captures dissatisfaction with zero or short hours contracts rather than a direct willingness to switch. The true take-up is likely to lie between these bounds; given this uncertainty, we use a midpoint (35%) as a pragmatic central estimate.<br><br>Sensitivity analysis suggests that this uncertainty has a relatively small effect on monetised costs. However, non-monetised costs are more sensitive to take-up assumptions, as higher take-up reduces employers' ability to vary hours in response to short-term fluctuations in demand. See paragraph 270 for further discussion. |

# Evidence base

222.This section outlines how we have quantified the costs and benefits to employers and households resulting from a right to guaranteed hours. Monetised estimates are rounded to a level of precision proportionate to their magnitude in order to aid clarity and avoid presenting a misleading degree of accuracy. Specifically, values below £10 million are rounded to the nearest £5 million; values between £10 million and £1 billion are rounded to the nearest £10 million; and values of £1 billion or more are rounded to the nearest £100 million. These estimates will be refined in due course as more evidence and policy design details become clearer through further policy work and intended consultation.

223.The government has legislated to create a new obligation for employers to make guaranteed hours offers to qualifying workers which reflects the number of hours that workers regularly work over a reference period. After the initial reference period (the government preference is 12 weeks but this is subject to consultation), there will be subsequent reference periods. After each reference period (initial or subsequent) employers will be required to issue guaranteed hours offers to qualifying workers. After a guaranteed hours offer has been made, the worker will be able to choose to accept or decline this offer.

224.The Act creates an equivalent obligation on end hirers to make guaranteed hours offers to qualifying agency workers.

225.Our working assumption for assessing the costs and benefits associated with the right to guaranteed hours is that this legislative change would lead to an increase in the proportion of workers on more regular forms of contract compared to the status quo. At this stage, many details remain to be defined in regulations, meaning that a full appraisal of the costs and benefits, particularly the indirect costs and benefits, of all options considered in the OA is not possible. To account for this uncertainty, we undertake sensitivity analysis as per the Green Book[64], adjusting key assumptions around the policy design in the model and present unit costs where variables are sensitive to these policy decisions, as well as aggregated costs for the extreme ends of options considered. Within the appraisal of both the monetised and non-monetised impacts of this measure, we consider the range of impacts based on the options included in the OA; which uses the government preference (e.g. 8 to 20 hours for the hours threshold) where it is indicated and the full range where there is no government preference.

226.We use, update and build on the methodology and assumptions outlined in the Bill stage impact assessments. These IAs in turn are built on assumptions used in the Workers (Predictable Terms and Conditions) Act 2023 Impact Assessment (PW 2023 IA)[65] and, where relevant, the IA for 'Reducing the administrative burden of the Working Time Regulations' (WTR 2023)[66]. This is because the framework for moving workers onto new or varied contracts is similar to the one set out in PW 2023. However, it differs in that it is an obligation on the employer rather than a process initiated by the worker, and the guaranteed hours offer must be calculated based on the hours worked during a reference period. Likewise, we assume that

[64] The Green Book: Central Government Guidance on Appraisal and Evaluation

[65] Right to Request a More Predictable Working Pattern, 2023

[66] Reducing the Administrative Burden of the Working Time Directive, 2023

the level of record keeping required to ascertain what a regular contract should look like will be similar to that set out in the WTR IA, and thus we use evidence gathered for that IA to outline the costs associated. Throughout the consultation period and up to the final stage impact assessment alongside legislation we will refine these estimates to ensure they reflect the expected way that employers would respond in reaction to a right to guaranteed hours.

227.Many of the costs associated with this policy change, particularly those linked to setting up or upgrading systems for tracking hours and workforce planning, are also relevant to the other new rights for variable hours workers, namely the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice. Although the method for calculating workforce planning costs differs slightly due to variations in the businesses affected, we anticipate significant overlap in the activities required to comply with each measure. For example, businesses will need to reassess and adapt how they plan future shifts across all three rights. As such, these costs are presented in this OA but may be subject to double counting.

**Monetised costs**

228.Throughout this section of the OA, all costs and benefits are assessed relative to the ‘do nothing’ option in the status quo. Under this ‘do nothing’ option, employers would not need to provide any opportunity for workers to move to a contract which provides guaranteed hours. Similarly, under this option, workers will suffer from the issues related to one-sided flexibility. Relative to the status quo, we expect that employers will need to set up or expand a system to track hours of their workers and determine eligibility for a guaranteed hours offer. On top of this, we expect that employers will invest more time in workforce and shift planning to ensure enough notice is given to mitigate the possibility that a worker may choose to take their employer to tribunal for receiving unreasonable notice.

229.The main monetised costs to business from the right to guaranteed hours are expected to come in the form of:

a. Familiarisation and set-up costs – the costs incurred by business to understand new requirements associated with the policy and set up or expand their system by which workers can have their hours tracked such that they are able to define which workers are in scope and what their regular contract should be. These costs will be assumed to apply uniformly across the breadth of the options in the consultation.

b. Procedural costs – these are the ongoing costs associated with the business going through the process of tracking individual workers’ hours and formalising a new or varied contract with the worker reflecting these. Likewise, we anticipate that there will be costs associated with additional workforce planning where workers accept offers of guaranteed hours. The order of magnitude of the procedural costs depends on the combination of options of parameters set out in this OA. Given this, our approach in this section is to provide unit costs per worker and an overall range of total costs depending on extreme options.

**Familiarisation cost**

230. Businesses would incur a one-off cost associated with familiarising themselves with the legislation. We assume that this familiarisation would consist of relevant workers or business owners reading and understanding the legislative change and any accompanying guidance, in order to consider the implications on the business and consulting with relevant workers. This may also involve some employers seeking legal advice on the change and what it means for their business. We use the following assumptions to estimate familiarisation and implementation costs.

   a. We assume that because this is the creation of a new right, the familiarisation and implementation of this policy is undertaken by the corporate manager/director[67] in small and micro businesses since they are less likely to have dedicated HR resources. In medium and large businesses, we assume that the familiarisation and implementation of this policy will be undertaken by one HR manager/director[68] and three HR administrative assistants[69].

   b. When uplifting wages by 21.6% to account for non-wage labour costs as per ONS[70] methodology, the total hourly costs of these workers are £37.29 for corporate managers/directors; £36.23 for HR managers/directors; and £17.58 for HR administrative assistants.

231. In our central estimate we take a cautious approach and assume that the time taken to familiarise will be around 1 hour, given this is a new right, and apply this to all employers. All employers are included, rather than the subset of businesses who currently employ people on flexible contracts, as we assume that all employers will familiarise themselves with these regulations in case they wish to hire workers on these forms of contract in the future. This is considered a cautious assumption, consistent with other published IAs[71], because it is applied to the entire business population, including those without workers in scope. However, a 2024 Resolution Foundation[72] report finds that over 75% of employers currently employ at least one worker on a variable hours contract, with this figure being 74%, 93% and 94% for small, medium and large employers respectively. The Resolution Foundation definition of ‘flexible’ contracts differs slightly to the definition of variable hours contracts included in this assessment, meaning there is potential for an overestimate, but we do not believe this risk is large.

232. This gives a one-off familiarisation cost of £60 million in the low estimate. We acknowledge that for some employers less time will be needed to familiarise themselves with the right to guaranteed hours, whereas other employers may need more time to familiarise themselves. To account for this, in our high estimate we assume that 2 hours is needed for familiarisation. This leads to a doubling of the familiarisation cost to £110 million.

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[67] SOC code: 11

[68] SOC code: 1136

[69] SOC code: 4136

[70] DBT analysis based on UK Economic Accounts, ONS, 2025.

[71] This is the approach taken in the following IA: Right to Request a More Predictable Working Pattern, 2023

[72] ‘Firm Foundations’, Resolution Foundation, April 2024; see Box 1 in Firm Foundations paper for full definition used for flexible contracts by the Resolution Foundation; Variable hours contracts are defined in this analysis as workers whose number of hours worked varies weekly and who are paid a fixed hourly rate as well as workers on zero hours contracts.

**Box 1: Calculation of one-off familiarisation cost in low-cost scenario**

$$
\begin{aligned}
&\textit{Number of micro/small businesses estimated to be in scope } (1{,}388{,}000) \\
&\quad \times \textit{ cost of corporate managers/directors } (£37.29) \times \textit{ time taken } (1) \\
&\quad \times \textit{ number of corporate managers } (1) \\
&+ \\
&\textit{Number of medium businesses estimated to be in scope } (43{,}000) \\
&\quad \times \textit{ cost of HR manager/director } (£36.23) \times \textit{ time taken } (1) \\
&\quad \times \textit{ number of HR managers } (1) \\
&+ \\
&\textit{Number of medium businesses estimated to be in scope } (43{,}000) \\
&\quad \times \textit{ cost of HR administrative assistants } (£17.58) \times \textit{ time taken } (1) \\
&\quad \times \textit{ number of HR assistants } (3) \\
&+ \\
&\textit{Number of large businesses estimated to be in scope } (11{,}000) \times \textit{ cost of HR manager} \\
&\quad \textit{/director } (£36.23) \times \textit{ time taken } (1) \times \textit{ number of HR managers } (1) \\
&+ \\
&\textit{Number of large businesses estimated to be in scope } (11{,}000) \\
&\quad \times \textit{ cost of HR administrative assistants } (£17.58) \times \textit{ time taken } (1) \\
&\quad \times \textit{ number of HR assistants } (3) \\
&= £60{,}000{,}000
\end{aligned}
$$

### Implementation cost

233. We assume businesses will also incur a cost to create a process by which they officially track hours worked and formalise contracts or working arrangements with different guaranteed hours after the reference period to produce new or varied contracts for workers. For example, determining whether workers are in scope, creating a process by which the number of guaranteed hours to offer is calculated and creating a stock contract document to provide workers with after the end of the relevant reference period.

234. To estimate these set-up costs, we apply the same assumptions in terms of employee(s) responsible and time taken as the familiarisation costs as per the PW 2023 IA[73]. This equates to a one-off cost of between £60 million and £110 million.

235. Similarly, businesses will need to have a record-keeping system in place to effectively track their workers' hours on variable hours contracts. It is unlikely that regulation will specify exactly how records should be kept, and thus in practice the

[73] Right to Request a More Predictable Working Pattern, 2023

exact nature of these systems would vary from business to business. It would likely be specific to the size and type of business, the industry, and the nature of work. Many businesses that will be impacted by this policy will already have some record-keeping systems in place to track working hours, whether for purposes of National Minimum Wage compliance or for payroll purposes when workers are paid by the hour. To estimate the additional cost of setting up or extending record-keeping systems to comply with this policy, we use a similar methodology to a recent impact assessment on the record-keeping requirements for the Working Time Regulations[74] (which draws on a YouGov survey). For small and micro businesses, the cost of setting up a record-keeping system was estimated to be £404 and extending a record-keeping system is estimated to be £158 (in 2025 prices). The corresponding figures for medium and large businesses were £1,000 and £800. We apply these unit costs across the employer population, based on the percentages that do or do not already have systems in place according to the YouGov survey. This results in a one-off implementation cost of approximately £210 million.

236. Combining the costs associated with implementing the process to set out who is responsible for tracking hours and make guaranteed hours offers, alongside other requirements such as drafting up what the guaranteed hours offer might look like alongside creating or upgrading the system to track hours and turn these into guaranteed hours offers would lead to a total one-off implementation cost of between £260 million and £320 million.

**Tracking hours and making guaranteed hours offers**

237. The largest monetised impact of the legislation is the ongoing procedural cost of offering and moving workers onto a guaranteed hours contract. Once businesses have familiarised themselves with the legislation and implemented a system to effectively track workers' hours and handle the procedure, the actual process being carried out will be an extra administrative burden for businesses for each worker. Given the range of options being considered and presented in this OA, we set out the methodology and unit cost for each worker.

238. The right to guaranteed hours will involve effectively tracking hours, determining eligibility, formalising contracts and making offers to all qualifying workers in scope, which is zero hours contract workers, workers with contracts guaranteeing them hours at or below the hours threshold who meet regularity requirements and agency workers on such contracts. In this analysis, we consider the cost of tracking hours where the hours threshold is set at 8 hours and 20 hours, as the ends of options considered as the government preference for the hours threshold in this OA.

239. As this legislation and the OA considers options around the subsequent reference periods, employers will either need to track the hours of workers in scope continuously, for the initial reference period and for any subsequent reference periods (provided the worker remains in scope) or there will be a gap between the end of a reference period and the beginning of the next. If there is a gap, the employer does not have to record hours during that period, and any hours worked in the gap are not included in the calculation. The population in scope in year 1 will include the stock of workers already on these contracts, even those who have

[74] Reducing the administrative burden of the Working Time, 2023

been on them for many years, and the flow of new workers entering such arrangements over the remainder of the year. In subsequent years, the flow of new in-scope workers is estimated using ASHE data on workers with tenure of 0 to 12 weeks, scaled by a factor of 4.3 to reflect the number reaching the end of the reference period over a full year.

240. Table 4 breaks down what this means for the stock (the initial group of workers who are currently working on a contract potentially in scope in the status quo) and the flow (those who start a job on a contract potentially in scope) in future years, rounded to the nearest hundred thousand.

**Table 4: Summary of how many employee jobs will reach the end of the initial reference period, by year**

| Hours Threshold | Number of Employee Jobs in the Initial Year of Policy | Number of Employee Jobs in Subsequent Years of Policy |
|---|---|---|
| **8 hours** | 3,700,000 | 1,100,000 |
| **20 hours** | 6,500,000 | 1,600,000 |

241. In terms of the time taken to track hours, determine eligibility and calculate a guaranteed hours offer, we assume many of these workers already have their working time tracked since they are being paid by the hour. We anticipate that the total additional time taken to 'track' and verify hours, and formalise these contracts is around 1 hour per worker eligible in the central scenario. This is also consistent with survey evidence from the 2023 WTR IA, which applied a similar amount of time to record and verify working hours. We also assume that this time would be proportionate after the initial reference period (where the government's preferred option is 12 weeks) and the subsequent reference periods.

**Box 2: Calculation of procedural costs associated with policy**

$$Procedural\ cost = [N_P \times UC_T] + [N_F \times UC_F]$$

Where:

**$N_P$** is the number of workers employers will track the hours for and determine eligibility for the right

**$UC_T$** is the unit cost associated with this tracking process, defined as the wage multiplied by the time taken for the worker involved, which is related to the length of the reference period

**$N_F$** is the number of workers who will be in scope of the right after determining eligibility

**$UC_F$** is the unit cost associated with this formalising process, defined as the wage multiplied by the time taken for the worker involved

242. Given the uncertainty inherent to the policy options presented in section 6, this OA presents a range of unit costs associated with the tracking of hours. Based on the formula laid out in Box 2, our central estimate for an initial reference period of 12 weeks is that it would cost £18 per worker to track and verify hours, a 26-week reference period would cost £39 per worker, and a 52-week reference period would cost £79 per worker. These are scaled by the increase in length of the reference period, such that where it is 0.5 additional hours for a 12-week reference period, this equates to 1.1 additional hours for a 26-week reference period, and 2.2 additional hours for a 52-week reference period. On top of this, there is an estimated £18 (low cost scenario) to £37 (high cost scenario) per worker to calculate and formalise these hours into a guaranteed hours offer should the worker qualify.

243. Eligibility depends on meeting regularity requirements. Regularity is calculated in the model by combining evidence on how consistently workers exceed their contracted hours over a 12-week reference period with ASHE estimates of the size of the in-scope population. Based on the Resolution Foundation's analysis of the regularity of work in each week, we estimate that between 56% (hours threshold set at 8 hours, regularity requirements of having worked in all 12 weeks) and 83% (hours threshold set at 20 hours, regularity requirements of having worked in at least 6 weeks) of workers potentially in scope at 8- and 20-hour thresholds respectively would meet regularity requirements and therefore qualify for a guaranteed hours offer.

244. Aggregated up, for an initial reference period of 12 weeks (as per the government preferred option), where ranges depend on the hours threshold and time taken assumptions laid out previously:

a. Tracking a worker's hours generates a cost of between £70 million and £120 million for the initial stock of workers in year 1, and between £25 million and £30 million for the annual flow in subsequent years.

b. On top of this, there is a cost to turn these into a guaranteed hours offer and present this to the qualifying worker. For those who meet regularity requirements, this aggregates to a cost of between £40 million and £200 million for the initial stock in year 1, and £10 million and £50 million for the flow in subsequent years.

245. As part of the design of this policy, there will be an obligation for employers and hirers to review all qualifying workers' entitlement to receive a guaranteed hours contract again after the end of each subsequent reference period. This would capture workers who were out of scope after the initial reference period but whose circumstances have changed. It would also include workers who were offered guaranteed hours initially but turned it down, and those who accepted guaranteed hours after the initial reference period, but their guaranteed hours do not exceed the hours threshold. As set out in paragraph 242, a 12-week reference period would lead to a unit cost of £18 per worker per reference period; a 26-week subsequent reference period would cost £39 per worker per reference period; and a 52-week subsequent reference period would cost £79 per worker per reference period. In addition to this, there is a unit cost of £18 per qualifying worker to formalise each guaranteed hours offer.

246. In scope workers may qualify for future guaranteed hours offers in subsequent reference periods. For simplicity, we assume that in the ‘8 hour’ scenario workers who take up a guaranteed hours offer will exceed the hours threshold in future reference periods and thus not qualify for future guaranteed hours offers[75], whereas in the ‘20 hour’ scenario, all workers will be subject to further subsequent reference periods.

247. To estimate the number of workers who would take up the offer of guaranteed hours, we use findings from two different questions in DBT’s survey on workers in insecure work (2026)[76]. The first question indicates that 58% of workers in insecure work agree or strongly agree that they would like consistent and guaranteed hours in their contract which are the same as the hours they usually work, while the latter question finds that 12% of those in insecure work do not feel that their contractual arrangement suits their circumstances. Neither piece of evidence is a perfect proxy for take-up of guaranteed hours offers: the first figure reflects stated preferences rather than actual behaviour under a specific policy design, while the latter figure captures dissatisfaction with their existing contract rather than a direct willingness to switch. The true take-up is likely to lie between these bounds; given this uncertainty, we use a midpoint (35%) as a pragmatic central estimate[77], which is applied in both the low and high impact scenarios.

248. We assume that there will be natural attrition from these roles each year in the appraisal period, with 2024 analysis by CIPD[78] of the Annual Population Survey suggesting that the average job turnover for workers is 34%, with this ranging between 24.5% (public administration and defence) and 52.2% (accommodation and food services) depending on the industry. This range is used as the rate at which people leave their jobs in each year, and before the review date, to reflect the dynamic nature of each ‘flow’ of workers into in-scope roles over time, and to inform the total number of reference periods ongoing in a given year.

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75 This is a simplifying assumption; workers who accept an offer that is still at or below the hours threshold would still qualify for subsequent reference periods and another guaranteed hours offer.

76 Experiences of Workers in Insecure Work Research Report, DBT, 2026

77 Sensitivity of monetised and non-monetised costs to assumptions about take-up of guaranteed hours offers is discussed in paragraph 264.

78 Benchmarking employee turnover: What are the latest trends and insights, CIPD, 2024

249.The model applies constant take-up and attrition rates across years. The year 1 population includes both stock and flow. In subsequent years, new inflows are added while prior cohorts are reduced through attrition and take-up. Workers who accept a guaranteed-hours offer are removed from the population requiring future offers in the low impact scenario (although remain in the high impact scenario), while those who decline or remain ineligible continue to be assessed in later periods if they remain in role. Given the duty associated with subsequent reference periods is ongoing, a worker can undergo many subsequent reference periods; however, the cohort for any given year of flow in will decrease over time.

250.A potential limitation of this approach is that it assumes attrition and take-up rates remain constant across subsequent reference periods, including for workers who have already persisted through earlier periods without leaving their job or accepting a guaranteed hours offer. In practice, these workers may be systematically different (for example, less likely to take up an offer or more likely to remain in roles with variable hours), meaning that the applied assumptions may not accurately reflect behavioural patterns in later periods. Workers who accept a guaranteed-hours offer are removed only from the population requiring future offers, not from employment. They are assumed to remain with the employer on a contract outside the relevant in-scope group and are therefore not included in further cost estimates.

251.As such, we again use the ends of the options within the government preference considered in this OA as assumptions for our modelling as laid out in paragraph 242[79]. We assume that in scope workers enter subsequent reference periods, over which their hours must be tracked and qualifying workers must receive a guaranteed hours offer. To provide an indicative aggregated estimate of the ongoing cost of subsequent reference periods we use the cohorts as set out in Table 4, less those who qualify and accept a guaranteed hours offer after the initial reference period, and those who leave their role within the year. We estimate that tracking hours in the first subsequent reference period will cost between £30 million and £320 million for the number of workers covered in the first year of the policy, and £10 million and £80 million for the flow in subsequent years of the policy.

252.Overall, the average annual cost to business[80] from tracking hours and making guaranteed hours offers for both initial and subsequent reference periods over the course of the 10-year appraisal period is estimated to be between £60 million and £400 million per year when discounted. The relevant policy parameters for this range are summarised in Table 6.

**Workforce planning**

253.Because employers and hirers will be obliged to offer a contract with guaranteed hours to qualifying workers after the initial reference period, they will incur costs associated with workforce planning from this policy (assuming workers accept the offer). This is because employers who previously employed variable hours (and most prominently, zero hours) contract workers may previously have given little to no notice of shifts, however they will now be obligated to guarantee shifts for workers and will therefore have to plan out their obligated shifts against the shifts

[79] That is, the lower bound is a once-yearly 12-week subsequent reference period, and the upper bound is a 52-week subsequent reference period (with no gaps between subsequent reference periods).
[80] Discounted at a rate of 3.5% per year.

they have to offer. Approximately 33% of employer respondents to a Resolution Foundation (2024)[81] survey suggested that they would alter their recruitment of variable hours workers in response to the right to guaranteed hours. We leverage this, and use 30% and 40% as the low and high estimate of employers changing their behaviour respectively. We assume workforce planning to be an indirect cost of the policy as it is a behavioural response to employers having to guarantee a higher proportion of their hours relative to the status quo, rather than related to compliance.

254. To estimate the number of businesses that would undertake such a workforce planning exercise, we take a similar step-by-step approach to the one outlined in the One-Sided Flexibility IA[82]. To derive the number of businesses affected by the legislative change, we have applied an estimate of the proportion of employers that hire workers on variable hours contracts from the Resolution Foundation (2024)[83] to DBT estimates of the total number of businesses in Great Britain with more than one employee, derived from the Business Population Estimate (BPE).

**Table 5: Employment of Workers on Variable Hours Contracts, by Employer Size**

| Size of employer (employees) | Percentage of employers that employ at least one worker with a variable hours contract | Number of employers that employ at least one worker with a variable hours contract |
|---|---|---|
| **Small and micro (1-49)** | 74% | 1,030,000 |
| **Medium (50-249)** | 93% | 40,000 |
| **Large (250+)** | 94% | 10,000 |
| **All businesses** | 75% | 1,080,000 |

255. Our initial assumption, based on initial stakeholder engagement, is that for small and micro employers, the company director would spend on average an additional 15 minutes per week (13 hours per year) on top of the process they currently undertake to effectively plan out shifts and ensure they are providing enough notice. In medium and large employers, this process would be undertaken by a HR manager and 3 HR assistants (that is, a total of 52 additional staff hours per year).

256. We also acknowledge that for some employers less time will be needed, as their current practice may deviate little from that suggested in the proposed policy, whereas other employers may need to undertake a more significant exercise. To account for this, in our high estimate we assume that 30 minutes per week (26 hours per year for each of the staff members involved in the process) will be needed. We intend to improve the evidence base underpinning this assumption during the consultation stage to get a better understanding of how businesses would react and the implications this would have in terms of their workforce planning. The full formula is laid out in Box 3.

[81] Firm Foundations, Resolution Foundation, 2024

[82] Good Work Plan: one-sided flexibility - addressing unfair flexible working practices, HM Government, 2019

[83] 'Firm Foundations', Resolution Foundation, April 2024; see Box 1 in Firm Foundations paper for full definition used for flexible contracts by the Resolution Foundation; Variable hours contracts are defined in this analysis as workers whose number of hours worked varies weekly and who are paid a fixed hourly rate as well as workers on zero hours contracts.

**Box 3: Formula for cost of workforce planning**

$$Cost\ of\ Workforce\ Planning = [N \times Nf \times Chg \times UC_F]$$

Where:

**N** is the total number of businesses in the UK by size

**$N_F$** is the proportion of businesses in the UK who employ workers on variable hours contracts, by size

**Chg** is the proportion of businesses in the UK who indicated that they would change their recruitment of variable hours workers in response to the right to guaranteed hours

**$UC_F$** is the unit cost associated with the workforce planning process, defined as the wage multiplied by the number of hours for the worker who completes the process

257. Overall, this process will lead to an ongoing yearly additional unit cost to business of between £500 for small and micro employers and £1,200 for medium and large employers. Indicatively aggregating to all of the potential employers in scope, we anticipate that workforce planning would incur a yearly cost to business of between £170 million and £420 million. We do not consider this to be a direct cost of the policy, as it is not related to compliance, therefore we do not include these costs in our Equivalent Annual Net Direct Cost to Business (EANDCB) estimates.

**Box 4: Calculation of ongoing workforce planning cost in low-cost scenario**

$$\begin{aligned}&\textit{Number of micro/small businesses estimated to be in scope } (308{,}000)\\ &\quad\times \textit{ cost of corp managers/directors } (£37.29) \times \textit{ time taken } (13)\\ &\quad\times \textit{ number of corporate managers } (1)\end{aligned}$$

$$+$$

$$\begin{aligned}&\textit{Number of medium businesses estimated to be in scope } (12{,}000) \times \textit{ cost of HR manager}\\ &\quad\textit{/director } (£36.23) \times \textit{ time taken } (13) \times \textit{ number of HR managers } (1)\end{aligned}$$

$$+$$

$$\begin{aligned}&\textit{Number of medium businesses estimated to be in scope } (12{,}000)\\ &\quad\times \textit{ cost of HR administrative assistants } (£17.58) \times \textit{ time taken } (13)\\ &\quad\times \textit{ number of HR assistants } (3)\end{aligned}$$

$$+$$

$$\begin{aligned}&\textit{Number of large businesses estimated to be in scope } (3{,}000) \times \textit{ cost of HR manager}\\ &\quad\textit{/director } (£36.23) \times \textit{ time taken } (13) \times \textit{ number of HR managers } (1)\end{aligned}$$

$$+$$

$$\begin{aligned}&\textit{Number of large businesses estimated to be in scope } (3{,}000)\\ &\quad\times \textit{ cost of HR administrative assistants } (£17.58) \times \textit{ time taken } (13)\\ &\quad\times \textit{ number of HR assistants } (3)\end{aligned}$$

$$= £170{,}000{,}000$$

258.In each relevant OA, we anticipate a workforce planning cost being incurred by employers for the right to reasonable notice, the right to guaranteed hours and the right to payment for shifts cancelled, moved or curtailed at short notice. It is likely that these processes will overlap to some extent, and as such the cost is unlikely to be realised independently across each policy, leading to an overestimate for any one provision.

### Agency workers

259.Of the population in scope, we expect a considerable proportion of these to work through an agency. Estimates for agency workers in the UK suggest around 1 million people are on these contracts[84], with the majority of these likely to be working on a zero hours basis.

260. These workers differ from the other workers in scope because there is often at least one other party in the employment relationship (the agency). These workers are also likely to be covered by other forms of employment rights, such as the

84 Voice of the worker, REC, 2024

Agency Workers Regulations. The Act extends the right to a guaranteed hours offer to qualifying agency workers. Hirers will be responsible, by default, for making guaranteed hours offers to qualifying agency workers. Guaranteed hours offers must reflect the number of hours that the agency worker works under the direction and supervision of that hirer during the relevant reference period. If an agency worker accepts a guaranteed hours offer from a hirer, they will take up a worker's contract with a hirer and be directly engaged by that hirer.

261. The impacts on agencies are likely to differ from the impact on hirers. They will need to understand when one of the agency workers they supply may be due a guaranteed hours offer for their own internal labour forecasting. We expect that agencies will need to share information with hirers at the end of the reference period if an agency worker qualifies for the right to guaranteed hours to enable a hirer to make a compliant guaranteed hours offer. The government is consulting on whether there would be value in adding to the requirements under the Conduct Regulations so that agencies are required to give hirers relevant information to support them to comply with their duties under the zero hours measures. Agencies may already be tracking agency workers' hours in many cases, as they may use these systems to calculate pay.

**Summary**

262. Due to the wide range of potential options for the parameters discussed in this OA and the government's choice not to set out preferred lead options within the ranges provided (except for the hours threshold range of between 8 and 20 hours, and a 12-week initial reference period), a specific central Net Present Social Value (NPSV) and EANDCB is not provided.

263. To provide a range of impacts for the potential cost of the main monetised elements set out above, we consider the extremes of the options as they relate to the monetised costs outlined above, with these set out in Table 6. We use 2025 as the price base year and 2027 as the present value base year to account for the earliest timings set out under the Roadmap for Implementation of the Employment Rights Bill. When considering the impact over a 10-year appraisal period, discounting future years at a rate of 3.5% per annum as per HMT Green Book Guidance, the EANDCB of the right to guaranteed hours is estimated to be between £100 million and £450 million per year.

**Table 6: Options used in modelled cost estimates**

| Right to Guaranteed Hours | Hours threshold | Regularity Weeks | Regularity hours over contracted | Length of initial reference period | Length of Subsequent reference periods | When subsequent reference period begins |
|---|---|---|---|---|---|---|
| **Smallest impact** | 8 hours per week[85] | All 12 weeks of 12-week reference period | At least 96 hours in excess of contracted over 12-week reference period | 12 weeks[86] | 12 weeks[87] | Gap between them (40 weeks used in calculation) |
| **Largest impact** | 20 hours per week[88] | At least 6 weeks of 12-week reference period | No hours requirement | 12 weeks | 52 weeks | As soon as the previous one finishes |

264. Likewise, there are several reasons why our modelling could lead to us over-stating the costs to business of the policy for the options used in the modelled estimates:

a. As a result of the increased costs associated with the contracts in scope of this policy, this could prompt wider cultural change or may change incentives for employers whereby employers voluntarily offer a more predictable working pattern or contracts with more guaranteed hours as a default to both new and existing workers. It may be possible that workers and employers agree to changes in terms and conditions outside of the statutory obligation for employers to offer a new contract, reducing the flow of workers in scope in future years and as a result costs associated with the regulatory change.

b. It is assumed that workers on variable hours contracts including agency workers are generally more mobile than regular employees, meaning that our analysis assumes that workers will move and subsequently meet the preferred 12-week initial reference period potentially multiple times with different employers. It is possible that workers accepting guaranteed hours contracts may mean that these workers become less mobile and

[85] This is the lowest option within the preferred options for the hours threshold in the consultation of between 8 and 20 hours per week, and is therefore used for our smallest impact estimates.

[86] This is a preferred option in the consultation and OA, and is therefore used for both estimates.

[87] This being in the ‘smallest impact’ row relates to the administrative costs. However, for flexibility purposes, employers would prefer longer initial and subsequent reference periods to smooth out fluctuations.

[88] This is the highest option within the preferred options for the hours threshold in the consultation of between 8 and 20 hours per week, and is therefore used for our largest impact estimates

therefore the population in scope in future years will reduce, decreasing the cost to business.

c. We assume that for workers on zero hours contracts, a substantial proportion will take up a guaranteed hours contract where one is offered. This reflects a midpoint of evidence on worker preferences around their existing contracts (as explained in paragraph 247), with take-up estimated at around 35% for workers in scope. Where workers take up a guaranteed hours contract and, as a result, move above the relevant hours threshold, they would fall outside the scope of the policy’s further administrative requirements in respect of ongoing tracking of hours and the formalisation of working arrangements. This would reduce the number of workers to whom these requirements apply and, in turn, the cost to business. In addition, the assumed level of take-up may overstate take-up in practice, given evidence from the same sample that workers place a high value on flexibility. If actual take-up is lower than assumed, this would further reduce the number of workers subject to these requirements and therefore the cost to business.

d. This policy will interact with the right to reasonable notice of shifts, alongside the right to payment for shifts cancelled, moved or curtailed at short notice. To comply with this policy, we expect there to be workforce planning and procedural costs with setting up systems to track and forecast hours.

**Monetised costs and benefits to households calculations**

265. We have not calculated Equivalent Annual Net Direct Costs to Households as none of the benefits to workers are directly quantifiable. This is because much of the benefits to workers are related to wellbeing and security at work, which would rely on an estimate on how much workers value this via revealed preference. Therefore, currently, the evidence base required to quantify the benefits associated with the improved wellbeing expected from this legislation is not developed enough to robustly make this calculation. However, we believe these benefits would be significant for those workers who face detriment due to one-sided flexibility, as laid out in paragraphs 289 to 307.

**Net present social value (NPSV)**

266. To provide an indicative range of the NPSV of the right to guaranteed hours, we use the upper and lower bounds of policy options considered in this OA. We find that, for the monetisable elements of this policy, the NPSV is estimated to be between -£2.3 billion and -£7.5 billion. This uses 2025 as the price base year and 2027 as the present value base year in which costs and benefits start from. The relevant policy parameters for this range are summarised in Table 6.

267. This range includes estimates for one-off familiarisation and implementation costs, ongoing costs associated with tracking hours and formalising contracts, and the behavioural response associated with increased workforce planning. While this range is wide, it reflects both the range of options considered in the consultation and uncertainty around employer responses, including how employers set up and

carry out the process for calculating and offering regular contracts. These responses will depend on the eventual scope of the policy.

268. In addition, we are unable to monetise the policy benefits (such as the improvements in wellbeing and productivity, and a more level playing field for employers who already have adopted these practices) due to limitations to the evidence base. As a result, the NPSV represents a partial assessment, focusing on the policy costs. It is therefore important to view the NPSV in the context of the qualitative analysis of the policy benefits set out in this OA and supported by a range of survey data and research.

269. If the hours threshold was set outside of the government preferred range of 8 to 20 hours, this could increase the NPSV (and EANDCB) considerably as more workers and employers would be in scope of the measures and therefore the impacts will increase. However, the extent to which the impacts would increase depends on the interaction between the hours threshold and other eligibility criteria. For example, the regularity requirements, which may require workers to work above their contracted hours during the reference periods and will be less applicable to those with higher numbers of hours guaranteed.

## Non-monetised costs and benefits

### Non-monetised costs and risks

270. The main non-monetised cost is the potential loss of flexibility for businesses, where new terms and conditions lead to reduced ability to meet variable customer demand. Unlike the Workers (Predictable Terms and Conditions) Act 2023, this legislative change creates an obligation for employers to offer guaranteed hours reflective of a qualifying worker's hours worked during the initial reference period.

271. The scale of these non-monetised impacts is sensitive to assumptions about take-up of guaranteed hours offers. As discussed in Table 3 and paragraph 247, evidence sources point to a range of take-up rates. Higher take-up, as suggested by DBT's survey on workers in insecure work[89], implies that a larger share of workers move onto guaranteed hours contracts. Higher take-up reduces monetised costs at the lower bound, as workers who accept offers are assumed to be above the hours threshold, meaning businesses do not face ongoing admin requirements associated with subsequent reference periods. However, higher take-up significantly increases non-monetised costs because it reduces employers' ability to vary hours in response to short-term fluctuations in demand. This may create situations where employers face hours and pay obligations without sufficient demand.

272. In general, employers value flexibility as it allows them to make changes to their workforce easily and have more flexible control over their wages and therefore their bottom line[90]. This flexibility has been seen as particularly important over the past few years as a result of growing unpredictability of the business environment

[89] Experiences of Workers in Insecure Work Research Report, DBT, 2026

[90] 'Firm Foundations', Resolution Foundation, 2024

(Kalleberg, 2018)[91]. When challenged to foresee staffing requirements even in the short term, employers have embraced different HR practices, allowing them to adjust their staff more flexibly to changing demands over time.

273. One significant cost is the heightened risk employers face when demand falls unexpectedly. Employers will be legally obliged to offer guaranteed hours based on a reference period, even if those hours were worked during a seasonal peak. For example, hospitality businesses that experience high demand in December will still need to guarantee those hours after the peak ends, creating a mismatch between labour supply and actual demand – although evidence from Datta (2026) suggests that a minimum of 12 weeks as a reference period may smooth out many of these fluctuations[92]. This inflexibility exposes employers to overstaffing risks and fixed labour costs during downturns, which cannot easily be mitigated without redundancies or potentially administratively burdensome fixed-term contracts where these are deemed appropriate.

274. Employers often choose to use variable hours contracts to allow them to quickly adapt to these changing demands; as such, they have fewer medium- to long-term cost obligations in their workforce. These contracts allow employers to maintain a pool of contingent labour that can be easily expanded or contracted to meet changing demand. The requirement to offer guaranteed hours to workers could affect this flexibility by reducing employers' ability to not offer shifts to workers. A CIPD (2022) report[93] suggests that 64% of employers who made use of zero hours contracts suggested one of the key reasons for doing so was to manage fluctuating demand.

275. In April 2024 the Resolution Foundation released a report[94] containing survey data from 750 employers in the UK in April 2024. This report suggests that one-quarter of employers who use 'flexible'[95] forms of contract face seasonal demand, with a similar share (22%) suggesting that they experience 'uncertain' demand. Consistently across the Resolution Foundation report, employers state cost reasons for using flexible contracts, with 25% of employers saying that variable hours contracts allow them to reduce their overall wage bill, likely because these contracts allow employers to be highly responsive to changes in demand. For some employers, longer-term changes in demand dictate their use: a quarter of employers say that their demand has risen, and they have expanded their workforce using variable hours contracts, while a lower share (15%) report moving their staff onto variable hours contracts as an alternative to redundancy when their demand fell.

276. Some employers use flexible contracts in response to labour market conditions, with one sixth (18%) of respondents saying that they find it easier to hire workers on flexible contracts than those on other contract types. Similarly, many employers in low-wage sectors report using these forms of contract as a buffer reaction to increases in the National Minimum Wage (NMW) rates, ensuring that they have stricter control over their wage bill through the number of hours when the wage

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91 'Precarious Lives: Job Insecurity and Well-being in Rich Democracies', Kalleberg, 2018

92 Zero Hours Contracts: Evidence and Policy Implications, Datta, 2026

93 Zero Hours Contracts, Evolution and Current Status, CIPD, 2022

94 'Firm Foundations', Resolution Foundation, 2024

95 The Resolution Foundation grouping is based more around variable types of contracts, while this OA uses a proxy for guaranteed hours to determine eligibility.

rates are increased. 2018 LPC analysis[96] of the LFS found that zero hours contract workers were three times more likely to be within 50p of the NMW per hour than regular workers.

277. The Resolution Foundation report found that almost two-thirds of employers said that policy changes, including if workers had a right to a guaranteed number of hours, would cause employers to reduce their use of flexible contract types. This has the potential to be problematic, as flexible working arrangements are a particularly valuable tool in increasing workforce participation among groups at risk of economic inactivity, such as younger and older workers as well as parents of young children, and a reduction of employers offering these forms of contract could leave these workers excluded from the labour market. Given these workers may themselves value the flexibility of this type of work, they may be more likely to reject any guaranteed hours offers which may mitigate the risk of this. A full discussion of the potential impacts on groups more weakly attached to the labour market are outlined in section 15 of the government's Economic Analysis and Enactment Summary Impact Assessment of the Employment Rights Act 2025[97].

278. The introduction of guaranteed hours may inadvertently reduce opportunities for workers to earn additional income through overtime. Employers, already committed to paying for guaranteed hours even during periods of low demand, are likely to limit extra shifts to control labour costs. Depending on decisions around regularity, offering frequent overtime could inflate the number of hours that must be honoured after the reference period, increasing contractual obligations and creating a disincentive for employers to provide additional hours. This could particularly be the case where the regularity requirement only requires a weekly distribution, which is likely to lead to guaranteed hours offers for the majority of workers under the hours threshold. As a result, workers who previously relied on variable hours arrangements to supplement their income, such as students, workers who use these hours to supplement pensions or parents during peak seasons, may experience a decline in earnings flexibility. 28% of workers on zero hours contracts are currently underemployed[98].

279. However, the regularity option being consulted on of both a weekly distribution of hours and a certain number of hours worked exceeding those on the worker's contract will allow for employers to offer some amount of overtime during the reference period without having to include it permanently in a guaranteed hours offer to a worker. Following the reference period, if workers who are eligible for a guaranteed hours contract choose to reject the offer and remain on their current arrangement, employers would not be obliged to pay for a fixed number of hours even during periods of low demand. Additionally, following the reference period, if guaranteed hours offers have been provided to workers by employers and accepted by the worker, this does not prevent employers from giving overtime to these workers in cases where this is needed due to high demand, and may well be useful to help employers meet the minimum number of hours needed to meet those set out in the worker's guaranteed hours contract. Taken together, these factors mean that employers may feel less disincentivised from offering additional hours or overtime when needed to workers.

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96 A Response to Government on One-Sided Flexibility, LPC, 2019

97 'Employment Rights Act Economic Analysis and Summary Impact Assessment'. HM Government. 2026

98 People in Employment on Zero Hour Contracts, ONS, 2026

280. There is also a potential risk that employers may respond to the presence of an hours threshold by adjusting how hours are allocated across their workforce. In particular, employers may be cautious about offering extra hours to workers below the threshold if doing so could increase the hours they are required to guarantee after the reference period. Instead, where possible, they may choose to offer additional hours to workers who already have guaranteed hours above the threshold, as this would avoid creating further entitlement under the right to guaranteed hours or might lower the number of hours that must be guaranteed within an offer. In principle, this could affect the distribution of hours and earnings across workers, and may have equalities implications if certain groups are disproportionately represented either below or above the threshold. However, the extent to which such behaviour would arise in practice may be limited. For employers to systematically reallocate hours in this way, workers would need to be relatively substitutable in terms of skills, roles and availability, and there would need to be a sufficient pool of workers above the threshold who are both willing and able to take on additional hours as they arise. In many sectors, operational constraints, worker preferences, and the need to maintain stable staffing patterns may limit the feasibility of concentrating additional hours among a narrower group of workers. In addition, legal safeguards[99] exist in the Act to prevent such behaviour, under which a complaint could be made to the employment tribunal if the employer limited the hours of work made available to the worker, or made work available in a certain way, for the sole or main purpose of leading to a reduced guaranteed hours offer or leading to no offer having to be made.

281. To minimise potential unintended risks from the right to guaranteed hours, the government has ensured the consultation is wide ranging with few preferred options in regard to the right to guaranteed hours. The consultation also seeks views on potential wider impacts of the hours threshold options on employers' use of contracted hours and on the availability of additional hours for workers, which will help inform the government's understanding of interactions and behavioural responses. This is reflected in the wide range of options in this OA. The government will also clearly set out any exemptions or exclusions to the regulations. Any workers excluded or circumstances which exempt employers from the regulations will be informed by the consultation with stakeholders and will ensure that the right to guaranteed hours is applied in a way that is both fair and proportionate.

### Impact on agencies

282. Another group who would face a change in the way that they operate because of these changes are expected to be work finding agencies[100]. Estimates from the REC suggest that there are approximately 1 million temporary agency workers in the UK[101]. Overall, it is estimated that the recruitment sector accounted for 1.8% of the UK's total direct Gross Value Added (GVA) in 2023[102]. An estimated 76.4% of recruitment GVA was generated through temporary or contract placement activity.

[99] Such behaviours could also, depending on the circumstances, amount to indirect discrimination prohibited by the Equality Act 2010.

[100] The term "work-finding agency" is used in the Act and the term "employment business" is used in the Conduct of Employment Agencies and Employment Businesses Regulations 2003 to refer to the same or similar businesses, i.e., a business that finds work for agency workers to do under the direction and control of a hirer. In this consultation, we refer to these businesses as "agencies".

[101] Voice of the worker, REC, 2024

[102] UK Recruitment Industry Status Report, REC, 2024

283.The impacts on agencies are likely to differ from the impact on hirers. They will need to understand when one of their workers may be due a guaranteed hours offer for their own internal labour forecasting. Agencies may, however, already be tracking agency workers' hours in many cases, as they may use these systems to calculate pay. We expect that agencies will need to share information with hirers at the end of the reference period if an agency worker qualifies for the right to guaranteed hours to enable a hirer to make a compliant guaranteed hours offer. The government is consulting on whether there would be value in adding to the requirements under the Conduct Regulations so that agencies are required to give hirers relevant information to support them to comply with their duties under the zero hours measures. Hirers are also unlikely to hold all the relevant information about the agency worker and their eligibility, including but not limited to, whether they are an 'excluded worker', whether there is a collective agreement in place and whether the worker met regularity requirements. Similarly, once it is determined that an agency worker is eligible for a guaranteed hours offer, the agency will need to provide the hirer with their contact details and the details of their terms and conditions during the reference period so that the guaranteed hours offer can comply with provisions around terms and conditions. This could involve significant administrative overheads and investment in new systems or processes to ensure that they are aware of the status of their contingent labour, as well as ensuring their ability to transfer.

284.The right to guaranteed hours has the potential to change the operation of temporary agency business models. Currently, agencies typically earn fees based on the placement and ongoing employment of workers. If an agency worker accepts a guaranteed hours offer from a hirer, they will become directly engaged by that hirer through entering into a new worker's contract where there is an obligation on the end hirer (then employer) to provide work for a certain number of hours, and for the agency worker (then the directly engaged worker) to work that number of hours. Both the DBT Agency Worker Survey[103] (2021) and the ALP 2025 Agency Worker Survey[104] suggested that many agency workers will look for permanent work in the future (32% and 50% respectively), implying that many may choose to accept a guaranteed hours offer.

285.If workers transition to direct employment with the end hirer, agencies may lose ongoing income streams from those placements, and it could lead to the reduction more generally of the pool of temporary agency workers. Where employers have ongoing contracts with agencies to provide labour, this will require re-negotiation of these contracts, which may cause frictions. Likewise, in some cases, this may mean that temporary agencies fulfil a permanent placement role, as workers who accept guaranteed hours offers from end hirers will move to being directly employed. However, there may be temp-to-perm fees written into contracts which may contribute to compensating agencies for workers becoming employed by an end hirer.

286.Additionally, to maintain their pool of workers, agencies may choose to adopt a different model of employment with their agency workers by providing guaranteed hours above the hours threshold to be set in regulations, thereby taking them out of scope. This could lead to periods of overstaffing relative to the demand for their services, although this could be mitigated by agencies offering limited-term

[103] Agency Worker Survey, DBT, 2021
[104] What Agency Workers Think, ALP, 2025

contracts with hours guaranteed above the threshold, where it is reasonable for them to do so.

287. Similarly, hirers may become more reluctant to use agency workers if doing so could lead to obligations to offer permanent contracts. A 2018 Resolution Foundation survey of employers found that the majority of employers (65%) use agency workers as 'stop-gaps'[105]. This survey finds that for a significant minority of companies, the use of agency workers is a more active business decision, driven increasingly by questions of costs, convenience and control. A right to guaranteed hours could reduce the attractiveness of using agency workers, leading to a reduction in the overall demand for agency services, particularly in sectors that rely on flexibility to manage fluctuating demand (e.g. retail, hospitality, logistics). The extent to which this demand effect occurs will depend on details set out in regulations after this consultation.

288. To minimise potential unintended risks from the right to guaranteed hours on agencies, the government has included separate options for agency workers for certain areas of the consultation, reflecting the nature of this work. The government has also ensured that the consultation is wide ranging with few preferred options in regard to the right to guaranteed hours, which is reflected throughout this OA. The government will also clearly set out any exemptions or exclusions to the regulations, with the Act making provisions for three exemptions or exclusions in relation to the right to guaranteed hours for agency workers. Two of these relate to instances in which the duty to make guaranteed hours would not apply: one being the power to exclude agency workers of a specified description as set out in regulations, the other being a power to specify circumstances in which the duty to make a guaranteed hours offer would not apply to hirers. Additionally, the Act enables Ministers to determine cases in which the responsibility to offer agency workers guaranteed hours would be placed on the agency or another intermediary (for example, a party involved in the supply or payment of an agency worker), instead of the hirer. This power can be applied where the agency worker is of a description specified in regulations. These powers will be informed by the consultation with stakeholders and will ensure that the right to guaranteed hours is applied in a way that is both fair and proportionate.

### Non-monetised benefits

289. The main aim of this policy is to rebalance the power dynamic between workers and employers where one-sided flexibility is leading to detriment for workers. Currently, much of the benefit of flexibility sits with employers, and workers disproportionately bear the risks, particularly in cases where the worker would prefer to have more guaranteed hours but are left on a zero hours or variable hours contract.

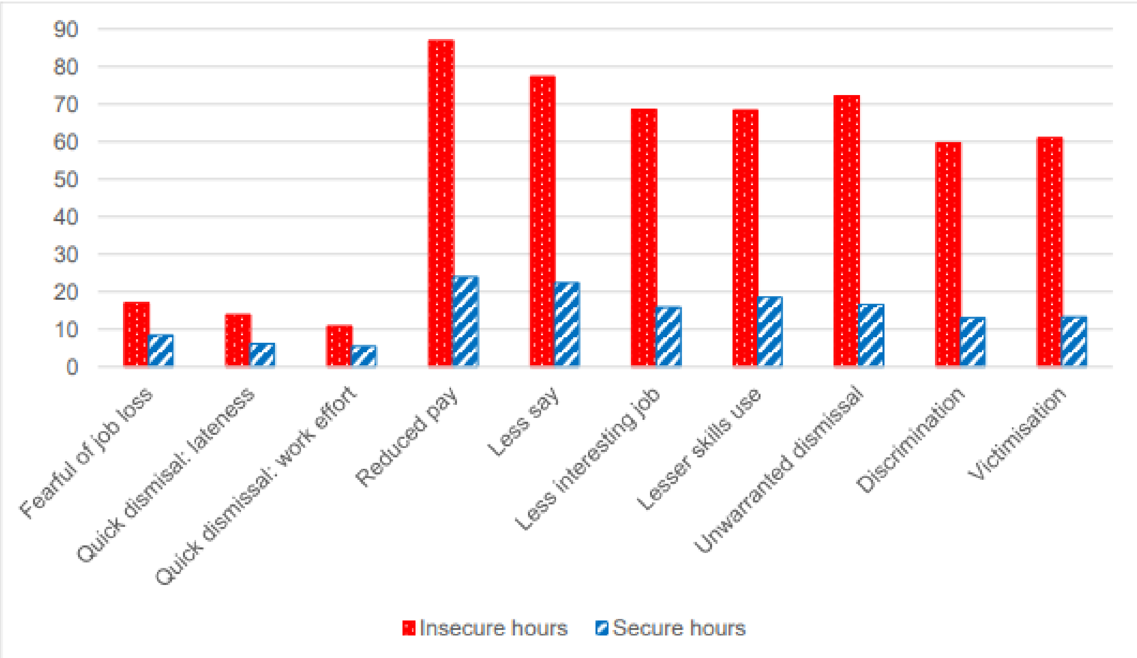
290. As such, much of the benefit of this policy will be increased wellbeing for workers on such contracts, by reducing the negative effects of pay insecurity, unpredictability and the inability to assert rights. There is a wealth of evidence that links insecure and variable hours contracts to negative impacts on some workers. This is laid out below but given the difficulty in quantifying these less tangible impacts, they are not monetised.

[105] Choices, choices, Resolution Foundation, 2018

291.There are problems inherent in one-sided flexibility employment, such as pay insecurity, unpredictability of working hours and inability to exercise rights fully[106]. Strong evidence links these with a range of negative phenomena such as anxiety around unfair treatment, lower pay and greater anxiety about 'downgrading'[107]. These have been highlighted in the strategic case for proposed regulation. The evidence from DBT (2026)[108] suggests that the lack of predictability and income stability associated with one-sided flexibility can have significant impacts on workers' financial security. Over half (53%) of workers in insecure work report that variability in working hours directly affects their ability to cover living costs and essential expenses, with this rising to 65% among those with dependent children. Younger workers aged 26 to 35 appear particularly affected, with around 62% reporting that variability in hours impacts their ability to meet costs, including a subset reporting significant impacts.

292.The Skills and Employment Survey (2017)[109] estimated that around 7% of respondents were 'very anxious' that their working hours could change unexpectedly. Figure 8 shows research from Felstead et al. (2018)[110] using the Skills and Employment Survey, which indicates that those who work insecure hours have greater risk of job loss, anxiety over changes to job status and pay, and worries about ill treatment, as well as poorer job quality.

**Figure 8: Risk of job loss, and other anxieties and worries for those who work insecure and secure hours (% of workers), 2017**




293.Within the 2024 Resolution Foundation paper[111], employers reported that flexible working arrangements also lowered their responsibility for non-wage benefits such as sick pay or maternity or paternity pay (13%); or training and development costs

106 Zero Hours Contracts, ReWage Policy Brief, Dix et al., 2023
107 Downgrading in this circumstance refers to the reduction of a worker's job level, position or pay grade within an organisation.
108 Experiences of Workers in Insecure Work Research Report, DBT, 2026
109 Skills and Employment Survey, Cardiff University, 2017
110 Insecurity at Work in Britain, Felstead et al., 2018
111 'Firm Foundations', Resolution Foundation, 2024

(10%). Those employers who used flexible contracts regularly were around 10 percentage points more likely to report these motivations for using them than lower use employers. It is therefore clear that in certain cases, workers on these contracts face less favourable terms and conditions than those in more permanent forms of employment, and likewise are less able to access learning and development. Therefore, by moving workers to more permanent contracts they could get better access to these.

294. Several studies[112] show that workers on variable hours contracts often have to take on more than one job to make ends meet, often taking on other equally fragmented roles. As such, the use and persistence of these types of contracts sustain in-work poverty. Likewise, the qualitative case study research by Moore et al. (2017)[113] found that some people with non-guaranteed hours struggled to manage their finances due to variations in weekly hours, and that this lack of predictability was a particular problem for individuals with regular outgoings such as rent, mortgages or childcare.

295. Research by Smith and McBride (2022)[114] highlights how ‘on call’ contracts contribute to insecurity, particularly where individuals make themselves available for work but are not offered shifts, reflecting the absence of a reliable baseline of guaranteed hours. Citizens Advice (2018)[115] explored the financial insecurity of people with unpredictable incomes in a survey, finding that nearly half (49%) of people who are self-employed or in ‘insecure work’ said that their income changed either a fair amount or a great deal from one month to the next, compared to 13% for all adults. This can cause issues for workers to get access to finance, or access markets that require a regular and predictable income, such as private rental or mortgage markets. This is supported by evidence from DBT’s survey on workers in insecure work (2026)[116] which suggests that around one-fifth (19%) of workers currently in insecure work have experienced difficulty securing a mortgage or rental agreement as a result of their contractual arrangements.

296. As this policy is aimed at reducing income insecurity and giving zero hours workers, and workers who experience unpredictability of hours and income in a similar way, more predictability over their income, this policy will help to contribute towards wider government objectives around access to housing and poverty reduction. This is because workers will be able to better plan out their income into the future, giving them access to credit that they may not have been able to access previously. This will make it easier for workers to effectively budget for regular outgoings, such as rent or mortgages.

297. Evidence from DBT’s survey on workers in insecure work (2026)[117] suggests that variability in working hours can create material financial pressure for a substantial proportion of affected workers. Among workers currently in insecure work who had worked in at least one of the previous 12 weeks, over half (53%) reported that fluctuations in their hours had a direct impact on their ability to cover living costs and other expenses. While 40% reported no impact, a further 23% reported having

[112] Zero hours contracts in social care, Rubery and Grimshaw, 2014; Low-paid multiple employment and work-life articulation McBride and Smith, 2021; Low-paid multiple employment and zero hours work, Smith and McBride, 2022

[113] ‘Non-Standard Contracts and the National Living Wage: A Report for the Low Pay Commission’, Moore et al., 2017

[114] ‘Low-paid Multiple Employment and Zero Hours Work’, Smith and McBride, 2022

[115] Walking on thin ice: the cost of financial insecurity, Citizens Advice, 2018

[116] Experiences of Workers in Insecure Work Research Report, DBT, 2026

[117] Experiences of Workers in Insecure Work Research Report, DBT, 2026

to reduce spending on non-essential items in order to continue paying important bills on time. More severe impacts were also reported: 17% said they had become worried about covering essential bills, 9% reported falling behind on some essential bills and 4% said they had frequently been unable to pay essential bills because of the variability of their hours. This suggests that variability in hours translates into financial stress for many workers in insecure work, supporting the case that increased predictability of hours could generate non-monetised benefits through improved financial security and reduced anxiety around meeting essential costs. Consistent with this, other evidence from DBT's survey suggests that almost half (47%) of workers currently in insecure work with children have experienced difficulty with managing work alongside childcare or other caring responsibilities as a result of their contractual arrangements.

298. Similarly, while variable hours contracts clearly provide valuable flexibility for some workers, several studies conclude that sections of zero hours contract workers report 'constrained choice', in that they have no job alternatives, limited access to part-time working that fits with caring responsibilities or little or no additional financial or social support. TUC (2024)[118] polling showed that almost half of respondents (45%) said that the most important reason people take zero hours contracts is that it is the only work available, with a further 16% suggesting that zero hours contracts were commonplace in their line of work. Similarly, Work Foundation (2023)[119] polling found that around 32% of those in 'insecure work'[120] felt that they had limited job choice when they selected their job.

299. Evidence on preferences for more secure work varies substantially across sources. Polling from the TUC (2024)[121] suggests that as many as 84% of zero hours contract workers polled want regular hours of work, compared to around 14% who do not. Other evidence from DBT's (2026) survey indicates that around 70% of workers currently in insecure work agree or strongly agree that they would like consistent and guaranteed hours reflecting the hours they usually work, while a CIPD (2025) survey[122] suggests that 19% of those on zero or short hours contracts do not feel that their contractual arrangement suits their circumstances.

300. This is a problem that persists over time, with the Resolution Foundation finding that two-thirds of low paid workers in 2006 failed to escape by 2016 and many workers cycle between low-pay and unemployment.[123] Low-paid work and insecure work often overlap in the UK because jobs with variable hours and uncertain income are disproportionately concentrated in low-wage sectors, meaning workers face both low pay and fluctuating earnings at the same time. This implies that many on zero hours contracts end up 'stuck' in these forms of work that provide little security and little opportunity to move towards a more secure working pattern.

301. Similarly, among agency workers the majority of workers would prefer to be in secure, permanent work. An Association of Labour Providers poll[124] (2025) of 2,353 agency workers found that 65% of respondents' ideal pattern of work would be 'full

118 Trade Union Congress, 2024

119 Limiting Choices: Why People Risk Insecure Work, 2023

120 This definition includes all zero hours, variable hours contracts and pay and temporary work.

121 Trade Union Congress, 2024

122 Good Work Index, CIPD, 2025

123 The Great Escape? Low pay and progression in the UK's labour market, Resolution Foundation, 2017

124 What Agency Workers Think, ALP, 2025

time, fixed regular hours', and 50% of respondents when asked about their future plans for work stated that they would 'look for permanent employment'. This aligns with DBT's (2021) Agency Worker Survey[125], which found that 55% of agency workers had requested a permanent contract with an end hirer within the 18 months prior to the survey, and 32% said that they would look for permanent work in the future; although both surveys did find a sizeable proportion of workers who were satisfied with agency work and particularly the flexibility offered.

302. Specifically, zero hours contracts can have long-term scarring effects on the labour market outcomes of young people, even for student workers. Evidence suggests that existing personal insecurity, reinforced by limited state protection, inexperience and socio-economic background, is intensified by the addition of job insecurity featuring transactional employment relations and an imbalance of power between worker and employer. Drawing on 35 semi-structured interviews, the evidence suggested zero hours contracts structurally entrench insecurity in the lives of student-workers, lowering aspirations and hindering the prospects of social mobility (Rydzik and Bal, 2023)[126].

303. Studies have demonstrated a link between health and wellbeing and job satisfaction in the workplace[127]. Poor health and wellbeing in the workforce are costly to both employers and the economy due to increasing absenteeism and presenteeism, which has consequential impacts for productivity and economic growth.

304. Specifically, there is evidence to suggest that insecure work and poor-quality work can adversely impact workers' wellbeing by creating income insecurity and harming physical and psychological health. Wang et al. (2024)[128] find that employed adults with greater job flexibility and higher job security were less likely to experience serious psychological distress or anxiety. They also show that greater job flexibility and higher job security was also associated with reduced presenteeism.

305. Consistent with this, research finds a negative association between worker mental and physical health and less permanent forms of employment in the UK. Analysis of the LFS finds that workers on zero hours contracts are much more likely to report a long-term health condition than those on other forms of contract, with these workers almost twice as likely to report mental ill health[129]. Work Foundation (2023)[130] polling found that 'insecure' workers were twice as likely as secure workers to experience job related stress 4 to 6 days of the week (26% compared with 13%), in particular related to uncertainty over total earnings. Their polling also finds that these insecure workers are nearly four times more likely to experience poor mental health when they also lack confidence in being able to afford an unexpected expense.

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[125] Agency Worker Survey, DBT, 2021

[126] 'The Age of Insecuritisation: Insecure Young Workers in Insecure Jobs Facing an Insecure Future', Rydzik and Bal, 2023

[127] Work Related Well-Being is Associated with Individual Subjective Well-Being, Ray, 2022

[128] Job Flexibility, Job Security and Mental Health Among US Working Adults, Wang et al., 2024

[129] Zero Hours Contracts, ReWage Policy Brief, Dix et al., 2023

[130] 'Why People Risk Insecure Work, Work Foundation, 2023

306. Three studies[131] explored whether uncertainty surrounding working hours was a factor leading to mental health difficulties for workers on these forms of contracts. Qualitative interviews found that uncertainty over working hours was often stated by participants as a factor that had a significant negative impact on their mental health, most notably because of the effect on their ability to plan their lives, particularly their social and family lives.

307. While paragraphs 270 to 281 highlight the potential risks associated with employers reducing their use of flexible contracts, including potential reductions in workforce participation, the right to guaranteed hours may also improve participation by increasing the predictability and stability of hours and income. Consistent with this, the evidence presented in this section suggests that insecure and unpredictable work is associated with weaker labour market attachment and a higher risk of exit from employment, particularly through health-related inactivity. This suggests that the policy may support stronger labour market attachment and reduce the risk of inactivity among affected workers, particularly those with health conditions or caring responsibilities.

### Benefits to employers, wider economy and growth

308. Beyond the benefits to workers themselves, the right to guaranteed hours could also lead to benefits to employers and the wider economy. Firstly, outlined in the government's Economic Analysis and Enactment Summary Impact Assessment of the Employment Rights Act 2025[132], the literature indicates a positive relationship between wellbeing, engagement at work, employer performance and productivity. A review by the Centre for Mental Health[133] estimates that mental ill health imposes total economic and social costs of around £300 billion per year in England, driven by lost productivity (including presenteeism and absenteeism), labour market disengagement, and demand for health and care services. The TELUS UK Mental Health Index[134] (March 2025) reports that around a quarter of workers say their mental health is adversely affecting their productivity, with financial insecurity and anxiety cited as key risk factors.

309. There may be downstream impacts on public services, particularly health and mental health services, arising from reductions in income and scheduling insecurity among workers currently facing one-sided flexibility. Recent UK evidence highlights a sustained deterioration in population mental wellbeing and identifies economic insecurity, including insecure work and financial stress, as an important contributing factor. The Big Mental Health Report[135] (2025) estimates that mental ill health imposes substantial costs on society and notes higher prevalence of anxiety and common mental health problems among younger and lower-income groups, for whom insecure employment is more prevalent. To the extent that greater predictability of hours and income reduce stress, anxiety and financial strain, the policy may generate indirect benefits through reduced demand for primary care, mental health services and crisis support over time.

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131 Unpredictable times: the extent, characteristics and correlates of insecure hours of work in Britain.; Felstead et al., 2020; Gig workers during the COVID-19 crisis in France, financial precarity and mental well-being, Apouey et al., 2020; An Investigation on the Widespread Use of Zero Hours Contracts in the UK and the Impact on Workers, Gheyoh, 2021

132 'Employment Rights Act Economic Analysis and Summary Impact Assessment'. HM Government. 2026

133 The Economic and Social Costs of Mental Ill Health, The Centre for Mental Health, 2024

134 The TELUS Mental Health Index Report, TELUS, 2025

135 The Big Mental Health Report, Mind UK, 2025

310.Similarly, it has been found that more casual forms of employment can have a negative impact on productivity[136], since temporary forms of employment also do not incentivise employers to make investments in human capital and training. The level of flexibility offered by these contracts affects the rate of churn and the average tenure of these workers, which may disincentivise investment in training if employers believe workers are at risk of leaving. Bosworth and Warhurst (2020)[137] find evidence of a positive relationship between job quality and productivity, suggesting that poor-quality work, including job insecurity, may adversely affect productivity. Lisi (2009)[138] finds that a 10% increase in the use of temporary employment leads to a 1% decrease in labour productivity growth. Blanchard and Landier (2002)[139] argue that this is because the lower costs on fixed-term contracts may induce employers to design routine, low productivity jobs, which they can fill using fixed-term contracts.

311.Secondly, it is likely that the right to guaranteed hours, along with the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice, will incentivise employers to invest more time and money into workforce planning. Respondents to an LPC consultation on one-sided flexibility suggested that this will benefit employers as well as workers by streamlining processes and making them more efficient in their operations[140].

312.The obligation to offer a more formalised contract may increase workers' incentives to remain with their employer for longer, which may, in turn, incentivise employers to invest more in their workers which could lead to productivity improvements[141]. More predictable working arrangements can reduce employee turnover, improve retention and lower recruitment and training costs. Enhanced job quality and security may support higher levels of worker engagement and discretionary effort, which could contribute to productivity improvements over time.

313.Taken as a whole, the Employment Rights Act 2025 is expected to have a small, positive impact on growth over the medium to long term, as outlined in the government's Economic Analysis and Enactment Summary Impact Assessment[142] of the Employment Rights Act 2025, reflecting improvements in job quality, workforce stability and productivity, alongside fairer competition between firms. The reforms to zero hours and similar contracts are expected to support this by reducing one-sided flexibility, improving the stability and predictability of hours and income for affected workers, and encouraging a more balanced employment relationship. Greater predictability and security may support higher worker engagement and retention and incentivise more effective workforce planning, which could feed through to productivity improvements. While the effects of one-sided flexibility reform are uncertain and difficult to quantify at this stage, they are expected to be small relative to overall labour costs in the economy and to partially offset any short-term adjustment costs for employers.

[136] Good Jobs for All in a Changing World of Work, The OECD Jobs Strategy, 2018

[137] Does good work have a positive effect on productivity?, Bosworth and Warhurst, 2020

[138] The Impact of Temporary Employment on Labour Productivity: Evidence from an Industry-Level Panel of EU Countries, Lisi, 2009

[139] The Perverse Effects of Partial Labour Market Reform: Fixed-Term Contracts in France, Blanchard and Landier, 2002

[140] A Response to Government on One-Sided Flexibility, LPC, 2019

[141] 'Why do Wages Increase with Tenure? On-the-Job Training and Life-Cycle Wage Growth Observed Within Employers', Brown, 1989

[142] Employment Rights Act Economic Analysis and Summary Impact Assessment, HM Government, 2026

314.Econometric analysis by Carter et al.[143] (2026), using OECD data over time, finds that the introduction of similar forms of labour regulation on temporary contracts in other OECD countries has been associated with modest improvements in both employment and productivity. This suggests that, where well-designed, measures to address one-sided flexibility may support more efficient labour market outcomes, for example by improving job quality, worker engagement and retention.

315.More broadly, the efficiency-wage theory suggests that when workers feel valued and are satisfied with their jobs, they become more engaged and committed to their place of work and therefore work more efficiently. This efficiency drives higher productivity and in turn can increase business output and economic growth.

316.However, while the evidence indicates links between secure work, productivity and employers' incentives to invest in workers, there is no evidence that enables us to quantify the impact that a right to a guaranteed hours contract will have on productivity. Ultimately, the impact on productivity will depend on the interplay between better employee wellbeing, better workforce planning and the inefficiencies produced where employers are less able to flex working hours to meet variable labour demand. This is a topic we intend to explore further as policy development continues.

# Summary of impacts of options considered in this OA

317. The magnitude of the impacts associated with the policy depends directly on how each parameter considered in this OA is set. However, some of these parameters have a greater impact than others on the costs and benefits outlined previously.

318.The hours threshold stands to be the most impactful parameter to be set out in regulations, with this affecting the number of both workers and employers who would be impacted by the legislation. Within the quantified cost to employers set out in the monetised costs section, the number of workers in scope drives the aggregated costs, and therefore each additional worker leads to multiple additional reference periods.

319.As stated throughout this OA, the modelled cost relates to options at either end of the government preference for the hours threshold of between 8 and 20 hours. However, if options for the hours threshold are chosen above this government preference, the modelled cost estimates will increase significantly as more workers and employers will fall within scope, increasing both the number of individuals eligible for guaranteed hours and the number of employers required to comply. At the upper end of the distribution (e.g. approaching 48 hours), the policy would capture a substantially broader segment of the workforce, including roles that resemble standard full-time employment. This would materially increase monitoring and administrative requirements. As a result, total employer costs associated with the administration of the guaranteed hours offers and workforce planning will rise. It is possible that these costs will rise more rapidly at higher thresholds, if this brings into scope employers for whom recording of working hours is less prevalent because, for example, workers are less likely to be paid hourly[144].

143 Assessing the legal and economic implications of the Employment Rights Act 2025, Carter et al., 2026

144 See The Employment Rights (Amendment, Revocation and Transitional Provision) Regulations 2023 for further evidence on current record keeping of hours.

320.At these higher thresholds, the policy may begin to bring into scope workers whose contracts already provide a meaningful degree of security, but where actual working patterns are still higher or more variable than those contractual terms imply. This means the policy question shifts from whether workers have a sufficiently secure baseline at all, to whether contracts with relatively higher guaranteed hours nevertheless fail to reflect the hours typically worked in practice. At the same time, the government's focus is on providing a baseline of income security for people who do not have it, particularly those with zero hours or a minimum number of hours guaranteed in their contracts who lack security or predictability. The government does not want to interfere unnecessarily with overtime arrangements for workers who already have a substantial number of guaranteed hours and income security.

321.Likewise, the hours threshold has implications for employer flexibility. For example, employers may choose to hire workers exclusively above the threshold to remove them from potentially qualifying, or adjust working patterns and allocation of hours during the reference period. This, in turn, will affect the amount that employers will need to invest in workforce planning, as they will have to adapt their practices considerably to still meet their demand particularly in the most variable sectors. If the threshold were set materially above the government's preferred range of 8 to 20 hours, the policy would begin to affect a broader set of more standard full-time roles with higher contracted hours, including roles where workers have a relatively stable core pattern but where employers retain flexibility through overtime, shift extensions, or fluctuating weekly hours on a more ad hoc basis.

322.Similarly on flexibility, the regularity requirements will determine how frequently, or infrequently, workers need to work over the reference period and potentially how many more hours than their contracted hours they will need to work to be eligible for a guaranteed hours offer. In the monetised impacts, changes to the regularity requirements have a relatively muted impact, however again the impacts on the flexibility with which employers, hirers and agencies operate are considerable. Regularity requirements which catch more irregular overtime would lead to considerably more difficulty for employers after the reference period, as employers will be required to honour these hours going forwards, which would be difficult to achieve in highly variable sectors. This is particularly pertinent for the option which includes only a weekly distribution requirement, which would capture and create guaranteed hours obligations for most overtime for many part-time workers. By contrast, more stringent regularity requirements would capture only those who are consistently working the hours that they might be guaranteed, meaning the transition is easier for employers – but that more workers may not meet eligibility requirements.

323.The reference periods, particularly the subsequent reference periods, are likely to have a lesser but still important effect. In the monetised costs to employers, these parameters do increase the unit costs associated with tracking hours. Similarly, as outlined in the relevant sections above, the length of reference periods will also have implications for flexibility. Although, as evidence from Datta (2026)[145] shows, even a 12-week reference period is likely to smooth out most fluctuations.

324.Finally, the calculation used to make a guaranteed hours offer is likely to have the smallest impact. While the decision between the mean and median of hours

[145] Zero Hours Contracts: Evidence and Policy Implications, Datta, 2026

worked will have an impact on employer flexibility to offer overtime, it is likely that it will mainly affect edge cases, with the offer looking similar across either option for most workers.

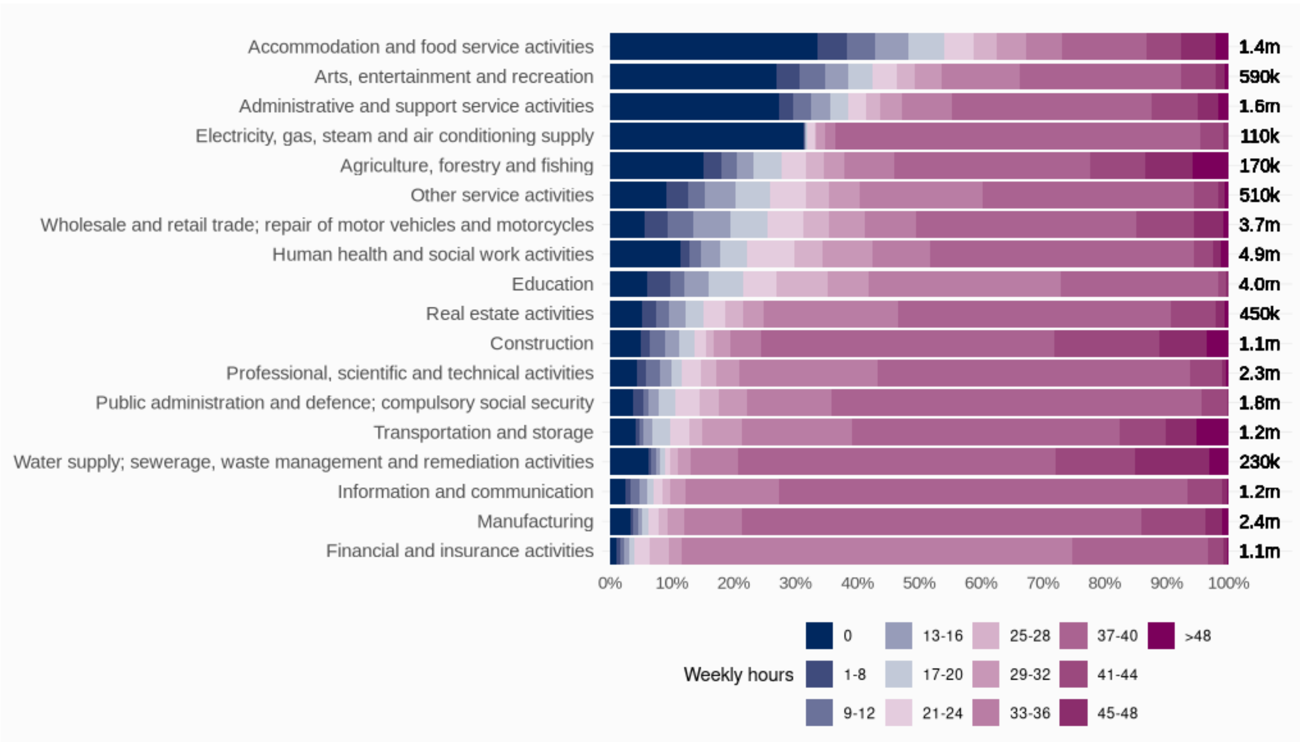
# Wider Impacts

### Sectoral impacts

325.The arrangements most likely to be materially affected by this legislation are disproportionately used in sectors with variable or fluctuating demand. This remains most evident at hours thresholds within the government preferred range of 8 to 20 hours per week. At thresholds above this range, coverage of the right to guaranteed hours would broaden across the economy, but the greatest practical impacts are still expected to arise where employers rely most on flexible forms of contract. This OA considers the impacts on the economy at an aggregate level; however, this section examines specific sector-level impacts.

326.Figure 9 shows the proportion of employee jobs potentially in scope at each hours threshold considered in this OA, by sector, based on ASHE (2025). Blue bars represent thresholds within the government preferred range of 8 to 20 hours per week, while pink bars represent thresholds above the government preferred range, within the wider consultation range of up to 48 hours per week. The figures to the right of each bar indicate the total number of employee jobs in each sector, where ‘m’ and ‘k’ denote ‘million’ and ‘thousand’, respectively.

**Figure 9: Proportion of employee jobs by weekly basic hours band and sector, with total employee jobs counts**



327.As outlined previously, the sectors most likely to be most impacted by the right to guaranteed hours are those with highly variable demand and a high proportion of workers on zero hours contracts or with 20 hours or fewer per week at a basic rate of pay. This is most notable in the hospitality; arts, entertainment and recreation; and administrative and support services sectors, where 54% (770,000 employee jobs), 42% (250,000 employee jobs) and 38% (620,000 employee jobs), respectively, of those employed are potentially in scope of a 20-hour threshold. Similarly, retail, health and social care, and education would likely be disproportionately affected, with those sectors having 25% (940,000 employee jobs), 22% (1.1 million employee jobs) and 21% (850,000 employee jobs) of their workforce, respectively, potentially in scope of a 20-hour threshold. These are seen to be sectors with relatively volatile demand, which could lead them to be more exposed to the risks associated with the reduction in flexibility set out in paragraphs 270 to 281. This supports the findings from the DBT survey (2026)[146] which show that one in five (20%) workers in insecure work are employed in the hospitality sector, with significant representation also found across retail, schools or colleges, hospitals or health services, and social care.

328.With thresholds above the government preferred range of 8 to 20 hours per week, coverage of the right to guaranteed hours broadens across the economy, with the in-scope population becoming less concentrated in the sectors most strongly associated with insecure work, making the policy less tightly targeted on the most precarious workers.

329.However, if the hours threshold were set materially above the government's preferred range of 8 to 20 hours, the pattern of impact may not be confined to the sectors most associated with very low-hours or highly variable work. Higher thresholds could also affect parts of the labour market where workers already have relatively substantial contracted hours, but where staffing models continue to rely on flexibility through overtime or fluctuating weekly hours. This means that, at higher thresholds, the policy may have broader implications across a wider set of roles and business models than is suggested by evidence focused primarily on zero or low hours workers and employers.

330.Both education and health and social care are sectors that have considerable public sector provision, therefore the impacts on the public sector and increases in costs will increase government spending. Approximately 22.4% of employee jobs potentially in scope of a 20-hour threshold are in the public sector, compared to 26.4% of total employment being in the public sector.

### Impact on small and micro businesses

331.Following the Better Regulation Framework, we explicitly consider the impacts on small and micro businesses of regulatory policy.

332.Table 7 breaks down the proportion and number of employers by size that employ any workers on variable hours contracts, based on the Resolution Foundation (2024)[147] and DBT business population estimates (2025). It also breaks down, in the final two columns, the number of employee jobs potentially in scope of 8- and 20-hour thresholds (i.e. those that are zero hours contracts or that have weekly

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146 Experiences of Workers in Insecure Work Research Report, DBT, 2026

147 Firm foundations, Resolution Foundation, 2024

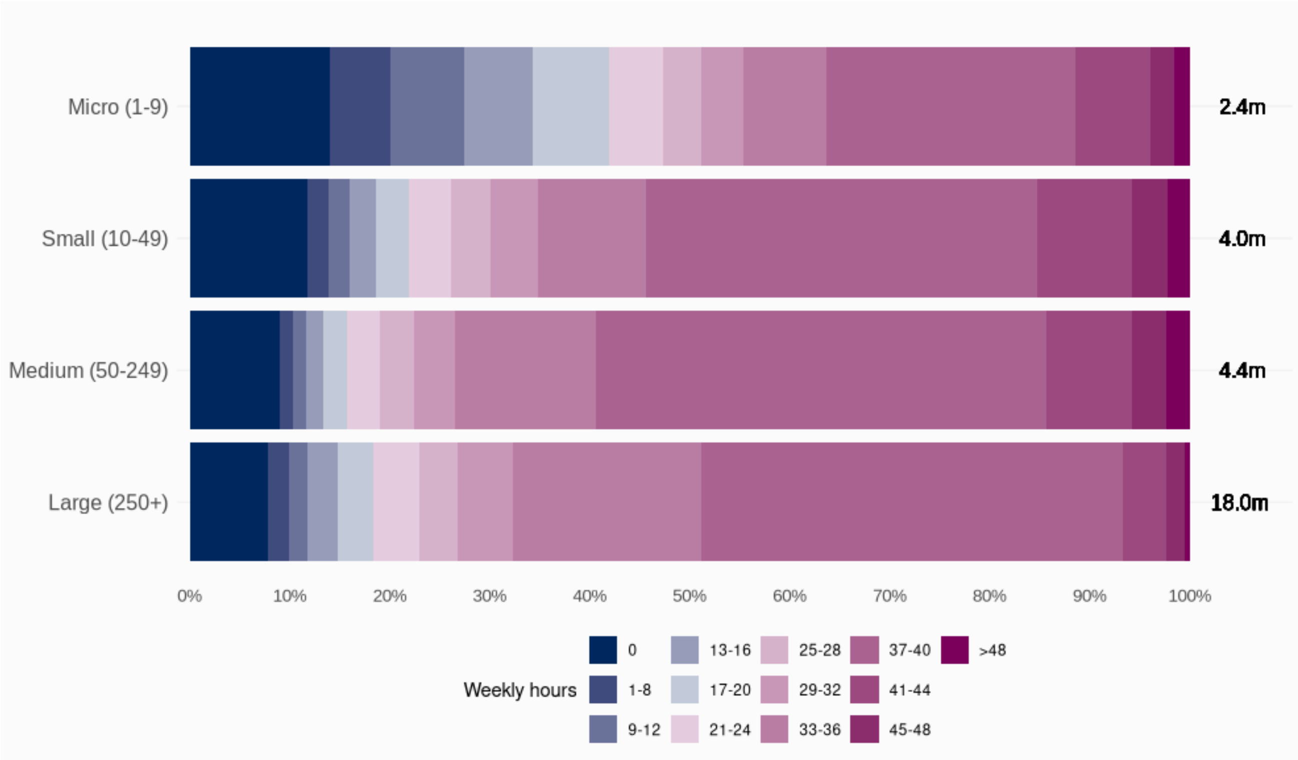
hours of 8 or fewer and 20 or fewer, respectively, at a basic rate of pay), by employer size, based on ASHE (2025). This illustrates the likely distribution of in-scope workers by employer size at thresholds within the government preferred range of 8 to 20 hours per week, where the policy remains more concentrated among workers in insecure and variable-hours work.

**Table 7: Employment of workers on 'flexible contracts', and number of employee jobs potentially in scope of 8- and 20-hour thresholds, by employer size**

| Size of employer (employees) | Percentage of employers that employ at least one worker with a 'flexible contract' | Number of employers that employ at least one worker with a 'flexible contract' | Number of employee jobs with 8 or fewer weekly basic hours | Number of employee jobs with 20 or fewer weekly basic hours |
|---|---|---|---|---|
| **Small and micro (1-49)** | 74% | 1,030,000 | 1,030,000 | 1,880,000 |
| **Medium (50-249)** | 93% | 40,000 | 450,000 | 690,000 |
| **Large (250+)** | 94% | 10,000 | 1,780,000 | 3,290,000 |
| **All businesses** | 75% | 1,080,000 | 3,270,000 | 5,860,000 |

333.Likewise, Figure 10 shows the proportion of employee jobs at each hours threshold considered in this OA, by business size, based on ASHE (2025). Blue bars represent thresholds within the government preferred range of 8 to 20 hours per week, while pink bars represent thresholds above the government preferred range, within the wider consultation range of up to 48 hours per week. The figures to the right of each bar indicate the total number of employee jobs in each business size category (in millions).

**Figure 10: Proportion of employee jobs in each weekly basic hours band by business size, with total employee jobs counts**




334.At thresholds within the government preferred range of 8 to 20 hours per week, micro businesses (1 to 9 employees) have a higher proportion of total employee jobs potentially in scope than other businesses. At a threshold of 8 hours per week, 20% of employee jobs in micro businesses are potentially in scope, compared to 14% of those in small businesses (10 to 49 employees), 10% of those in medium-sized businesses (50 to 249 employees), and 10% of those in large businesses (250 or more employees). At a 20-hour threshold, micro businesses (42%) have a significantly higher proportion of total employee jobs potentially in scope than small (22%), medium-sized (16%) and large (18%) businesses. At thresholds above the government preferred range, micro businesses continue to have a far higher proportion of employee jobs potentially in scope, before the proportions across business sizes become relatively similar at thresholds close to 48 hours per week.

335.Similarly, evidence from the REC suggests that most recruitment industry businesses are classed as micro businesses of fewer than 10 employees, comprising 78.6% of the total business population in 2024[148]. Large businesses account for only 1.5% of recruitment enterprises in 2024.

336.As such, the government would not be able to exclude small and micro businesses (1 to 49 employees) from this legislation without a significant adverse impact on the effectiveness of the policy and its objectives. This is because a significant proportion of workers who are within the hours thresholds in this OA work in small and micro businesses, and so an exemption would significantly undermine the ability of this policy to address the possibility of employers exploiting their workers

[148] UK Recruitment Industry Status Report, REC, 2024

on variable hours contracts through one-sided flexibility. Moreover, as this is essentially a transfer of risk from the workers to employers, we assume that the cost imposed on small and micro businesses is directly related to the benefits the workers receive.

337.Likewise, there is the risk that exempting small and micro businesses could create a ‘two-tier’ labour market, as they would avoid the costs associated with raising the security of those on variable hours contracts and might even be incentivised to hire more people on these forms of contract, undermining the policy objectives. This would create a distortion in the market by distorting cost-competitiveness at the expense of medium and large businesses and creating a disincentive for these smaller firms to grow and therefore become in scope of the policy.

338.Similarly, there is a risk that non-exempt medium and large businesses could subcontract services to exempt small and micro businesses to avoid the legislation, thereby undermining the objectives of the policy.

339.However, it is likely that burdens resulting from this policy will fall disproportionately on small and micro businesses.

340.Small and micro businesses often lack the dedicated HR departments that larger businesses have due to limited resources. Instead, they may rely on the business owner or another employee taking on HR responsibilities on a part-time basis.[149] This may make understanding and implementing the changes, as well as ensuring ongoing compliance with them, disproportionately burdensome for these businesses.

341.In addition, small and micro businesses are likely to be more affected by the loss of flexibility arising from this policy during periods of fluctuating demand. For example, when demand falls suddenly, businesses may react by changing or cancelling shifts at short notice to avoid ‘overstaffing’ – a situation where they end up paying for more labour than demand requires. However, the right to guaranteed hours will reduce the ability to do this where a worker qualifies, as once an offer is accepted, employers will be contractually obligated to provide workers with a certain number of hours. This inefficiency is likely to disproportionately impact smaller businesses because they rely more on variable hours contracts to manage volatile demand (as shown in Figure 10), and they typically have weaker financial resilience and therefore less ability to absorb costs. In April 2026, among currently trading businesses, 21.7% of micro businesses (0 to 9 employees) and 16.5% of small businesses (10 to 49 employees) reported having no cash reserves or expected their cash reserves to last less than one month. This compares with 8.9% of businesses with 50 to 99 employees, 7.4% of businesses with 100 to 249 employees, and 6.2% of large businesses (250 or more employees)[150]. This means that smaller businesses are likely to be more exposed to demand fluctuations and therefore disproportionately impacted by the policy.

342.Over the course of consultation, we will consider ways of reducing burdens on small and micro businesses. We will consider methods such as early engagement, with time built in for businesses to familiarise with the legislation, and clear communication ahead of commencement and guidance.

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[149] Do small businesses in the UK need an HR department?, Evalu-8

[150] Business insights and impact on the UK economy, ONS, Wave 154, April 2026

## Equalities assessment

343. The Public Sector Equality Duty (PSED) under section 149(1) Equality Act 2010 applies to the publication of this OA.

344. This policy aims to reduce the impact of one-sided flexibility where the use of variable hours contracts transfers risk to workers. The regulatory changes are expected to have a positive impact on qualifying workers and agency workers by providing a mechanism by which they will be offered a contract containing guaranteed hours that reflect the number of hours they worked over the relevant reference period. Workers will have the right to reject the offer, meaning that workers will be able to choose the arrangements which suit them better, leading to higher job satisfaction. However, as set out in paragraphs 270 to 281, the policy poses potential risks for in-scope workers through employers reducing their use of flexible contracts, reduced opportunities to earn additional income through overtime, and changes in how hours are allocated across the workforce (although from an economic perspective, this will depend on worker substitutability, availability and willingness to work different hours). This may limit access to additional hours and have equalities implications if certain groups are disproportionately represented either below or above the hours threshold.

345. Throughout this OA, we have primarily used ASHE (2025) data. While this provides a more robust indication of the scale of workers potentially in scope at different hours threshold options compared to the LFS, it does not provide a full demographic profile across the entire consultation range. As such, we combine ASHE data on sex and age with further demographic breakdowns from the LFS (Q4 2025 data). This means that the data are not directly comparable, particularly at lower hours thresholds, but it provides a reasonable proxy and allows for a more detailed breakdown of specific groups when considering those workers on zero hours contracts or who are guaranteed a number of hours at or below the highest government preferred option of 20 hours per week.

346. Using ASHE, among employee jobs that are zero hours contracts or have 20 hours or fewer per week at a basic rate of pay:

   a. 65% are female, compared to 47% among those with more than 20 hours.

   b. 23% are aged 16 to 24 years, compared to 7% among those with more than 20 hours, and 7% are aged 65 years and over, compared to 3% among those with more than 20 hours.

347. Using the LFS, of employees who self-report being on a zero hours contract or usually working 20 hours or fewer per week:

   a. 23% have a disability under the Equality Act 2010, compared to 15% among those working more than 20 hours.

   b. 54% are non-married, compared to 34% among those working more than 20 hours.

348. Also using the LFS, the employees more likely than average (15%) to self-report being on a zero hours contract or usually working 20 hours or fewer per week are those who:

a. Identify as Bangladeshi (24%), Pakistani (22%), Mixed or Multiple ethnic groups (18%), or Black/African/Caribbean/Black British (17%).

b. Identify as Jewish (24%), Muslim (21%), Buddhist (17%), or Christian (17%).

349. Taken together, the impacts of this policy set out in previous sections are more likely to fall disproportionately on groups of workers who share certain protected characteristics, reflecting their higher representation among those potentially in scope of hours thresholds within the government preferred range.

350. At the upper end of the hours threshold in the consultation (48 hours), the employers and workers in scope would more closely reflect the wider economy. The policy may impact business models where workers have more hours guaranteed but nonetheless work more hours than they are guaranteed. However, we expect the impacts would likely be felt most by workers who experience insecurity of hours.

**Business environment**

351. The UK's flexible labour market, or its ability to match labour supply and demand and thereby maintain low unemployment[151], is often cited as a major benefit of doing business in the UK. One key part of this flexibility is the array of variable hours contracts possible in the UK.

352. Through this legislation, and similarly the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice, there will be more rules governing the contracts in scope, which may cause frictions for employers to adjust labour costs in the face of variable demand as they will be less able to adjust their total workforce's hours in times of low demand. Therefore, there is the potential that this will affect the ability of firms to use variable hours contracts as efficiently as they had before, which may affect the viability of certain business models.

353. However, the primary aim of this policy is to ensure that workers are able to access a contract that formalises and guarantees the hours they regularly work, giving workers greater certainty about their future income. It is likely that many firms in the economy are already offering stable, secure hours to their workers, or it would create minimal difference to them to abide by the requirements. This measure will level the playing field for those employers who are already operating in line with the new statutory requirement.

354. Through the policy objectives, identification of options and decisions on what to carry forward to consultation, we have taken care to ensure that business impacts have been considered. This consultation presents a wide range of options across

[151] Why Zero Hour Contracts are a Good Thing, IEA, 2020; Vital Role for Zero Hours Contracts, CBI, 2013

all parameters, representing the government's commitment to get the detail right and ensure that businesses have the opportunity to feed in their views.

355.Similarly, there is a link in the literature between job quality, wellbeing and productivity as set out in previous sections. As such, there is a chance that by improving the security and predictability for workers in these forms of contract, employers may be incentivised to invest more in their workers and this, alongside improved wellbeing, will feed through into productivity improvements, improving the business environment and the incentives for businesses to invest.

**Impacts on tribunals**

356.The complexity of the new regime introduces legal and compliance risks. Employers must calculate average hours accurately, issue compliant offers, and manage subsequent reference periods. Errors made by employers could lead to tribunal claims and reputational damage.

357.We expect there to be some impact on the employment tribunal system as a result of the right to a guaranteed hours contract, particularly as we are not expecting this right to be enforced via the Fair Work Agency, and therefore it will rely on the 'individual enforcement system'. This may lead to an increase in demand for early conciliation services provided by Acas and cases within Employment Tribunals[152] (ET).

358.As this is a new right, it is not possible to robustly estimate the number of cases that this would add to the system. However, for completeness illustrative analysis has been conducted[153], in line with other measures in the Act, to approximate the potential increase in demand to Acas and ETs[154].

359.The closest proxy jurisdiction is assessed to be "Part Time Workers Regulations" and "Written statement of terms and conditions". Additional claims are estimated by multiplying the number of workers who gain the right to guaranteed hours by the current employment tribunal claims-per-employee rate for the chosen jurisdictions[155]. This number of expected additional cases is then transformed into impact on Acas using current proportions of cases who use these services, controlling for claims across multiple jurisdictions.

360.In the 8-hour threshold scenario, there is estimated to be an additional 500 ET cases and 1,500 Early Conciliation (EC) cases to Acas. The estimated impact increases with the 16-hour threshold to 700 ET cases and 2,200 EC notifications to Acas, and further increases with the 20-hour threshold to 900 ET cases and 2,700 EC notifications.

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[152] In line with previous analysis conducted by DBT, MoJ and HMCTS, this analysis assesses the effect on 'Single Claims', the type which are typically used to assess the individual enforcement system.

[153] This is based on our estimates of the number of employee jobs potentially in scope if the hours threshold were set at 8 hours (3.3 million), 16 hours (4.8 million), and 20 hours (5.9 million). This is an update to the approach taken in the 'Employment Rights Act 2025: economic analysis and enactment summary impact assessment' where the calculation was based on previous estimates of the number of workers gaining additional rights.

[154] This analysis relies on the latest available HMCTS data which includes jurisdictional breakdowns, 2022/23. All estimates are adjusted into 24/25 figures.

[155] The claim per employee rate used is approximated as 0.012%. It is assumed that 6.8 million workers currently have these rights.

361.We will continue to work with the Ministry of Justice and Acas to further understand the impact that the right to guaranteed hours will have on the employment tribunal system.

**Trade implications**

362.As set out in the Better Regulation Framework guidance, all OAs must consider whether the policy measures are likely to impact on international trade and investment.

363.From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations. While foreign businesses will be subject to the regulations for activities conducted within the UK, operations outside the UK will not be affected.

364.From an economic standpoint, the right to guaranteed hours will predominantly affect workers in sectors such as retail, hospitality and health and social care, which are not typically traded.

365.In addition, the increase in labour costs is expected to be modest relative to total labour costs, so any impact on comparative advantage is expected to be small.

366.Furthermore, the government does not plan to introduce requirements on foreign-owned companies relating to these measures that go above and beyond those which are UK-owned.

**Environment: Natural capital impact and decarbonisation**

367.The policy changes are not anticipated to have any impact on the environment or wider governmental environmental objectives.