Options Assessment

Title: Ending one-sided flexibility - reforms of zero hours and similar contracts: Right to payment for shifts cancelled, moved or curtailed at short notice

Type of measure: Secondary Legislation

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

IA number: DBT-019-26-CMRR

RPC reference number: RPC-DBT-26159-OA (1)

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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. Through the Employment Rights Act 2025 (the Act), the government legislated for employers to provide eligible directly engaged workers with payment for shifts cancelled, moved (rescheduled) or curtailed at short notice. The Act created an equivalent obligation on agencies to provide eligible agency workers with payment for shifts cancelled, moved or curtailed at short notice.

3. The measures 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).

4. The Act requires short notice payments to be made to eligible workers if their shifts are cancelled, moved or curtailed at short notice. The amount of payment and what constitutes "short notice" will be set in regulations. The government may also set in regulations a very short notice period with a corresponding very short notice payment amount to reflect the increased inconvenience of having a shift cancelled, moved or curtailed at very short notice.

5. The Act enables exceptions to be made from the requirement to make the payment, to be set out in regulations.

6. Employers and agencies will not have to make a short notice payment where the cancellation, movement or curtailment is initiated by the worker.

7. This OA accompanies a consultation on specific details of eligibility and how the rights are to be implemented, which will inform details to be set out in secondary legislation. This OA and accompanying consultation largely do not include government preferred options as the intention is to gather a wide range of stakeholder views alongside further evidence, including government commissioned research (see paragraph 240 for further detail), before determining the most suitable approach for implementing payments for shifts cancelled, moved or curtailed at short notice. The proposed approach will be set out in a government response to the consultation in due course.

8. This OA summarises our evidence on the right to payment for shifts cancelled, moved or curtailed at short notice, building on the impact assessment[1] published when the Employment Rights Bill (the Bill), which later became the Act, was introduced to Parliament. This OA only assesses regulatory options. This is because primary legislation has already been passed.

Pre-Act policy background

9. The 2017 Taylor Review[2] examined modern working practices, particularly insecure work and the gig economy. Within this, one-sided flexibility was highlighted as a particular issue. The Taylor Review recommended balancing labour market flexibility with worker protections, including a recommendation that workers should be compensated when shifts are cancelled at late notice.

10. In 2018, the Low Pay Commission (LPC)[3] responded to the Taylor Review's proposals by supporting the introduction of a right to compensation for late cancellations. The LPC recognised that without financial redress, workers are left vulnerable to income shocks and disruption to their personal lives. They advocated for a system where employers would be required to pay workers if shifts were cancelled without sufficient notice, helping to mitigate the negative impacts of unpredictable scheduling.

[1] Impact assessment: ZHCs - Right to Reasonable Notice of Shift Patterns and Payment for Shifts Cancelled, Moved or Curtailed at Short Notice, DBT, 2024

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

[3] Low Pay Commission Report, LPC, 2018

11. In 2019, the Department for Business, Energy and Industrial Strategy, working with the LPC, launched a public consultation[4] on these proposals. Among the measures considered was a right to payment for shifts cancelled at short notice, aimed at giving workers greater financial security and predictability. However, the government at the time did not proceed with legislation after this consultation.

2. Strategic case for proposed regulation

12. Short-notice cancellation, movement or curtailment of shifts presents a clear case for government intervention due to its contribution to labour market inefficiencies and wider social harms. Workers who experience late cancellations or changes to scheduled shifts may face a loss of income, wasted travel or childcare costs, disruption of plans, and uncertainty over whether time reserved for work will in fact be honoured. These harms are most clearly evidenced among low-income and those in insecure work, but may also arise more broadly where workers with higher guaranteed hours remain exposed to short-notice changes.

13. The economic arguments (market failures) that support the rationale for intervention are set out below. Paragraphs 15 to 26 set out the UK and international evidence on short notice cancellations or changes to shifts (including the groups of workers and sectors most impacted).

Market Failures

14. The economic case for intervention to address short notice cancellation, movement or curtailment of shifts can be broadly split into four categories:

    a. Monopsony power[5]: Employers can transfer undue scheduling risk onto their workers due to their ability to exert market power, often in the form of monopsony power.

    b. The Competition and Markets Authority (CMA)[6] 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 monopsony 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.

    c. Negative externalities: variable and insecure forms of work generate a number of negative externalities[7], meaning they are likely to be overused by employers relative to the socially efficient outcome in the absence of government intervention. Where the flexibility of these contracts is one-sided in nature, it can negatively impact wellbeing, mental health, and

[4] Good Work Plan: one-sided flexibility, DBT, 2019

[5] 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.

[6] Competition and market power in UK labour markets, CMA 2024

[7] A cost or benefit incurred by a third party who did not choose to be involved in the economic transaction, this could be the workers household who suffer from the insecurity, or parties who the worker has ongoing outgoing payments to.

financial stability. These issues are often derived from individuals not being able to reliably plan their income, affecting their ability to access reliable credit, rent or mortgages. Introducing short notice payments could create positive externalities, improving income stability, reducing stress and poor mental health, and supporting better financial planning, which benefits society through greater household resilience and mental wellbeing.

d. Information asymmetry[8]: employers typically have greater knowledge of scheduling practices, cancellation policies, and workers' rights than workers themselves. This information asymmetry means workers cannot accurately assess the risks of unpredictable work or negotiate fair terms. As a result, they may accept contracts without understanding the likelihood or impact of short notice cancellations, curtailments or movements to shifts, leading to inefficient outcomes.

e. Moral hazard[9]: moral hazard arises when one party can take risks because the costs of those risks are borne by another party. The cancellation, movement or curtailment of working hours or shifts at short notice creates a situation where employers can externalise business risks, such as fluctuating customer demand or operational uncertainty, onto workers.

15. In the following sub-sections, we explore the UK and international evidence on short notice cancellations or changes to shifts, including the range of impacts on workers, employers and the wider economy, and who is most impacted.

Population experiencing short notice cancellations or changes to shifts

16. Workers on more flexible contracts are more likely to experience short notice cancellations or changes to shifts due to the nature of their work. Among others, this includes the following key groups:

    a. Zero hours contracts: according to the ONS Labour Force Survey, there are around 1.2[10] million people in employment on zero hours contracts in the UK, representing around 3.6% of all people in employment.[11] People on zero hours contracts are more likely to be young (16 to 24), female or in full-time education. The sectors which rely most on zero hours contracts are hospitality (accommodation and food), transport, arts and other services, health and social care, and retail and wholesale trade.

[8] Information asymmetry refers to a situation where one party in a transaction has more or better information than the other, allowing them to make decisions that advantage themselves. In the context of the right to payment for shifts cancelled, moved or curtailed at short notice, employers may have greater visibility than workers over expected demand, staffing needs or the likelihood that scheduled work may change. Where workers are not aware of this risk, they may plan their income, childcare, travel or other commitments around shifts that are later cancelled, moved or curtailed. This can leave workers bearing costs or income losses that they could not reasonably anticipate, while employers retain flexibility over whether the work goes ahead.

[9] Moral hazard refers to a situation where one party can take decisions that increase risk because the costs or consequences of that risk are partly borne by another party. In the context of the right to payment for shifts cancelled, moved or curtailed at short notice, employers may have an incentive to schedule shifts and later cancel, move or curtail them if demand changes, because some of the costs of that uncertainty are borne by workers through lost income, wasted travel or childcare costs, and disrupted personal planning.

[10] Other ONS surveys provide higher estimates of the number of zero hours contracts across the labour market. More information can be found in paragraphs 116a and 182.

[11] People in employment on zero hours contracts, ONS, 2026

b. Agency workers: according to the ONS Labour Force Survey[12], there are around 900,000 agency workers, of whom approximately 140,000 also stated that they were employed on a zero hours contract.

17. There has been a range of research to assess the extent of short notice cancellations or changes to shifts:

    a. Recent research published by DBT (2026) finds that one in three workers in insecure work (33%) had experienced cancellation of hours or shift cancellations with seven days' notice or less. Compared to the average across all workers in insecure work, short-notice cancellations are more common for those on zero hours contracts (41%), those working in the hospitality sector (44%) and those aged 16 to 25 years old (41%). Of those workers who had shifts cancelled with seven days' notice or less, nearly three in five (59%) did not receive any compensation for cancelled shifts. Around one in ten received full payment for the scheduled hours (12%), a minimum guaranteed rate regardless of the cancellation (10%) or a percentage of the expected wages (9%).

    b. Survey data from the Living Wage Foundation (LWF)[13] suggests that 32% of 'insecure' workers have had shifts cancelled unexpectedly, with 87% receiving less than full shift compensation. A survey from CIPD found that most workers are informed about the cancellation of their shifts with fewer than 12 hours' notice, or occasionally when they turn up to work[14].

Negative impacts of short notice cancellations or changes to shifts: workers

18. There has been a range of UK research on the impact of short notice cancellation or changes to shifts on workers.

19. Research from the Living Wage Foundation (2022)[15] suggests that workers who are regularly subject to changes in their shifts are subject to an 'insecurity premium', which refers to the additional cost and income implications they face due to the way their hours are organised. This manifests in two ways:

    a. The first is the loss of income associated with having shifts cancelled unexpectedly, where they receive less than their full wage and, for workers who rely on multiple sources of work, are unable to find alternative work.

    b. Findings from the LWF (2022) suggest that 27% of surveyed workers who experience short shift notice periods and/or shift cancellations have faced higher travel costs because of the way their hours are organised, while 25% have experienced increased difficulty budgeting, 20% have experienced increased reliance on debt and 17% have experienced higher childcare costs.

[12] Impact_assessment_zhcss_right_reasonable_notice_shifts_payment_shifts_cancelled_moved_curtailed_short_notice.pdf

[13] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

[14] Zero Hours Contracts: Myth and Reality, CIPD, 2013

[15] 'The Living Hours Index', Living Wage Foundation, 2022

20. This is supported by external research commissioned by DBT (2026), which found that among workers in insecure work[16] who have had shifts changed or cancelled with 7 days' notice or less and require childcare in order to go to work, 86% reported that changes or cancellations to shifts had an impact on their ability to arrange childcare, while 87% reported an impact on the cost of childcare. In addition, 46% of workers on insecure contracts who had shifts changed or cancelled reported that it had an impact on the cost of travelling to work, providing further evidence that unpredictable scheduling raises day-to-day costs for affected workers.

21. Similarly, Work Foundation (2023)[17] 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.

22. This is further supported by the international evidence base:

    a. Schneider et al. (2019)[18] find that routine work schedule uncertainty is a strong predictor of worker health and wellbeing in the US. They find that the predicted probability of psychological distress, poor sleep and unhappiness increase by 21 percentage points, 10 percentage points and 17 percentage points, respectively, for those who have shifts cancelled compared to those who do not have shifts cancelled.

    b. A study by Amorim and Schneider (2022)[19] provides compelling evidence that unpredictable scheduling in the US service sector is strongly associated with the use of high-cost debt, independent of income levels. The research shows that workers facing multiple forms of schedule unpredictability such as last-minute shift changes, cancelled shifts, or little advanced notice, are significantly more likely to rely on high-cost financial products such as overdrafts or experience adverse experiences with credit cards such as late fees or over-the-limit fees, compared to those with stable schedules. Notably, the study finds that eliminating temporal precarity (making work schedules more predictable) leads to greater reduction in the use of overdrafts and other forms of high-cost debt than simply increasing a worker from the lowest to highest income group. This suggests that interventions targeting schedule stability are more effective in reducing reliance on high-cost debt than income-based measures.

Negative impact of short notice cancellations or changes to shifts: productivity

23. The efficiency wages 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.

[16] The research uses 'workers in insecure work' to define the sample of the research. It includes any of the following: agency workers, workers on zero hours contracts, workers on permanent contracts with 1-16 hours guaranteed weekly and workers on fixed term contracts with 1-16 hours guaranteed weekly.

[17] Limiting Choices: Why people risk insecure work, Gable and Florisson, 2023

[18] Consequences of Routine Work Schedule Instability for Worker Health and Wellbeing - The Shift Project, Schneider et al., 2019

[19] Schedule Unpredictability and High-Cost Debt: The Case of Service Workers, Amorim and Schneider, 2022

There is a range of evidence indicating that unpredictable work schedules contribute to reduced productivity.

24. For example, Oswald et al. (2015)[20] find wellbeing boosts productivity at work by 12% on average. Similarly, Bryson et al. (2017)[21] find a positive impact of happiness on productivity whilst Bellet et al. (2019)[22] find a positive association between employee job satisfaction and productivity, showing an increase in sales of 12%.

25. This is further supported by the international evidence base. For example, evidence from the US suggests that 'predictive scheduling' laws have not only improved predictability and well-being for workers, but have also benefitted employers through better customer satisfaction, reduced staff turnover and absenteeism.[23,24] The studies find that employees who have predictable, stable schedules and some control over their hours report feeling more financially secure, having a better work-life balance and being happier at work. The research finds a positive correlation between employee wellbeing and productivity, with a growing evidence base of this being a causal effect.

26. Yu (2023)[25] finds that while just-in-time scheduling (giving notice of less than 24 hours based on immediate workplace needs) provides flexibility which reduces labour costs, it may hurt restaurant waiter productivity and thus employers' revenues. Their study finds 4.4% lower productivity during the use of real-time schedules (which features a lack of advance notice) compared to regular schedules.

Conclusion

27. Overall, there is a range of evidence of short notice cancellations or changes to shifts across the UK labour market, with negative impacts on households, employers, and the wider economy. The evidence base shows that certain groups (e.g. those on zero hours contracts or arrangements and agency workers) and sectors (e.g. hospitality, retail, health and social care) are more likely to be exposed to short-notice shift scheduling. The long-list and short-list sections, and Annex, provide further discussion on how this interacts with the policy design and the impacts by sector and business size. The approach to the consultation is intended to develop the evidence base on one-sided flexibility further to inform the final policy detail.

3. Objectives for intervention

28. The key policy objectives of the right to payment for short notice cancellation, movement or curtailment of shifts, together with the right to guaranteed hours and the right to reasonable notice of shifts, are to tackle one-sided flexibility and rebalance the benefits and risks between employers and workers.

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[20] 'Happiness and Productivity', Oswald AJ et al., 2015

[21] Does employees' subjective well-being affect workplace performance? Bryson A et al., 2017.

[22] 'Does employee happiness have an impact on productivity?', Bellet et al., 2019

[23] State of the US Labour Force, Gallup, 2025

[24] Employee well-being, productivity, and firm performance, Krekel, Ward and Neve, 2019

[25] How to design predictable scheduling laws that not only benefit workers but also firms' bottom line?, Yu, 2023

29. More specifically, the aims are to provide workers with more predictable hours of work and greater security over their 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 more secure, stable work. This will provide a level playing field for employers who already provide their workers with more secure, stable work.

30. 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.

        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.

31. Using these, the objective associated with this legislation is a reduction in insecure work through:

a. An increase in the notice of cancellations, curtailments or movements to shifts received by workers and agency workers.

b. Where shifts are cancelled, moved or curtailed at short notice, more eligible workers and agency workers receiving payments to recompense them for the loss of income from the late cancellation or change to their shift.

Impacts on growth and HM Government objectives

32. The Plan for Change[26] 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 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[27], reflecting improvements in job quality, workforce stability and productivity, alongside fairer competition between firms.

33. 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. Establishing 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. Supporting sustained economic growth across the diverse range of industries that make up the UK economy.

34. The right to payment for shifts cancelled, moved or curtailed at short notice is intended to contribute to these objectives by improving predictability over when work takes place and ensuring workers receive payment where shifts are cancelled, moved or curtailed at short notice, supporting worker wellbeing and engagement, and encouraging better workforce planning and scheduling practices. This could support productivity where current scheduling practices are inefficient or where the use of short-notice shift cancellations or changes contributes to stress, absence, staff turnover or reduced engagement.

35. However, these potential growth benefits need to be balanced against the costs and risks to business. The policy will introduce costs on employers and agencies, and may also reduce flexibility where businesses currently rely on changing and cancelling shifts at short notice to respond to genuinely unpredictable demand, urgent staffing needs, staff absence or short-term changes in workload. These risks are likely to be most significant in sectors and settings where variable hours contracts and short notice staffing are an important part of business operating models.

36. The government is consulting on a wide range of options, with no preferred options for the right to payment for shifts cancelled, moved or curtailed at short

[26] Plan for Change, HM Government, 2024

[27] 'Employment Rights Act Economic Analysis and Summary Impact Assessment'. HM Government. 2026

notice at this stage, apart from those relating to Fair Work Agency (FWA) enforcement. The preferred options regarding FWA enforcement are that the penalty amount should be 50% of arrears owed to the worker, and that the minimum penalty amount be £100 per case and a maximum of £5,000 per worker. This is to ensure that the policy decisions are informed by evidence from employers, workers, agencies, hirers and other stakeholders. The final policy parameters will seek to increase predictability and security for workers while maintaining appropriate flexibility for employers, 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

37. Under a 'Do Nothing' scenario, employers would continue to be able to cancel, move or curtail shifts at short notice without having to make payments to workers. Likewise, we assume the right to reasonable notice of shifts and the right to guaranteed hours 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 contract employment relationships would persist due to the market failures outlined in paragraph 14 of section 2. Further discussed in section 2 is evidence on the harmful impact job insecurity can have on physical and mental wellbeing, as well as increasing reliance on high-cost debt. For these reasons, the 'Do Nothing' option is discounted.

38. 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 Act. 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.

39. The Act creates a new obligation for employers to provide a payment to eligible workers when they cancel, move or curtail a shift at short notice. For the purposes of the short notice payment right, the government intends for workers to be in scope of these payments if they are on a zero hours contract or zero hours arrangement, or have a number of hours guaranteed in their contract that is at or below an 'hours threshold' which will be specified in regulations. This threshold would apply to both the right to reasonable notice of shifts and the right to payment for shifts cancelled, moved or curtailed at short notice whereas the hours threshold for the right to guaranteed hours may be set at a different level. Employers will be required to make a payment to a worker who is in scope of the shifts rights through being on a zero hours contract or arrangement or by having guaranteed hours at or under the hours threshold. They will not however have to make a short notice payment where the cancellation, movement or curtailment of a shift is initiated by the worker rather than the employer.

40. The Act creates an equivalent obligation for agencies[28] to provide a payment to eligible agency workers whose shifts are cancelled, moved or curtailed at short notice. As with directly engaged workers, agencies should not have to make a short notice payment where the cancellation, movement or curtailment is initiated by the agency worker.

41. The government considers that the recovery of short notice payments from hirers by agencies where hirers are responsible for shifts having been cancelled, moved or curtailed at short notice is a matter for business to business relationships and contractual arrangements between agencies and hirers. However, pre-existing arrangements between agencies and hirers may not include any mechanism for the agency to recover short notice payments from hirers, and agencies might not have agreed such arrangements had they known that they would be required to make those payments. The Act therefore provides that where agencies have entered into arrangements with hirers before 18 February 2026 (and these have not been modified since), agencies will be able to recoup the costs of short notice payments from the hirer to the extent the hirer is responsible for the short notice.

42. We anticipate that the right to short notice payments will reduce income insecurity for eligible workers and eligible agency workers in two ways. Firstly, it ensures they will receive some payment even when shifts are cancelled, moved or curtailed at short notice. Secondly, it encourages improved workforce planning from employers, hirers and agencies so that fewer shifts need to be cancelled or changed at short notice in the first place. For workers in insecure work and on lower guaranteed hours, these effects are likely to strengthen income security. For workers with more substantial guaranteed hours, the main gain may be fairer payment for disruption, lost expected earnings and practical inconvenience. This improved planning should also improve predictability for workers, as they are less likely to find that they have kept time free for a shift that then does not happen.

43. The government is consulting on the period of time that amounts to ‘short notice’ and (potentially) ‘very short notice’, as well as whether there should be any exceptions to the duty to make short notice payments and what these should be. This may mean that in some circumstances employers and agencies would not have to make a payment even when short or very short cancellations, movements or curtailments of shifts occur. An example of how this may work includes:

    a. if short notice is set at 3 days and a worker in scope is given less than 3 days’ notice of a cancellation, movement or curtailment to their shift, the worker will receive payment from their employer unless the reason for the cancellation, movement or curtailment to their shift fell under a circumstance which is excepted. For example, the government could put in place an exception for shifts cancelled, moved or curtailed due to an extreme weather event or widespread power outage.

[28] A work-finding agency is, in short, defined as a business that finds work for individuals to do for and under the supervision and direction of another person (who the individual is not in the employment of), for instance, a hirer.

44. This policy aims to reduce the prevalence of one-sided flexibility for variable hours workers, ensuring that they receive more predictable income and therefore can more accurately plan their lives and their finances.

45. Short notice is the time period within which a worker is usually entitled to a payment if a shift is cancelled, moved or curtailed. The longer the period defined as short notice, the more predictability and certainty granted to directly engaged and agency workers, but the more difficult it will be for employers, hirers and agencies to react to changing demand and other unpredictable circumstances.

46. Other countries have previously sought to provide more security and predictability for the income of those in these forms of employment, particularly zero hours contracts. For example, in Ireland, casual workers on zero hours contracts have the right to receive a minimum payment if they are called to work but are sent home without working. The employer is essentially required to guarantee that at least 25 percent of the potential hours will be paid, and the minimum payment an employee must receive is three times the national minimum wage[29].

47. The Resolution Foundation[30] found that compensation for cancelled shifts has also been pursued internationally. Oregon, Seattle and Chicago are now requiring some employers to pay 50% of the shift value for cancellations at less than 24 hours[31]. Furthermore, in the Netherlands on-call workers are given 100% if less than 4 days' notice is given[32], although this can be reduced to 24 hours if agreed in advance.

48. Research shows that following the implementation of the zero hours and similar contracts reforms in the Act, zero hours contract laws in the UK will be on par with the most protective laws among the selected OECD countries[33], and as such, above the average level of protection, having previously been well below.[34]

Theory of Change

49. The theory of change for this appraisal sets out the causal change of implementing the right to payment for late notice cancellations, curtailments or movements through to longer-term impacts.

50. Under the baseline, the current status quo remains in place, and there is no statutory right to payment when shifts are cancelled, moved or curtailed at short notice. Employers can make changes without financial obligation, and workers bear the cost of lost income or inconvenience.

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[29] Zero hours working practices, Workplace Relations Commission

[30] Low Pay Britain, Resolution Foundation, 2025

[31] What are my rights with my work schedule in Chicago?, ILAO

[32] On-call employees, Business.gov.nl

[33] The research chose the 'selected OECD countries' because they are larger developed market economies similar to the UK in terms of size, as well as a range of countries from different legal traditions (common law and civil law origin)

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

51. The risks identified in the theory of change are assessed in more detail in the evidence base section from paragraph 294 and will be mitigated through the consultation and evidence-building process.

52. **Inputs:**

    a. Introduce a statutory right to payment for shifts cancelled, moved or curtailed at short notice, requiring employers and agencies to make a payment to eligible workers and eligible agency workers when shifts are cancelled, shortened, or moved at short notice.

53. **Activities:**

    a. Employers and agencies update payroll and rostering systems to calculate and process payments for late changes.

    b. Communicate new policy and payment rules to managers and workers.

    c. Train HR and payroll teams on compliance.

    d. Implement monitoring tools to track cancellations and adjustments.

54. **Outputs:**

    a. Workers and agency workers receive a payment for late cancellations, curtailments or movements.

    b. Increased transparency and security in scheduling practices.

    c. Increase in Acas/Fair Work Agency caseloads in cases of dispute.

    d. Employers incur additional costs where short notice cancellations, curtailments or movements cannot be mitigated.

55. **Outcomes:**

    a. Improved protection for workers and agency workers from the financial and practical detriment associated with short-notice cancellation, movement or curtailment of shifts, reducing stress from unpredictable income and disruption to planned time.

    b. Greater trust and fairness perceived in employment relationships.

    c. Employers incentivised to plan schedules more accurately to avoid extra costs.

    d. Increased administrative burden for employers and agencies in managing compliance and payments.

    e. Potential for reduced flexibility in scheduling if employers seek to avoid payments.

56. **Impacts:**

a. More inclusive growth by supporting workers and agency workers (e.g. those with caring responsibilities), through reduced exposure to uncompensated late changes to shifts and, for some workers, lower income volatility.

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

57. While the Act introduced the primary legislation for the regulatory option, there are many ways of enacting this primary legislation. This OA covers the range of options for the powers that are being consulted on, as well as explaining why certain options were discounted and are not being consulted on. Consultation will allow us to gather the views of workers, agency workers, employers, hirers, agencies and other stakeholders and understand the potential impacts of different options.

58. The long-list has been generated within the framework established by the Act. The Act has already established the statutory right for payment for shifts cancelled, moved or curtailed at short notice for eligible directly engaged workers, and an equivalent right in respect of eligible agency workers. The purpose of this OA is therefore not to reassess whether the right should be introduced, but to assess the options for how that statutory framework should be implemented through secondary legislation.

59. The right to payment for shifts cancelled, moved or curtailed at short notice section of the consultation does not contain government preferred options, apart from those related to FWA enforcement. The purpose of consulting on a range of options, with largely no preferred option, is to gather the widest possible stakeholder views and address identified evidence gaps 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 and agencies, including across different sectors. Alongside the questions on specific powers, the consultation includes questions enabling respondents to outline any interactions, implications or impacts of each individual policy. 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 necessary business flexibility.

60. 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 to the consultation in due course and reflected in the final impact assessment accompanying secondary legislation.

61. This OA does not cover all powers being consulted on, but rather all where the consultation provides a range of options (for both directly engaged and agency workers). Further details are included in the consultation, but are covered by free text responses to remain more open to consultation responses. In relation to the right to payment for shifts cancelled, moved or curtailed at short notice, the parameters with specific options are:
    a. Definition of short and very short notice periods
    b. The payment approach and amount
    c. Any exceptions to the requirement to make a short notice payment or very short notice payment
    d. Eligibility – hours threshold
    e. FWA enforcement

62. The periods, payment and threshold may be different, or apply differently, to agency workers than to those directly employed, to take into account the differences in the way that agency work is used by employers. This nuance is reflected in the ranges of options considered in consultation and in this OA.

63. 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, including identifying the directly engaged workers, agency workers, employers, hirers and agencies who would be impacted. The longlist considers 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. Most of the costs and benefits identified apply to all the options under consideration, though the scale of the impact varies by option.

64. Where the consultation includes key questions that are ‘free text’ and with no specific options, we assess the justification for this approach in the long-list stage. Where relevant, further analysis will be provided in a final-stage impact assessment if specific options are taken forward following consultation.

Short notice period

65. The definition of short notice, and potentially very short notice, will determine the practical impact and implications of the right to payments for short notice cancellations, curtailments or movements of shifts. The policy that payment is only due for short notice changes, as opposed to all changes, is designed to ensure the policy is proportionate to employers (and hirers/agencies), whilst providing a meaningful improvement to predictability and security for workers and agency workers.

66. The government is consulting on a range of options for the period of time defined as ‘short notice’. The government retains the power to set a different definition of

short notice for agency workers than for directly employed workers. The government is considering different options for the period of time defined as 'short notice' for agency workers in the consultation and this OA.

67. At the long listing stage, the following options were under consideration for directly engaged workers.

68. **Option 1 (discarded): Short notice period of less than one day**

a. The option to define short notice as less than one day has been discounted as an explicit option for consultation because it provides very limited predictability and security for workers. With less than a day's notice, workers have very little time to plan around cancellations or changes, which undermines the objective of improving financial stability and reducing stress. While this timeframe offers near maximum flexibility for employers, it does not support a fair balance of risk and benefit between employers and workers, nor provide a meaningful improvement for workers. Respondents can however suggest this option as an 'other' option and the government will take into account such responses when deciding on the short notice period.

69. **Option 2: Short notice period between 1 and 7 days**

a. This option would allow for a short notice period that provides security for workers as well as giving employers flexibility to respond to changes in demand or circumstances. Evidence suggests that 33%[35] of insecure workers have experienced shifts cancelled with 7 days' notice or less notice. Applying a one-day minimum would affect around 25% of those workers, who receive notice of less than one day. At the maximum threshold of 7 days' notice, this would capture 97% of insecure workers who have experienced cancellations. Other evidence suggests that a 7-day maximum notice period would capture the majority of insecure workers who experience shift cancellations overall, with 83%[36] of workers whose hours vary reporting they receive a week or less notice when shifts are cancelled. Furthermore, 7 days is the ceiling for setting the short notice period, as per the Act.

b. Within the range of 1 to 7 days, we also consider options where the short notice period is set at 2, 3 or 5 days along with an option of 'other' to provide stakeholders with a range of options to consider.

c. The selection of short notice periods between 1 day and 7 days reflects a balance between ensuring security to workers and maintaining flexibility to employers.

d. Setting the lowest option for the short notice period as 1 day is chosen as this offers flexibility to businesses and would be an improvement to workers on zero hours contracts who often receive notice of shift cancellation, movement or curtailment on the day of the shift.

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

[36] Zero Hours Contracts: Myth and Reality, CIPD, 2013

70. **Option 3 (discarded): Short notice period above 7 days**

    a. This option is discarded because the Act does not allow regulations to set the short notice period at anything more than 7 days.

71. In addition to the above, the longlisted options for the definition of short notice for agency workers are:

72. **Option 1 (discarded): The same options for the definition of short notice for agency workers as for those directly employed (1 to 7 days)**

    a. The government recognises that agency work is often used to fill very short notice vacancies. The Resolution Foundation[37] suggest employers use agency workers primarily as 'stop-gaps', that is, 65% of employers said they use agency workers only 'as and when needed' or 'as a last resort'. This suggests that agency work is often brought about from circumstances which arise at late notice. As such, the government does not believe that the range used for directly employed workers fully accounts for the nuance of agency work.

73. **Option 2: The same options for the definition of short notice for agency workers as for those directly employed (1 to 7 days), with an additional option of less than 1 day**

    a. This option considers the nuance of agency work by including an option which is shorter than 1 day while still retaining the other options being considered for the directly employed workers. This, along with the inclusion of an 'other' option, allows options to better take into account the specific reasons why agency work is used by employers and workers.

    b. With the options being the same as for directly employed, but with one additional option for less than 1 day, they would still enable the policy intention of increasing income stability to be met. This is because often agency workers receive very short notice of cancellations, curtailments or movements to shifts, with the Association of Labour Provider's survey of agency workers (2025)[38] finding that 64% of agency workers receive less than 24 hours' notice of cancellations and changes to their arranged shifts, with the majority of workers who receive less than 24 hours' notice of shift cancellations or changes receiving less than 12 hours' notice.

74. **Option 3 (discarded): Short notice period above 7 days**

    a. As with directly engaged workers, this option is discarded because the Act does not allow regulations to set the short notice period at anything more than 7 days.

Very short notice period

75. The government is also considering whether to have one short notice period, or to have a 'short notice' period and a 'very short notice' period, with a higher payment due for cancellations, movements and curtailments at 'very short'

[37] Choices, choices', Resolution Foundation, 2018

[38] What Agency Workers Think, ALP, 2025

notice. This would reflect the increased inconvenience and potential costs associated with having a shift cancelled, moved or curtailed at very short notice, and would incentivise employers to notify workers of changes at the earliest possible stage.

76. At the long listing stage, the following options were under consideration for directly engaged workers.

77. **Option 1: No very short notice period**

    b. As stated above, the government is considering whether to have one short notice time period or to have a 'short notice' period and a 'very short notice period'. This option will provide the opportunity for stakeholder feedback on whether to include a very short notice period.

78. **Option 2: Very short notice period of 1 to 5 days, plus an option of less than 1 day and an option for 'other'**

    a. These options would help increase the amount of notice workers receive of cancellations, movements or curtailments to their shifts. Evidence shows that 25% of insecure workers either receive no notice of shift cancellations or only find out on the same day[39], so the lower bound option for very short notice of less than one day (which would involve a higher payment than the short notice period) would encourage employers to give at least that much notice of shift cancellations. At the maximum of 5 days' notice, this would help increase the notice workers receive of cancellations, movements or curtailments to shifts whilst maintaining flexibility to employers. As the short notice period has a ceiling of 7 days, the very short notice period by its very nature must be a shorter duration. These options would also incentivise businesses who are already within the short notice period not to wait until the last minute to make changes to shifts, as this would take them into the very short notice period where they would become liable for a higher payment for cancellation, movement or curtailment to shifts. The government is open to views on other options, therefore also includes an option for 'other' in the consultation.

79. **Option 3 (discarded): Very short notice period above 5 days**

    a. The option to define very short notice as greater than 5 days would undermine the provision. The Act states that 7 days is the maximum definition of short notice, so very short notice by its very nature would need to be set at a shorter duration than this. Respondents can however suggest another period, for example 6 days, and the government will take this into account when making a decision.

80. The longlisted options for the very short notice period for agency workers are:

81. **Option 1: No very short notice period**

    a. As previously stated, the government is considering whether to have one short notice time period or to have a 'short notice' period and a 'very short

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

notice period'. This option will provide the opportunity for stakeholder feedback on whether to include a very short notice period.

82. **Option 2: Very short notice period of 1 to 5 days, plus an option of less than 1 day and an option for 'other'**

    a. These options enable the policy intention of increasing income stability to be met. This is because often agency workers receive very short notice of cancellations, curtailments or movements to shifts, with the Association of Labour Provider's survey of agency workers (2025)[40] finding that 64% of agency workers receive less than 24 hours' notice of cancellations and changes to their arranged shifts and 36% receive less than 12 hours' notice of shift cancellations or changes. Setting a very short notice option of less than 1 day (which would involve a higher payment than the short notice period) would encourage agencies and end hirers to give at least that much notice of cancellations, curtailments or movements to shifts. The consultation will also include an 'other' option which will allow for any other options to be considered.

83. **Option 3 (discarded): Very short notice period above 5 days**

    a. As with directly engaged workers, the option to define very short notice as greater than 5 days would undermine the provision. The Act states that 7 days is the maximum definition of short notice, so very short notice by its very nature would need to be set at a shorter duration than this. As above, respondents can however suggest another period, for example 6 days, using the option for 'other' and the government will take this into account when making a decision.

Short notice and very short notice payment approach and amount

Payment approach

84. The Act provides the Secretary of State with a power to set out the amount that should be paid in the case of a short notice shift cancellation, movement or curtailment. The Act allows for different payment amounts to be set for a 'short notice' period and a 'very short notice' period.

85. The consultation considers two alternative ways of calculating the short notice, and very short notice, payment amount (for both directly engaged and agency workers):

    a. A percentage of what the worker or agency worker would have earned from working the shift or the relevant hours.

    b. A percentage of the National Living/Minimum Wage applicable to the worker or agency worker multiplied by the hours that the worker or agency worker would have worked.

86. An example of how the payment for short notice cancellation, movement or curtailment of shifts is set out in Box 1 below.

[40] What Agency Workers Think, ALP, 2025

Box 1: Examples of payment approach using worker wage and 2025/26 NMW/NLW

Sam is aged 25 and is due to work a 5-hour shift, earning £14/hour. His shift is cancelled at short notice. Assuming the short notice percentage is 30%, under option 1 he would be entitled to:

30% x 5 x £14 = £21

Under option 2 he would be entitled to:

30% x 5 x £12.21 = £18.32

This uses the 2025/26 National Living Wage rate of £12.21/hour.

Payment percentage (which will be used to calculate the payment amount for short notice and very short notice)

87. This decision determines how much employers or agencies will be obligated to pay their workers/agency workers in the event of a short notice or very short notice cancellation, movement or curtailment to their shift, and thus has considerable impact for the deterrence effect of cancelling, movement or curtailment of shifts at (very) short notice. The payment percentage will also impact the extent to which financial risk is transferred from employers (or agencies) to workers/agency workers where a change to the shift cannot be avoided.

88. At the long listing stage, the following percentages were considered as options for short notice for both payment approaches and for both directly engaged and agency workers.

89. **Option 1 (discarded): A payment amount of less than 10%**

    a. A payment rate of less than 10% is likely to be perceived as nominal, offering limited deterrence against poor scheduling practices and providing negligible financial support to workers and agency workers affected by short notice changes. As such, it does not support the policy aim of improving predictability and financial resilience for individuals engaged in flexible working arrangements. Respondents can however suggest a lower percentage in the option for 'other' and the government will take this into account when making a decision.

90. **Option 2: A payment amount of between 10% and 80% and an option for 'other'**

    a. The proposed payment rates between 10% and 80% are considered to be sufficiently compatible with the policy's objectives to test with stakeholders through consultation and are therefore carried forward to the short-listing section. The policy is intended to safeguard workers and agency workers from income insecurity whilst maintaining business flexibility. The proposed payment amounts are considered to have potential to achieve this balance.

b. Considering a range from 10% to 80% for the percentages used to calculate the payment amount reflects a balance between providing workers and agency workers with a more secure income and compensation for costs they may have incurred from short notice cancellations, movements or curtailments, whilst maintaining a balanced approach and not placing too large a financial burden on employers or agencies. The consultation also includes an 'other' option to allow for other options to be received.

91. **Option 3 (discarded): A payment amount of above 80%**

a. In contrast, a payment rate of above 80% is considered incompatible with the policy's objectives relating to two-sided flexibility and ensuring proportionality. Requiring full (or almost full) payment for shifts or hours that are not worked would place a significant financial burden on employers (and agencies), particularly those operating in sectors characterised by variable demand. This could result in unintended consequences, including a reduction in shift availability. The policy seeks to strike an appropriate balance between safeguarding workers and agency workers from income volatility and maintaining scheduling flexibility necessary for business viability. Respondents can however suggest a higher payment amount in the option for 'other' and the government will take this into account when making a decision.

92. For very short notice, the following percentage options were considered in the long-listing section. The percentages will apply for both payment approaches, and for both directly engaged and agency workers.

93. **Option 1 (discarded): A payment amount of less than 30%**

a. For very short notice payments, a payment rate of less than 30% would have limited deterrence against improving poor scheduling practices and providing workers and agency workers with as much notice as possible. This is because at a rate lower than 30%, the payment rate would not be sufficiently higher than the options for short notice, meaning there would be little difference to employers, agencies or hirers between cancelling at short or very short notice. As such, it would not support the policy aim of improving predictability for individuals engaged in flexible working arrangements. Respondents can however suggest a lower percentage in the option for 'other' and the government will take this into account when making a decision.

94. **Option 2: A payment amount of between 30% to 80% and an option for 'other'**

a. The proposed payment rates between 30% and 80% are considered to be sufficiently compatible with the policy's objectives to test with stakeholders through consultation and are therefore carried forward to the short-listing section. The policy is intended to safeguard workers and agency workers from income insecurity whilst maintaining business flexibility. The proposed payment amounts for very short notice are considered to have potential to achieve this balance.

b. Considering a range from 30% to 80% for the percentages used to calculate the payment amount reflects a balance between providing workers and agency workers with a more secure income and payment which may help to cover any costs they may have incurred from very short notice cancellations, movements or curtailments, whilst maintaining a balanced approach and not placing too large a financial burden on employers or agencies for very short notice cancellation, movement or curtailments of shifts. There will also be an 'other' option included which will allow for any other options on very short notice to be received.

95. **Option 3 (discarded): A payment amount of above 80%**

a. A payment rate of above 80% for very short notice is considered incompatible with the policy's objectives relating to two-sided flexibility and ensuring proportionality, as with short notice above. Respondents can however suggest a higher percentage in the option for 'other' and the government will take this into account when making a decision.

96. The consultation will allow for views on both the percentage used to calculate short notice payments and the percentage used to calculate very short notice payments and will also allow for views for both payment approaches.

Exceptions from the right to short notice payments

97. The government is seeking views on whether there should be any exceptions so that, in certain circumstances, employers or agencies are not required to make a payment when shifts are cancelled, moved or curtailed a shift at short notice. For example, the government could ensure that employers are not required to make a short notice payment if the reason they have cancelled the shift is because of an extreme weather event or widespread power outage.

98. At the longlisting stage, the following options were under consideration by the government in respect of the drafting of these questions for the consultation.

99. **Option 1 (discarded): The government consulting on specific options to be considered as exceptions for short notice payments.**

a. Under this option, the consultation would have set out a specified list of factors or specific circumstances for respondents to consider individually, for example by asking whether each proposed exception should be included in regulations.

b. However, this option was discarded. The circumstances relevant to whether an exception should be made are likely to vary materially. A closed or specified list at consultation stage would risk narrowing the scope of evidence too early and may not capture the full range of situations in which an exception should be justified. It could also give undue weight to specific exceptions selected by government when the purpose of consultation is to gather evidence, rather than to signal a settled view on the content of the regulations.

c. Consulting on a specified list of exceptions as discrete options would therefore not have been the most effective way to gather the widest possible range of evidence.

100. **Option 2: The government consulting on a free text option for the exceptions for short notice payments**

a. Under this option, the consultation invites respondents to provide free text views on the exceptions where an employer should not be required to make a short notice payment. A separate question is provided inviting respondents to provide free text views on exceptions to the requirement to make a short notice payment specifically for agency workers. This approach enables respondents to identify relevant exceptions without being constrained by a pre-defined list.

b. This option is being taken forward. It should enable the government to gather a wider range of evidence from workers, employers, agencies, hirers, trade unions and other stakeholders, including evidence on circumstances not identified in advance.

Eligible workers

Directly engaged workers

101. The Act provides the basis for determining eligibility for the right to short notice payments. Directly engaged workers on zero hours contracts will be in scope. The Act also enables regulations to specify further descriptions of contracts in scope of the right.

102. The following options were considered for an eligibility requirement for the right to short notice payments.

103. **Option 1: An hours threshold**

a. This option would provide in regulations that workers contractually guaranteed a number of hours at or below a specified threshold (i.e. fewer than or equal to the level set out in regulations) are in scope. The consultation will test where such a threshold should be set.

b. The intention of the Act is to provide the right to short notice payments to workers on zero hours contracts and arrangements and those guaranteed some hours but who experience problems with one-sided flexibility in a similar way to those with no hours guaranteed. An hours threshold is considered a clear way of determining which workers are in scope because we expect those with no or few hours guaranteed are most exposed to the potential harms of uncertainty and instability (as shown in the strategic case for proposed regulation section).

c. This approach reduces the risk of avoidance, as employers would not be able to move workers from zero hours contracts onto contracts with only a very small number of guaranteed hours in order to avoid the requirements.

d. This option needs to be considered alongside the right to guaranteed hours and the right to reasonable notice. For the right to guaranteed hours, the Act sets out that workers in scope are those who are guaranteed, during the reference period, some hours of work within the hours threshold (in addition to those on zero hours contracts and arrangements). Using an hours threshold for eligibility for short notice payments supports consistency across the zero hours measures and makes the overall framework easier for workers, employers, agencies and hirers to understand.

e. Due to these reasons, this option is therefore taken forward to the short list. The consultation will test where such a threshold should be set as well as whether an hours threshold is the right approach.

104. **Option 2 (discarded): An earnings threshold**

a. Under this option, regulations would set out a threshold related to earnings above which workers would not be in scope of the right to short notice payments. It does not directly reflect the predictability of working patterns and could include or exclude workers in ways that are not aligned with the intended policy outcome.

b. In addition, using a different basis of eligibility from the right to guaranteed hours would reduce consistency across the zero hours measures and could create confusion for workers and employers. As a result, this option has been discarded.

105. **Option 3 (discarded): Sector eligibility**

a. Under this option, regulations would seek to target sectors where there is strongest evidence of one-sided flexibility (for example, hospitality, retail, health and social care). This would represent a departure from the usual approach for employment rights which is to establish statutory entitlements across the economy, regardless of sector. Establishing sector-based eligibility would also be challenging to enforce due to difficulty in defining sectors and would not create a level playing field across the economy.

b. The intention of the Act is to establish a baseline of security and predictability for workers on zero hours and similar contracts. A sector-based eligibility test would not be an effective way of achieving this as it would mean many workers facing one-sided flexibility would not be in scope. The Act allows collective agreements between trade unions and employers to agree more tailored conditions than the Act otherwise provides.

106. **Option 4 (discarded) Operational need**

a. Under this option, eligibility for the right to short notice payments could vary according to the operational circumstances of the employer or the nature of the work, for example where employers face variable demand or require

staffing flexibility at short notice. This was considered because operational need is relevant to how the right would apply in practice.

b. One of the primary objectives of the right to short notice is to rebalance flexibility in the labour market where it is one-sided currently. Therefore, this approach would not sufficiently meet objectives, even where there is operational need, as the risk of this flexibility must be more evenly shared between parties. Therefore, this option has been discarded.

Agency workers

107. The Act will create an equivalent obligation on agencies to provide a payment to agency workers where they have been subject to shifts being cancelled, moved or curtailed at short notice. Extending the right to payment for short notice cancellations, movements and curtailments to agency workers ensures that agency workers have a level of security when planning out their upcoming work schedule. It also avoids employers merely moving to using agency workers instead as a way to avoid the obligation to provide payment for shifts cancelled, moved or curtailed at short notice.

108. Including eligible agency workers in scope is not aimed at discouraging the use of agency workers, and the benefit to employers of using agency workers to fill short term vacancies or for specialist skills is clear. This form of working arrangement can also be beneficial to workers, as they can often choose the contracts that suit them and benefit from the flexibility of accepting work for shorter periods of time, without being restricted by a permanent employment relationship.

109. While the government understands that most agency workers are not currently guaranteed any hours, it is the intention to exclude agency workers from the right to short notice payments where they are already guaranteed hours in their existing arrangements above a certain threshold, with the consultation considering how best to reflect this. (see paragraph 179 for further information)

110. Agency workers have a unique type of employment relationship, involving a tripartite employment model between agencies, agency workers and hirers. In some cases, there is also a fourth party; an intermediary which handles payroll functions for the employment agency. The Act places the obligation for making short notice payments on the agency, on the understanding that the agency will already have payroll processes in place for the agency worker, thereby reducing delays in the agency worker receiving payment.

Hours threshold

111. As set out in the objectives above, the core intent of this legislation is to establish a baseline of income security and predictability for eligible workers and agency workers and rebalance flexibility such that it works for employers, hirers, agencies and workers. The government therefore intends that only workers and agency workers with less than or equal to a certain number of guaranteed hours will be in scope of the right to payment for shifts cancelled, moved or curtailed at short notice, so that the provisions apply to workers who experience insecurity of income and unpredictability of hours in the same way as zero hours workers do. This is in line with the intent of the Act and of the policy. The right will

generally apply in respect of shifts where the timing of those shifts are already set out in the worker's contract.

112. This number of guaranteed hours will be set as the 'hours threshold'. For example, if the hours threshold was 16 hours, then someone who was guaranteed 16 hours or less in their contract would be in scope; someone with more than 16 hours guaranteed in their contract would not.

113. The hours threshold is intended to help target the right towards workers and agency workers most likely to experience detriment from late cancellation, movement or curtailment of shifts, while recognising that the nature of that detriment may vary across the hours distribution. Workers with higher guaranteed hours are likely to have greater security of income than workers with few or no guaranteed hours, but they may still face meaningful financial or practical loss where shifts are changed at short notice. The consultation tests a wide range of thresholds to gather evidence on where the balance should be struck between coverage, proportionality and the intended policy objectives. The higher the threshold is set, the more workers will be in scope, although only those actually working shifts would stand to benefit from the right. Therefore, more workers would benefit from the right to payment for short notice cancellations, movements or curtailment of shifts, and more employers would have to take on these new responsibilities.

114. Whilst most agency workers are not currently guaranteed any hours, it is the government's intention to achieve the same effect as for directly engaged workers by excluding agency workers from the right to payment for shifts cancelled, moved or curtailed at short notice in regulations where they are already guaranteed hours over an hours threshold (for example, by their agency). The government is consulting on whether agency workers should be excluded where they already have a contract guaranteeing hours above the threshold regardless of which hirer these hours are to be worked for, or where they already have a contract guaranteeing hours above the threshold (for example, through their agency) specifically for one hirer.

115. At the longlisting stage, the following options were under consideration for <u>both directly engaged and agency workers.</u>

116. **Option 1 (discarded): Only those on zero hours contracts or arrangements, or those with 7 or fewer hours guaranteed**

    a. Approximately 2.6 million employee jobs in the UK were estimated to be zero hours contracts or arrangements as of April 2025 (ASHE)[41]. However, if only workers on zero hours contracts or arrangements were in scope, then employers could avoid these new obligations simply by offering a one hour per week contract. A contract with a low number of hours guaranteed (between 1 and 7) could therefore lead to potential avoidance of the right. This would significantly reduce the effectiveness of the policy. This option was therefore discarded as an explicit option for consultation. Respondents can however suggest a lower hours threshold in the option for 'other' and the government will take this into account when making a decision.

[41] DBT Analysis of ONS Microdata

117. **Option 2: An hours threshold of the equivalent of between 8 and 48 hours per week, and an option of 'other'**

    a. This option provides the government scope to consult on a wide range of options. It would capture between 3.3 and 28.6 million employee jobs.

    b. A baseline of 8 hours mitigates against avoidance behaviour of employers moving workers to contracts with a low number of hours. This is because at a minimum of 8 hours per week, this represents a sizeable financial commitment per week for employers, making it difficult for an employer to realise benefits from moving zero hours workers to such a contract without in fact having sufficient shift planning in place to be able to commit to offering these hours.

    c. The government is consulting on a broad range of options for the hours threshold to understand how different design choices affect coverage, targeting, proportionality and the risk of avoidance. At the lower end of the range, the entitlement is more tightly focused on workers most exposed to insecure work and one-sided flexibility. At higher thresholds, the consultation tests whether workers with more substantial guaranteed hours may still benefit where the timing of shifts remain unpredictable, while also allowing government to assess the proportionality of extending coverage further beyond the groups for whom the evidence of detriment is strongest. Testing this full range allows government to assess how eligibility, coverage and potential avoidance risks vary across different options, ensuring the final design is appropriately set to improve predictability where it is most needed without imposing disproportionate costs or capturing situations where existing arrangements already offer a reasonable degree of certainty.

    d. The inclusion of thresholds up to 48 hours should not be read as indicating that the evidence of one-sided flexibility is equally strong across the full range. Rather, it reflects the purpose of consultation: to test whether short-notice scheduling affects a broader set of working arrangements, and whether extending entitlement further up the distribution of guaranteed hours would be justified and proportionate.

Enforcement options

118. Enforcement has been considered as part of the longlisting process because the effectiveness of the right to payment for short notice cancellation, movement or curtailment of shifts 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.

119. **Option 1: Fair Work Agency**

    a. The government intends for the right to payment for shifts cancelled, moved or curtailed at short notice to be enforced by the Fair Work Agency alongside the existing individual enforcement system through Acas early conciliation and the employment tribunal system. This is because not paying a short notice payment is a discrete, measurable

event with a clear financial impact. The other zero hours measures – the right to guaranteed hours and the right to reasonable notice of shifts – are likely to require more complex assessments. For example, assessments will be needed as to whether it is reasonable for a guaranteed hours contract to be offered for a limited term or whether notice was reasonable in the circumstances. These rights would therefore be better considered at the outset solely through the employment tribunal system. FWA enforcement of short notice payments could also help relieve some of the additional pressure that the tribunal system will face through the new rights introduced in the Act.

b. The right to payment for shifts cancelled, moved or curtailed at short notice is closer in nature to other rights involving non-payment or underpayment of money owed to workers, such as National Minimum Wage arrears, where state enforcement can play an important role in recovering sums due. Enforcement through the Fair Work Agency may therefore provide a more accessible and proportionate route for workers, particularly where the value of an individual claim is relatively low and workers may be deterred from pursuing a tribunal claim because of the time, complexity or perceived risk involved.

120. **Option 2: Existing individual enforcement system only**

a. Under the terms of the Act, the existing individual enforcement system, through Acas early conciliation and the employment tribunal system, will be an enforcement route for the right to payment for shifts cancelled, moved or curtailed at short notice. Workers and agency workers will be able to bring claims where they consider that an employer, agency or hirer had failed to make a payment that they were entitled to.

121. Respondents to the consultation are asked whether they think the FWA should also enforce the right to payment for shifts cancelled, moved or curtailed at short notice. If respondents express the view that the right to short notice payments should be enforced by the FWA, then they will be supporting option 1 outlined above, where workers have access to the enforcement options of the FWA alongside the existing individual enforcement system. If respondents prefer the right to short notice payments not to be enforced by the FWA, then they will be supporting option 2, where workers only have access to the enforcement option of the existing individual enforcement system.

Non-regulatory options

122. Non-regulatory options were considered at the inception of this policy (see published impact assessment[42]) but were discarded in favour of legislation in the form of the Act, as they would not achieve the intended outcomes of the policies under consideration. This consultation and the policy options considered within are a continuation of this process, seeking views on how the rights in the Act

[42] Impact assessment: ZHCs - Right to Reasonable Notice of Shift Patterns and Payment for Shifts Cancelled, Moved or Curtailed at Short Notice, DBT, 2024

should be implemented. Non-regulatory options are therefore not considered here.

123. 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. While some employers want to provide greater security and fairly share the risks of unpredictable demand, there is a commercial incentive for other 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 ensure workers receive payment for shifts cancelled, moved or curtailed at short notice. 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

124. This section analyses the options that were not discarded at the longlisting stage and provides qualitative discussion of why each option has been carried forwards in the OA and consultation. As set out in the Implementation Roadmap[43], the government is consulting on these measures now to ensure that decisions are made in conjunction with stakeholders and that we get the detail right.

125. This OA does not present a preferred way forward across most of the powers being considered in this consultation. This approach has been taken because of the government's public commitments to consult stakeholders widely prior to taking decisions around how the zero hours measures should be implemented in regulations. The government is committed to getting the detail right, ensuring that reforms ensure a baseline of security for workers and agency workers, support growth and are proportionate for employers, hirers and agencies. In light of this, the government is consulting on a range of options across the parameters to provide stakeholders with considerable scope to feed in their views.

126. The government will analyse the results of consultation, as well as views expressed in engagement with stakeholders during the consultation period, and existing and upcoming sources of data, to come to an informed decision around preferred approaches. The government's preferred approach will then be set out in the consultation response.

127. This section provides an overview of the shortlisted options being carried forward in the consultation. The annex contains a more detailed breakdown of the qualitative and quantitative impacts of the range of options, including the number and characteristics of workers and employers potentially affected.

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

128. The same features that determine where the greatest impact of the right to payment for short notice cancellations, movements or curtailments of shifts are expected to arise also determine where unintended consequences are most likely to occur. In particular, the policy may affect the ability of employers, hirers and agencies to respond to genuinely unpredictable demand, the use of agency workers and other variable-hours arrangements, and the availability of short-notice work for workers who value that flexibility. These risks are considered in the non-monetised costs and risks section and will be tested through consultation alongside the evidence on worker detriment, coverage and proportionality.

129. In assessing the options, the government has considered the extent to which they may affect workforce planning, employer responsiveness to short-term changes in demand, the use of agency workers and other temporary staffing models, hiring decisions, worker access to forms of work valued for their flexibility, and incentives for employers, hirers and agencies to alter contracts or scheduling practices in order to reduce exposure to the policy. These risks are expected to vary materially according to the hours threshold, the short or very short notice period, and the payment amount. The consultation is intended to test these risks directly, alongside evidence on worker detriment, coverage and proportionality, so that final policy parameters can be chosen in a way that improves predictability for workers without creating disproportionate adverse effects on labour market functioning or business operations.

Short Notice

130. The definition of short notice is being consulted on by the government, with the shortlisted options set out below for directly employed workers:

    a. 1 day

    b. 2 days

    c. 3 days

    d. 5 days

    e. 7 days

    f. ‘Other’

131. The shortlisted options for the definition of short notice being consulted on for agency workers is set out below:

    a. Less than 1 day (please specify)

    b. 1 day

    c. 2 days

    d. 3 days

    e. 5 days

f. 7 days

g. ‘Other’

132. These options can be assessed as a sliding scale. The longer the period defined as short notice, the more predictability and certainty granted to directly engaged and agency workers, but the more difficult it will likely be for employers, hirers and agencies to react to changing demand and other unpredictable circumstances.

133. Defining short notice as 1 day for directly engaged workers would provide a baseline of security and predictability. It would prevent situations where directly engaged workers are already travelling to work when their shift is cancelled yet receive no payment. DBT (2026) data[44] states that 25% of current insecure workers who have experienced shift cancellations receive less than one day’s notice, so this option should provide a clear improvement on current practice for those workers. This option would also preserve the most business flexibility. Oregon, Seattle and Chicago require employers to pay 50% of the shift value for cancellations at less than 24 hours’ notice[45].

134. Defining short notice as either 2 or 3 days would provide further security and predictability for workers. Provided employers give more notice of cancellations or changes, it would allow more time to rearrange or cancel childcare arrangements that are no longer required, potentially increasing the likelihood of recovering costs incurred, further reducing the financial impact of a cancelled, moved or curtailed shift. Or if employers do not provide more notice of shift cancellations or changes and instead make a payment to the worker, this too would reduce the financial impact of a cancelled, moved or curtailed shift. 65% of insecure workers who have experienced shift cancellations currently receive less than three days’ notice.[46] In the Netherlands workers are given 100% of the earnings from a cancelled shift if less than 4 days’ notice is given, although this can be reduced to 24 hours if agreed in advance[47].

135. Defining short notice as either 5 or 7 days would provide even more security and predictability. Of those who have faced cancellations, 83% of insecure workers currently receive less than 5 days’ notice[48]. However, these options would also reduce business flexibility most significantly.

136. Provided notice is given of at least 7 days, directly engaged and agency workers would have considerable time to respond to changes and minimise disruption, particularly allowing time for these workers to find alternative sources of work. Alternatively, if they still experience a short notice cancellation or change of their shift, they would receive a payment. However, it introduces more constraints for employers, hirers and agencies, particularly those operating in environments with limited predictability.

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

[45] Fair Workweek, 2024

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

[47] Zero hours contracts, Netherlands

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

137. As stated throughout this OA, the government retains a power to set a different period of short notice for agency workers than for directly employed workers. Alongside the options of 1, 2, 3, 5 and 7 days, we include an option of 'less than 1 day' for agency workers. This option is added to acknowledge the reality of agency work, which is used to adjust to last-minute changes in demand. This option is unlikely to create incentives to move towards agency work based models, and still provides a baseline of security higher than many currently receive.

138. The short notice options for both directly employed workers and agency workers include an 'other' option, which will allow for alternative views to be expressed.

139. As shown in the long-list section, evidence from DBT (2026)[49] provides the latest available data. It shows the amount of notice received by workers who have experienced shift cancellations with 7 days' notice or less, as shown in Table 1 below. This survey had been designed with the consultation and legal boundaries of the power in mind and therefore does not consider options over 7 days.

Table 1: Amount of notice workers receive when a shift is cancelled

Amount of notice	Less than one day	Less than three days	Less than five days	Less than a week
% of insecure workers	25%	65%	83%	97%

Very short notice

140. Alongside the definition of short notice, the government is consulting on a potential 'very short notice' period. This essentially creates a period of time which is lower than the chosen short notice period, where the payment amount is higher to reflect the increased precarity. This very short notice period is being consulted on by the government, with the shortlisted options for directly engaged and agency workers set out below:

    a. less than 1 day (please specify)

    b. 1 day

    c. 2 days

    d. 3 days

    e. 5 days

    f. There should not be a 'very short notice' period

    g. 'Other'

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

141. The option of no very short notice period would be the simplest to follow for employers, hirers and agencies as the payment would be the same no matter at what point in the short notice period notice of the cancellation, movement or curtailment is given, which creates simpler administration for employers.

142. The selection of very short notice periods between 1 day and 5 days, with the option of less than one day, would provide an incentive to employers, hirers and agencies to alert directly engaged and agency workers of cancellations, movements or curtailments of shifts at the earliest possible moment, even if the notice is given within the short notice period. This is because there will be a higher payment for cancellations, movements or curtailments within the very short notice period than in the short notice period, further enhancing the balance of flexibility for both directly engaged and agency workers.

143. Setting the lowest option for the very short notice period as less than 1 day is chosen as this will allow for flexibility to employers whilst providing workers with increased payment for last minute cancellations, curtailments or movements to their shift. Below one day's notice means many workers may have already incurred any costs associated with work, hence a greater payment will help compensate for this. This applies to both those directly engaged and agency workers.

144. We also consider options where the very short notice period is set at 2 or 3 days to provide stakeholders with a range of options to consider. The 'other' option is also included to allow for a wide range of options.

145. We will consider the ceiling of the options for very short notice in this OA to be set at 5 days, as it is in the consultation. The Act states the short notice period can be no more than 7 days. Therefore, by the very nature of a very short notice period, the maximum days it can be set at must be lower than 7. 5 days is the highest option proposed for the very short notice period, to achieve the purpose of the provision by encouraging employers, hirers and agencies to notify directly engaged and agency workers of any cancellation, movement or curtailment of shifts at the earliest opportunity even if this falls within the short notice period.

Evidence base

146. The definition of short notice affects the costs and benefits set out in the annex, with a longer short notice period reflecting a more stringent rebalancing of the risk and flexibility associated with variable hours contracts in sectors with volatile demand. This will reduce the flexibility with which employers, hirers and agencies operate, creating more obligations for them to pay workers for short notice changes, while improving income security for workers. A longer short notice period will bring more workers, employers and agencies into scope.

147. Evidence from DBT (2026)[50] suggests that 33% of workers currently in insecure work have experienced cancellation of hours or shifts with 7 days' notice or less. Of the workers who had experienced cancellations, 11% have had this happen 'Very often' or 'Often'. The survey further suggests that of the workers who had experienced cancellation, 25% of these received less than one day's notice,

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

65% with less than three days' notice, 83% with less than 5 days' notice and 97% with seven days' notice or less[51].

148. The same DBT survey asks workers in insecure work whether their work hours or shifts have ever been changed with 7 days' notice or less. Overall, 43% of respondents said that they had experienced changes. Of these workers, 21% said this happened 'Very often' or 'Often'. 4% of respondents got no notice of the change, while 13% received notice of the change on the same day. This evidence is not incorporated into the modelling for this OA, but will inform further consideration in the final IA.

149. It is clear from the evidence outlined in paragraphs 317 to 332 that short notice shift changes can impact financial stability, ability to meet expenses, and reliance on unreliable credit sources, which in turn can lead to increased anxiety for workers.

150. A longer notice period of shift changes would either provide workers with more ability to cancel arrangements related to e.g. childcare and transport, which may have a minimum cancellation time, and also allow them more possibility of finding work, assuming employers make changes before the short notice period. Otherwise, it will provide them with a payment for when shifts are cancelled, moved or curtailed within this short notice period.

151. Looking specifically at agency workers, the Association of Labour Providers 2025 survey of workers[52] suggested that agency workers were more likely to be subject to shorter notice changes or cancellations of shifts than those directly employed. Around 24% of agency workers suggested that their shifts are never changed or cancelled. 36% of respondents reported receiving less than 12 hours' notice of shift changes, while 28% were given between 12 and 24 hours.

Payment Approach

152. Two payment approaches are being considered for compensating workers and agency workers where shifts are cancelled, moved or curtailed at short notice. The first approach is based on a percentage of the value of the shift, and the second is based on a percentage multiplied by the National Living/Minimum Wage applicable to the worker or agency worker.

153. **Option 1: percentage of what the worker or agency worker would have earned**

    a. The percentage value of the shift method provides a closer approximation of the actual value of a lost shift or hours for many workers and agency workers and supports the policy objectives of fair work and income stability. However, it may introduce administrative complexity for employers (or agencies), particularly where pay structures vary across roles or where hourly rates are not readily available.

[51] This number is not 100% because 2% responded with 'Don't know' and 1% responded 'Prefer not to say'.

[52] What Agency Workers Think, ALP, 2025

154. **Option 2: Percentage of the National Living/Minimum wage applicable to the worker multiplied by the hours that the worker or agency worker would have worked**

    a. This approach is based on the National Living/Minimum Wage. The payment amount would be a percentage of the National Minimum/Living Wage multiplied by the hours that the worker or agency worker would have worked. This provides a more uniform and easily applicable rate across the workforce, reducing administrative burden and supporting consistency in implementation. It would also serve to target the measure towards the lower-paid, who would receive a proportionally higher amount of what they were due to earn. However, it would underrepresent the lost earnings for workers or agency workers earning more than the National Minimum/Living Wage.

Payment percentage (which will be used to calculate the payment amount)

155. The percentage which will be used to calculate the short notice payment amount for either of the two options (percentage of the value of the shift or percentage of the National Living/Minimum Wage) is being consulted on by the government. The shortlisted options considered for both directly engaged and agency workers are set out below.

    a. 10%

    b. 30%

    c. 50%

    d. 65%

    e. 80%

    f. ‘Other’

156. The percentage which will be used to calculate the very short notice payment amount for both of the two options (value of shift or percentage of National Living/Minimum Wage) is also being consulted on. The shortlisted options for both directly employed and agency workers are set out below:

    a. 30%

    b. 50%

    c. 65%

    d. 80%

    e. ‘Other’

157. DBT survey evidence indicates that 33% of workers in insecure work have experienced shifts being cancelled with 7 days' notice or less (2026)[53]. This is consistent with evidence from the Living Wage Foundation[54], which shows that around a third (32%) of workers whose hours vary have seen shifts cancelled unexpectedly. The LWF data also shows that the vast majority (87%) of workers do not receive full payment when shifts are cancelled as shown in Table 2 in the evidence section below.

158. Setting the lowest option considered at 10% for short notice is chosen due to this reflecting an amount of money which could reasonably offset some expenses likely to be incurred such as for travel. At a percentage of 10%, this could signify an improvement to at least 28% of shift workers who have faced cancellations, who reported receiving no payment. A percentage of 10% also provides employers with the least financial cost incurred from the options being considered.

159. A percentage of 30% to calculate the payment amount could be an improvement for at least 51% of shift workers, who receive less than 25% of their shift value (which will be at least as much as the NLW/NMW rate that a worker is entitled to). We set 30% as the minimum for very short notice as the payment amount for very short notice will be higher than for short notice to encourage employers, agencies and hirers to provide as much notice of cancellations, movements or curtailments of shifts as possible, even if within the short notice period. Without the very short notice period payment being higher this incentive would not exist.

160. Percentages of 50% and 65% could be an improvement to at least 74% of shift workers, who receive less than half the shift's value.

161. A percentage of 80% would lead to workers gaining more financial security knowing that if their shifts are cancelled, moved or curtailed at short notice they will still receive a significant share of the lost earnings.

162. The inclusion of the option 'other' will allow for alternative views on other options to be received.

Evidence base

163. Table 2 shows evidence from the Living Wage Foundation (2023) survey of directly employed workers. In response to the question "When your shifts are cancelled, what proportion of your regular pay, if any, do you receive on average?", most respondents (72%) responded that they received at least some compensation when they had shifts cancelled unexpectedly. Of those who receive some compensation, the majority receive less than half of the shift they would have worked.

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

[54] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

Table 2: Proportion of workers by percentage of regular pay received when shifts are cancelled

Percentage of regular pay received when shifts are cancelled	0%	1-24%	25-49%	50-74%	75-99%	100%
Proportion of respondents	28%	22%	20%	11%	6%	13%

164. Evidence from employer surveys suggests that this may be an overestimate of the number of employers paying out for shift cancellations and particularly changes, especially as a regular policy rather than something that happens on an ad hoc basis. Respondents to the 2019 CIPD survey of employers commissioned for the government's one-sided flexibility consultation[55] indicated that around 6% of employers provided payment if shifts were cancelled at little or no notice, with 25% suggesting that they did not (57% said that they did not cancel shifts).

165. Findings from a recent DBT (2026)[56] survey of workers currently in insecure work also suggest that the proportion receiving payment for cancelled shifts is lower than reported in the LWF survey. Among workers in insecure work who had experienced a shift cancelled with seven days' notice or less, 59% reported that they typically received no compensation. Only 9% stated that they received a percentage of their expected wages, with 12% stating they receive full payment for the hours they were scheduled.

166. Evidence shows that the majority of employers who cancel shifts do not provide such payments currently, and, when they do, they tend to be on the lower end of the options being considered. As a result, introducing a statutory short notice payment would require many employers to make payments that they do not currently make, or to increase existing payments. Therefore, this represents an additional cost to employers compared to the 'Do Nothing' status quo, with a commensurate benefit to workers.

167. For agency workers specifically, there is no directly applicable evidence on the payment of shifts that are cancelled or changed. The 2025 ALP survey[57] of agency workers asked: 'Are you ever sent home early during a shift?', with more than half of workers (53%) saying they are not sent home early. Among those who were, 19% said it was by mutual agreement, or they were still paid.

Exceptions from the right to short notice payments

168. The government is seeking views on whether there should be any exceptions so that, in certain circumstances, employers or agencies would not be required to make a payment when shifts are cancelled, moved or curtailed. For example, the government could ensure that employers are not required to make a short notice payment if the reason they have cancelled the shift is because of an extreme weather event or widespread power outage.

[55] CIPD Response to One-Sided Flexibility Consultation CIPD, 2019

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

[57] Agency Worker Survey, ALP, 2025

169. Regarding whether there should be any exceptions to the requirement to make a short notice payment or very short notice payment, the consultation options for directly engaged and agency workers are:

    a. Yes

    b. No

170. The consultation also asks free text questions, for both the ‘Yes’ and ‘No’ options, to allow respondents to expand on their answer and, in cases where ‘Yes’ is selected, state what the exceptions should be.

171. Introducing exceptions to the requirement to make short notice and very short notice payments could ease cost and compliance pressures for employers, particularly if the exceptions apply to circumstances beyond their control, offering a safeguard during periods of major disruption such as extreme weather or power outages. However, shifting this risk away from employers and agencies would mean workers are no longer guaranteed payment in such situations, reducing income security and certainty even if these events remain relatively rare.

Hours threshold

172. The hours threshold options which will be carried forward into the consultation (for both directly engaged and agency workers) 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)

173. The selection of the hours threshold options between 8 and 48 hours per week reflects the need to prevent regulatory circumvention, where employers could

comply by guaranteeing a negligible amount of hours. 8 hours has been selected as the lowest option carried forward to consultation as this represents a sizeable financial commitment per week for employers thereby limiting the potential benefits of avoidance. The range of options recognises that even workers with guaranteed hours can face short notice changes to their shift schedules.

174. The government is concerned about interfering unnecessarily with overtime shifts for workers who already have a good number of guaranteed hours and a corresponding level of income security. The government is conscious that the intention of the Act is to provide the right to payment for short notice cancellations, movements and curtailments to workers similar to workers on zero hours contracts and arrangements. The evidence of one-sided flexibility is strongest for options at the lower end of the hours thresholds range. The consultation tests whether workers with higher guaranteed hours also experience material detriment from short-notice scheduling of shifts, and whether extending coverage further would remain targeted and proportionate. This is particularly relevant to the hours threshold for eligibility for the right to payment for shifts cancelled, moved or curtailed at short notice, where options between 8 and 48 hours per week are included to test whether workers with more guaranteed hours also experience short-notice cancellations, movements or curtailments to their shifts and whether extending coverage to those workers would be proportionate.

175. Given the range of thresholds, these options have been designed to balance against the objectives set out in section 3, allowing stakeholders to feed in views across many options. Table 3 in the evidence base section below outlines the potential number of workers in scope of each option.

176. Setting the hours threshold at 8 hours corresponds to approximately one full working day for many workers. At this threshold, around 3.3 million employee jobs would potentially be in scope. 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 those who are most vulnerable in the labour market.

177. Including options above 8 hours allows the consultation to test where the threshold should be set across a wide range of working patterns, including some part-time and full-time contracts. Workers with substantial guaranteed hours may face uncertainty over when their shifts are worked and costs arising from last minute changes; the wide range will allow stakeholders to provide evidence to help inform where the right remains targeted and proportional. The highest of the specific options in this consultation and OA, 48 hours per week, recognises that even those on part and full time contracts may still face short notice of shift cancellations or changes without compensation, with the Resolution Foundation finding in Figure 1 in the evidence base section below that even those who regularly work over 46 hours per week still face anxiety about sudden changes in their working hours.

178. Respondents to the consultation are provided with a response option of ‘Other’. This is intended to ensure that the consultation collects a full range of views. Given the open-ended nature of this response option, we do not explicitly cover

thresholds below 8 hours, above 48 hours or between the hours increments per week included in the consultation in our main assessment.

179. As for directly engaged workers, the government intends to exclude agency workers from the right to payment when shifts are cancelled, moved or curtailed at short notice 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 number of hours to be specified in an hours threshold in the consultation are the same for agency workers as directly engaged workers, the government is consulting on two options for how the hours threshold could be applied to agency workers. These include excluding agency workers from the right to short notice payments 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)

Evidence base

180. The hours threshold would determine which workers will be in the scope of the right to payment for shifts cancelled, moved or curtailed at short notice and corresponds to the number of hours a worker must be guaranteed less than or equal to in order to be eligible for these rights. This means that, at lower thresholds, the right is more tightly targeted towards those who face the greatest insecurity and the strongest evidence of detriment from one-sided flexibility. As the threshold rises, more workers become eligible, but the policy also becomes less narrowly focused on income precarity and more likely to operate as a broader payment standard for late changes to scheduled work.

181. A higher hours threshold would have implications for non-monetised costs, particularly in relation to impacts on employers' ability to operate flexibly. This is because, under the right to payment for shifts cancelled, moved or curtailed at short notice, employers would need to forecast their labour demand and have to make a payment to the worker if they cancel, move or curtail this shift within the short notice period, which may hinder their ability to react to changes in demand or circumstances. With a higher hours threshold more workers are likely to fall in scope of the right to short notice payments so employers will need to forecast demand across more of the workforce.

182. 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[58], we estimated that around 2.4 million workers could be impacted by the zero hours rights. This corresponds to an estimate using the January to March 2024 Labour Force Survey[59] of those on zero hours contracts, agency workers and those who were paid hourly and had hours which varied

[58] Impact assessment: ZHCs - Right to Reasonable Notice of Shift Patterns and Payment for Shifts Cancelled, Moved or Curtailed at Short Notice, DBT, 2024

[59] DBT Analysis of ONS microdata

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.

183. Within this analysis, we use the 2025 Annual Survey of Hours and Earnings[60] (ASHE) instead of using updated LFS estimates. This decision has been taken as it is believed that it better represents 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 (which is 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 working 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. Given ASHE still represents hours worked at a basic pay rate, rather than hours contractually agreed to work, it is likely to underestimate the number of workers under each threshold.

184. Table 3 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 under-estimating 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 workers). While we consider this to be more robust for the purposes of an assessment of economic impacts, this will over-estimate the number of workers in-scope as some workers 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 3: 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

[60] DBT Analysis of ONS microdata

28 hours	8.2
32 hours	9.7
36 hours	14.4
40 hours	26.2
44 hours	27.9
48 hours	28.6

185. Eligibility is determined by a worker's contractual arrangements, rather than whether the worker ultimately works shifts that engage the right in practice. As a result, higher hours thresholds may include workers who meet the contractual eligibility criteria but whose working arrangements mean they are unlikely to experience short-notice shift scheduling.

186. Furthermore, the Act allows for employers (or hirers/agencies) and unions to collectively agree to modify or opt out of the zero hours measures. This could also reduce the number of workers in scope.

187. As set out previously, we intend to provide that agency workers with hours at or below a threshold of guaranteed hours, to be specified in regulations, are eligible for the right to payment for shifts cancelled, moved or curtailed at short notice. The Act places responsibility on the agency to provide payment for shifts cancelled, moved or curtailed at short notice to agency workers.

188. DBT's Agency Worker Survey[61] (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 either from the perspective of the hirer or between the agency and the agency worker. Agency worker respondents to the DBT survey split relatively evenly between those who had agreed to work 35 hours or less 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%).

189. The hours threshold also has direct relation to the benefits of the policy. Analysis by the Resolution Foundation in Low Pay Britain (2025)[62], using evidence from the Skills and Employment Survey, as shown by Figure 1, suggests that workers who usually work up to 25 hours per week are just as likely as workers who usually work fewer hours to face anxiety about unexpected changes to their hours. This demonstrates that concerns arising over shift scheduling remain even among those working more hours. This is relevant in indicating that unpredictability in the timing of work can arise across a broad range of working patterns. However, usual hours worked and contractually guaranteed hours are conceptually distinct. For example, an average worker on a zero hours contract usually works around 23 hours per week.[63] 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

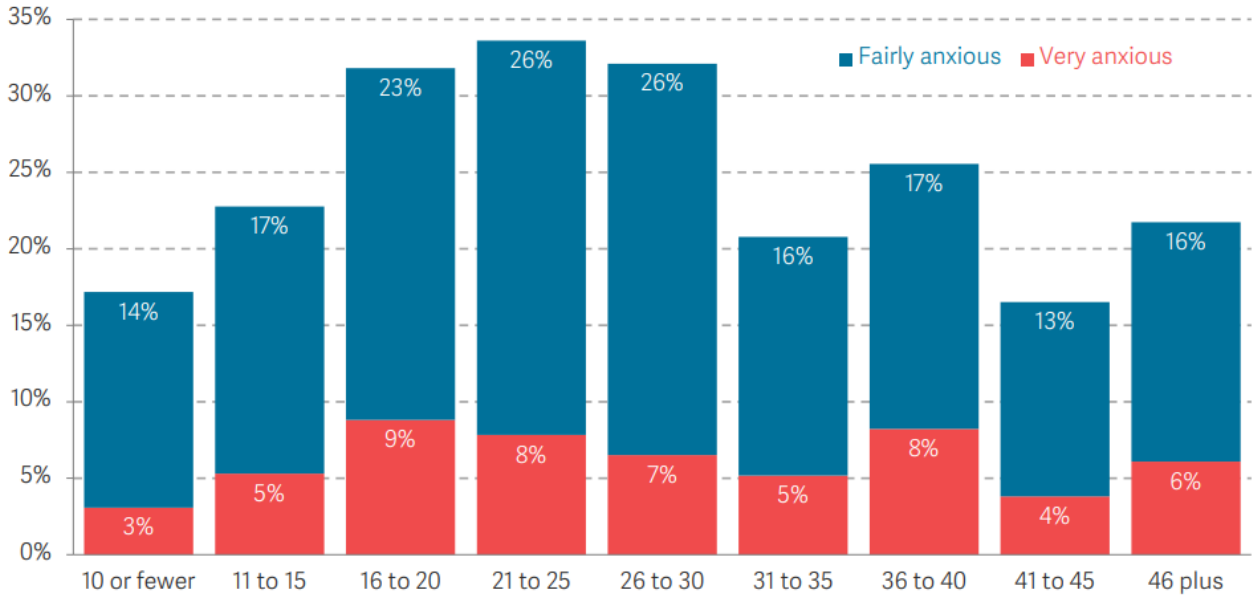
[61] Agency Worker Survey, DBT, 2021

[62] Low Pay Britain, Resolution Foundation, 2025

[63] People in employment on zero hours contracts, ONS, 2026

worker on a zero hours contract does not have any hours contractually guaranteed.

Figure 1: Anxiety about unexpected changes to hours worked, by usual number of hours worked per week, UK, 2017



NOTES: Includes any paid or unpaid overtime.
SOURCE: RF analysis of 2017 Skills and Employment Survey.

Enforcement

190. The Act places responsibility for enforcement of the zero hours measures with the employment tribunal system. The government is exploring the option for the Fair Work Agency (FWA) to enforce the right to payment for short notice cancellation, movement or curtailment of shifts.

191. Through this consultation, the government is seeking views on whether the FWA should enforce this right, and if so, how. This would be in addition to workers being able to complain to the employment tribunal where they wish.

192. The Act lays the foundations for the creation of the FWA, by bringing existing state enforcement functions into one overarching function to enforce a list of labour market legislation.

193. The FWA began operating in April 2026. Initially it will deliver the existing state enforcement functions, with responsibility for enforcing domestic agency rules, the national minimum wage, licensing of gangmasters, and acting against serious labour exploitation.

194. Over time, it will take on enforcement of a wider range of employment rights. The Act also includes a power for the Secretary of State to make affirmative regulations to expand the list of labour market legislation which falls within the remit of the FWA. This could include the zero hours measures.

195. Based on the enforcement powers the FWA has, the most appropriate zero hours measure the FWA could enforce would be the right to payment for shifts cancelled, moved or curtailed at short notice. This is because not paying a short notice payment is a discrete, measurable event with a clear financial impact, which would not need to be considered by a judge through the employment tribunal system.

196. As such, two options are considered for enforcement in regards to the right to payment for shifts cancelled, moved or curtailed at short notice.

197. **Option 1: FWA enforcement**

    a. This option has the potential to relieve some of the additional pressure the tribunal system will face through the new rights introduced in the Employment Rights Act 2025. It could also minimise costs for both employers and workers, through helping them to reach a resolution more quickly than if a claim was pursued through the employment tribunal system, whilst still having the option to go to tribunal if they wish.

    b. Enforcement under the FWA will be highly supportive with an emphasis on helping businesses to comply with the law. This will be essential as short notice payments are a new right, and it will take businesses time to familiarise themselves with the new regulation. The FWA will be able to provide support to businesses through advice and guidance.

198. **Option 2: No FWA enforcement**

    a. This option would leave enforcement of short notice payments to the employment tribunal system and dispute resolution services such as Acas. This could possibly lead to an increase in demand for early conciliation services provided by Acas and cases within employment tribunals. Therefore the preferred option is to expand the FWA's remit to include short notice payments.

Notice of Underpayment regime:

199. The FWA's Notice of Underpayment (NoU)[64] civil penalty regime is best suited to enforcing rights involving nonpayment or underpayment of statutory pay rights. The NoU regime has been used to enforce the statutory entitlement to the minimum wage since 1999.

200. The FWA could use the NoU regime to enforce the right to payment for shifts cancelled, moved or curtailed at short notice. However, given the differences between the minimum wage and short notice payments, the government is considering whether the NoU regime should be altered before using it to enforce short notice payments.

201. The government recognises that payments for shifts cancelled, moved or curtailed at short notice are a new employment right, and the impact of different levels of state enforcement on compliance is not yet fully understood. Therefore,

[64] See Guidance notes on the notice of underpayment — NMW FS3 - GOV.UK for more detail on the NoU regime.

we are also seeking views on how the NoU regime could be adapted to apply it more effectively to enforcement of short notice payments.

Claim period

202. Under the NoU regime, unpaid sums owed to a worker may be recovered for a period of up to six years from when the payment became due, although this can be altered in regulations. The government intends for the six-year claim period to apply to short notice payments (although short notice payments will of course only start becoming due once the right to short notice payments comes into effect so, in practice, all unpaid short notice payments could be subject to the NoU regime for many years). This is consistent with other statutory pay rights enforced by the FWA under the NoU regime, ensuring clarity for employers and workers. The government can make regulations to change certain parts of the NoU regime, including the penalty calculation amounts, and the minimum and maximum penalty amount.

Penalty amount

203. As well as ordering employers to pay workers what they are owed, the government can also require an employer to pay a penalty. This serves to discourage non-compliance and encourage prompt payment.

204. As such we are consulting on whether the FWA should impose a penalty where it finds that an employer has failed to make a short notice payment.

205. To gather more information on what the penalty should be if the FWA does impose a penalty where it finds that an employer has failed to make a short notice payment, we also include questions on what the penalty amount should be.

206. Under the NoU regime, the default penalty is 200% of the amount owed to a worker, up to a maximum penalty of £20,000 per worker. The minimum penalty amount is £100.

207. Also, if the employer pays the worker the amount owed and at least 50% of the penalty within 14 days of the date the NoU is issued, they are regarded as having fully paid the penalty.

208. We are consulting on the following options for the penalty amount:

209. **Option 1: 50% of arrears owed to the worker (preferred option)**

a. It is proposed that the penalty should be 50% of the total unpaid payments due to the worker, subject to a minimum and maximum amount per worker (see below).

b. This option is consistent with the penalty amount set when penalties for NMW breaches were introduced in 2009. This approach takes into account that the right to short notice payment is a new right and allows time for employers to familiarise themselves with implementing the new obligations. The proposed penalty levels aim to balance deterrence with

fairness – providing an incentive for compliance without imposing excessive penalties.

210. **Option 2: 100% of arrears owed to the worker**

a. This option reflects the NMW penalty increase to 100% in 2014. This option could potentially have a stronger deterrence effect, leading to more employers complying with the legislation. However, employers will need time to understand and implement the new obligations, and a high penalty amount may place undue burdens on businesses.

211. **Option 3: 200% of arrears owed to the worker**

a. This option reflects the current NMW penalty amount which has been in place since 2016. Whilst this option is consistent with the current NMW approach and might be the best for ensuring compliance, it is not the government's preferred option as this is new legislation and the government wishes to allow employers time to adjust without enforcing such a large fine for those who don't comply.

212. **Option 4: A different amount**

a. Allowing respondents to suggest a different amount provides flexibility to reflect a wide range of perspectives, including those informed by different stakeholders' experiences. It also enables respondents to put forward evidence or reasoning for an alternative amount that the government may wish to consider.

213. We are also consulting on the following options for the minimum and maximum penalty amount:

214. **Option 1: Minimum £100 per case, maximum £5,000 per worker (preferred option)**

a. This option is consistent with the minimum and maximum penalty amount set when penalties for NMW were introduced in 2009. This is the government's preferred option because the right to short notice payment is a new right and this option allows time for employers to familiarise themselves with implementing the new obligations.

215. **Option 2: Minimum £100 per case, maximum £20,000 per worker**

a. This option is consistent with the current minimum and maximum penalty amounts under the NMW regime. It is not the preferred option as this is new legislation and the government wishes to allow employers time to adjust without enforcing such a large fine for those who don't comply.

216. **Option 3: Different amounts**

a. Allowing respondents to propose different minimum or maximum penalty amounts enables the government to consider evidence-based views informed by stakeholders' experiences. Responses to this option will help inform the government's assessment of whether alternative minimum or

maximum penalty levels would better support compliance while avoiding unintended consequences.

b. For the purposes of this OA, we have assumed full compliance with the legislation and have therefore not estimated the cost to business of the penalty regime. If the government proceeds with its preferred option of FWA enforcement, following consultation, then the FWA will be responsible for assessing the level of non-compliance.

Impact on small and micro businesses

217. 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 changes, as well as ensure ongoing compliance with them[65]. Additionally, small and micro businesses are likely to be more exposed to demand fluctuations due to their reliance on flexibility, and their weaker financial resilience and ability to absorb costs, compared to larger businesses, based on cash in reserve[66].

218. However, the government would not be able to exclude small and micro businesses from the obligation to provide payment for shifts cancelled, moved or curtailed at short notice without a significant adverse impact on the effectiveness of the policy and its objectives. This is because a significant proportion of variable hours workers 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, 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 of creating an incentive for medium and large businesses to subcontract small and micro businesses to provide services as a way to avoid this legislation.

219. Paragraphs 349 to 359 in the Wider Impacts section provide further discussion on why small and micro businesses may be disproportionately impacted, and why an exemption would undermine the policy objectives.

7. Regulatory scorecard

220. As set out in section 5, this OA and accompanying consultation document does not set out preferred options across most powers consulted on (only those related to the Fair Work Agency). However, all powers underpin a regulatory change set out in the Employment Rights Act 2025, and how these powers are

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

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

used will determine the scope and impact of that regulation. In the absence of preferred options for how the powers being consulted on will be used aside from those relating to the Fair Work Agency, this section presents a range of impacts based on the lowest and highest impact options which are explicitly considered in the consultation. These impacts are explored in more detail in the 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. This policy represents a transfer of risk from eligible workers (and eligible agency workers) facing insecurity because their hours are unpredictable onto their employers (or hirers/agencies) where shifts are cancelled, moved or curtailed at short notice and workers would otherwise bear the financial and practical consequences of those changes. The strongest benefits are likely to arise for workers in insecure work and on variable-hours arrangements, but the policy may also benefit a broader range of workers where late changes to scheduled work impose disruption or loss. This means the benefits and risks of flexibility are more evenly shared between workers (on the contracts which are in scope of the policy) and their employers (or agencies/hirers). This represents significant benefits for workers in terms of increased predictability, income security and wellbeing, but at a cost to employers, agencies and hirers. Much of the monetised analysis included in this OA is highly uncertain due to unknown variables around final policy design and potential business reaction. Our monetisation of impacts is on the basis of current business behaviour in terms of short notice cancellations and changes to shifts. However, to avoid a payment for short notice cancellation, movement or curtailment, employers (or agencies/hirers) will likely invest more time into workforce planning to ensure that workers are given sufficient notice of shift patterns wherever possible. This will mean the overall payments will be lower as fewer shifts are cancelled, moved or curtailed, but	**Uncertain Based on all impacts (incl. non-monetised)**

	workers are afforded more notice and predictability regardless. At a societal level, the impacts to employers/agencies and workers/agency workers will net off against each other to some degree. The extent to which the policy will provide a net positive will depend upon (i) if the policy is sufficiently well targeted that it maximises the security and welfare benefits to workers while minimising the situations where employers are expected to incur a short notice payment or call workers in when they do not have sufficient work; (ii) the extent to which the wellbeing effects for workers feed through into productivity improvements for business; (iii) the extent to which workforce planning productivity gains offsets costs to business; and (iv) the extent to which the benefits of an improved level playing field are realised. For workers, this legislation is expected to reduce the detriment arising from short notice cancellations or changes of shifts. This should improve wellbeing by increasing predictability, increasing the payment workers get for shifts cancelled or changed at short notice and reducing disruption to personal planning. For workers on variable hours contracts, it may also reduce unexpected costs and improve confidence in planning future income. The strength and nature of these gains are likely to vary across the hours threshold range, with evidence strongest for workers in insecure work and on fewer guaranteed hours. For employers and agencies, the main costs will be felt in the form of short-notice payments to workers, alongside additional workforce planning. Likewise, there will be a reduction of flexibility for employers, agencies and hirers where they previously regularly changed shifts at short notice, as this will now lead to a financial cost. However, there may be a benefit to some employers associated with creating a level playing field, with employers using variable hours contracts no longer able to undercut competitors by forgoing proper and fair workforce planning.	
Monetised impacts	As a result of not presenting government preferred options (apart from FWA enforcement) we cannot present an aggregated central estimate. We assume that employers and agencies will pay short notice	**Negative**

	payments where changes to shifts have been made within the short notice period, and will also mitigate the number of changes they make through undertaking planning exercises. To provide an indicative range of the Net Present Social Value (NPSV), and given this OA does not provide government preferred options (apart from FWA enforcement), we model two scenarios based on the range of policy options in the consultation. 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. If the short-notice period were set at 1 day, the payment approach were set at 10% of the NMW / NLW, and the hours threshold were set at 8 hours per week, we estimate an indicative NPSV of -£510 million. To provide an order-of-magnitude on a 'per year' basis, this corresponds to around -£50 million per year when averaged over a 10-year period If the short-notice period were set at 7 days, the payment approach were set at 80% of what the worker would have earned from working the shift, and the hours threshold were set at 48 hours per week, we estimate an indicative NPSV of -£4.2 billion. To provide an order-of-magnitude on a 'per year' basis, this corresponds to around -£420 million per year when averaged over a 10-year period. The NPSV should be treated with some uncertainty and caution. It is important to note some limitations when interpreting these figures. First, the main driver of the monetised NPSV is the cost to business of workforce planning (as the transfer of payments to workers is netted out at the society level). This cost is subject to a number of uncertain assumptions, particularly at the top end of the range, and is considered an indirect impact as employers are incentivised to improve their workforce planning. While this lowers the amount of payments, it also leads to (non-monetised) benefits to workers due to longer notice of shift changes.	

	This range should therefore be treated as indicative only. 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 those for the right to guaranteed hours and the right to reasonable notice of shifts. While the specific calculations differ (e.g. due to variations in the employers affected), we expect there could be significant overlap. 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 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. This policy represents a transfer of risk from eligible workers (and eligible agency workers) facing insecurity because their hours are unpredictable onto their employers (or hirers/agencies). This spreads the benefits and risks of flexibility more evenly between the parties. This represents significant benefits for workers in terms of increased predictability, income security and wellbeing, but at a cost to employers, hirers and agencies. At the same time, employers could benefit from the increased formalisation of working arrangements and increased incentives for workers to stay with employers, potentially leading to improvements in productivity. Likewise, good management practice through improved workforce planning may contribute to better productivity for employers. These impacts are expected to be secondary to the more direct impact on wellbeing and flexibility. Due to limitations in the evidence base, we are unable to monetise the policy benefits. The evidence base for these benefits is supported by a	**Uncertain**

	range of survey data and research set out in this OA. In addition, a significant non-monetised impact of this policy will be a reduction of flexibility for employers, hirers and agencies. At lower hours thresholds, this impact is likely to be felt most clearly among employers with staffing models reliant on variable hours and short-notice staffing. At higher thresholds, the impact may broaden to a greater scope of employers, reducing discretionary scope to amend shifts for workers with more substantial guaranteed hours. Whether this benefit to workers outweighs the cost to employers, hirers and agencies (loss of flexibility, administrative costs, payments) will depend on how well targeted it is at those instances where workers are facing detriment and the impact of the measures in instances of genuinely unpredictable demand.	
Any significant or adverse distributional impacts?	Yes. The distributional impacts will depend on the scope of the policy, and are therefore uncertain at this stage. At lower and mid-range hours thresholds for the right to short notice payments (up to and including the 28 hours threshold, as this is the midpoint between the lowest and highest options considered), workers and employers potentially in scope 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 business. At these hours thresholds, workers potentially in scope are also more concentrated among certain groups, including younger (aged 16 to 24) workers, women, disabled workers, and those from some ethnic minority backgrounds. As hours thresholds rise further towards 48 hours, coverage of the right broadens across the economy. We overall expect the impacts on workers and employers to primarily occur where there is evidence of one-sided flexibility, short-notice changes or cancellations to shifts, and insecurity of hours and income. The existing	**Uncertain**

	evidence base indicates that this includes low-paid workers, and workers in some form of insecure work (such as zero hours contracts) or sectors where such practices are most common. However, businesses may still incur additional administrative costs (e.g. setting up systems to track the notice given to staff of shift changes and cancellations) even if they are not required to make any additional payment, and the policy may impact business models where workers have more hours guaranteed, but nonetheless rely on some flexibility.	

(2) Expected impacts on employers, hirers and agencies

Impact	Description of impact	Directional rating
Description of overall business impact	The overall impact on business of the right to payments for shift cancellations, curtailments or movements on employers is expected to be negative. This is primarily due to the rebalancing of risk and flexibility of these forms of contract between worker and employer (or hirer/agency), meaning that employers/agencies are taking on increased risks associated with employment, and the associated costs with administration of this right and the workforce planning associated. Similarly, employers without sufficiently thorough workforce planning, and where it is not possible to predict demand for work, will likely bear costs associated with either short notice payments for those shifts or paying wages for little return if they still bring the worker in but with little work for them to do. At lower hours thresholds this is likely to be concentrated among employers relying on highly flexible staffing models. At higher hours thresholds, coverage may broaden where more workers with substantial guaranteed hours become entitled to payment following late changes to planned working time, capturing a broader range of employers. However, it is expected that employers will endeavour not to change shifts at short notice where possible and therefore level of payments made by business will reduce over time. This will, however, affect the flexibility with which they currently operate.	**Negative**

	Agencies and hirers specifically will be affected, as agency work is considered to be an exceptionally flexible market. They will have to update their administrative and workforce planning processes, and may also see a change in demand depending on the extent to which the flexibility is limited. Conversely, there may also be a benefit to employers as higher worker wellbeing and better workforce planning could lead to productivity gains. There may also be a benefit to employers associated with creating a level playing field, with employers using variable hours contracts no longer able to undercut competitors by forgoing proper and fair workforce planning.	
Monetised impacts	The main monetisable, direct impacts on employers are linked to the familiarisation, implementation and the transfer from employers to workers associated with payments. In addition, workforce planning costs are monetised but considered to be indirect. Given that this OA does not present preferred options (apart from FWA enforcement), it is not possible to provide an aggregated central estimate of Equivalent Annual Net Direct Cost to Business (EANDCB). To provide an indicative range of the Equivalent Annual Net Direct Cost to Business (EANDCB) of this measure, and given this OA does not provide government preferred options (apart from FWA enforcement), 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. If the short-notice period were set at 1 day, the payment approach were set at 10% of the NMW / NLW, and the hours threshold were set at 8 hours per week, we estimate an indicative EANDCB of £20 million per year over a 10-year appraisal period. If the short-notice period were set at 7 days, the payment approach were set at 80% of what the worker would have earned from working the shift, and the hours threshold were set at 48 hours per week, we estimate an indicative EANDCB of £1.3 billion per year over a 10-year appraisal period.	**Negative**

	The wide range reflects the range of options in the consultation. The main driver of the monetised EANDCB is the cost to business of additional payments to workers. This cost is subject to a number of uncertain assumptions, particularly at the top end of the range. This range should therefore be treated as indicative only. This estimate excludes ongoing costs associated with workforce planning, which are seen to be indirect.	
Non-monetised impacts	The major non-monetised impact is a loss of flexibility and increased risk of not meeting consumer demand beyond the costs captured by increased workforce planning, as employers, hirers and agencies are no longer able to so easily flex up their workforce. We know that employers use variable hours contracts where their demand is difficult to effectively predict. If the viability of these business models is affected by these changes, there could be a loss in output or an increase in operating costs. At higher hours thresholds, the policy may also impact business models where workers have more hours guaranteed, but nonetheless rely on some flexibility. Conversely, there may also be a benefit to employers as higher worker wellbeing and better workforce planning could lead to productivity gains. There may also be a benefit to employers associated with creating a level playing field, with employers using variable hours contracts no longer able to undercut competitors by forgoing proper and fair workforce planning.	**Negative**
Any significant or adverse distributional impacts?	Yes. The distributional impacts on employers, hirers and agencies will depend on the scope of the policy, and are therefore uncertain at this stage. At lower and mid-range hours thresholds for the right to short notice payments (up to and including the 28 hours threshold), workers and employers potentially in scope 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 business. Some sectors rely on business models where they keep a pool of flexible workers to meet demand.	**Uncertain**

	The right to short notice payments may reduce the viability of these business models due to the increase in costs associated with this policy (alongside the right to guaranteed hours and right to reasonable notice of shifts). It is estimated that there are around 1 million temporary agency workers in the UK[67]. Due to the 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. These agencies may need to adapt their business practices to remain viable, given the stop gap nature of many hirers' use of agency workers. However, the policy will positively affect employers that already provide payments for short notice cancellations, movements or curtailments of shifts to their workers or that do not cancel, move or curtail shifts at short notice and are currently being undercut. At the upper end of the hours threshold in the consultation (48 hours), coverage of the right broadens across the economy. We expect the impacts would likely be felt most in sectors with variable / unpredictable demand. However, businesses may still incur additional administrative costs (e.g. setting up systems to track the notice given to staff of shift changes and cancellations) even if they are not required to make any additional payment, and the policy may impact business models where workers have more hours guaranteed, but nonetheless rely on some flexibility.	

(3) Expected impacts on households

Impacts	Description of impact	Directional rating
Description of overall household impact	This option is expected to directly and positively impact workers and agency workers, through improving their security and predictability at work, resulting in wellbeing improvements. This policy is aimed at transferring risk from workers to employers (or hirers/agencies), and vice versa with the benefits of flexibility. Similarly, we expect this policy will incentivise better workforce planning	**Positive**

[67] Voice of the Worker, REC, 2024

	of shifts for employers, agencies and hirers, or ensure workers are covered financially where this is not possible. This should mean that workers will face fewer costs associated with last minute changes in their work schedule, such as lost income from shifts cancelled or ability to find work with a different employer. Where workforce planning is not carried out or cannot prevent short notice cancellations or changes, this policy will ensure that workers are not so financially disadvantaged. Much of the monetised benefit to workers comes in the form of short notice payments, where they currently receive none because of late cancellation, movement or curtailment of their shifts.	
Monetised impacts	The main monetisable, direct impacts on workers are linked to payment to workers by employers who cancel, move or curtail shifts at short notice. Given that this OA does not present preferred options (apart from FWA enforcement), it is not possible to provide an aggregated central estimate of Equivalent Annual Net Direct Cost to Households (EANDCH). To provide an indicative range of the EANDCH of this measure, and given this OA does not provide government preferred options (apart from FWA enforcement), 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. If the short-notice period were set at 1 day, the payment approach were set at 10% of the NMW / NLW, and the hours threshold were set at 8 hours per week, we estimate an indicative EANDCH of -£5 million per year over a 10-year appraisal period (that is, a benefit of £5 million per year). If the short-notice period were set at 7 days, the payment approach were set at 80% of what the worker would have earned from working the shift, and the hours threshold were set at 48 hours per week, we estimate an indicative EANDCH of -£1.2 billion per year over a 10-year appraisal period (that is, a benefit of £1.2 billion per year).	**Positive**

	Outside of this payment, we cannot robustly monetise other benefits to workers.	
Non-monetised impacts	A right to payment for shifts cancelled, moved or curtailed at short notice is expected to reduce the extent to which workers bear the financial and practical cost of late changes to scheduled work. For workers in insecure work and on lower guaranteed hours, this is likely to reduce income precarity and unpredictability. For workers with more substantial guaranteed hours, the principal effect may be to provide payment for disruption, inconvenience and lost expected earnings where shifts do not proceed as planned. However, the impact will depend upon the determined short notice period (i.e. if too short, it could do little to reduce these issues and thus maintain current one-sided flexibility, if too long it could place these types of jobs at risk). Income insecurity has been linked to anxiety and stress as well as debt issues and an inability to save for the future, affecting other socio-economic factors, like access to housing. By reducing uncertainty about whether shifts may be cancelled or changed at short notice, the policy is expected to give workers greater confidence in their income, which should support improved wellbeing. Likewise, this legislation is likely to give workers more recourse to properly assert their rights without the risk of their employer reducing or changing their future hours.	**Positive**
Any significant or adverse distributional impacts?	At lower and mid-range hours thresholds for the right to reasonable notice and the right to short notice payments (up to and including the 28 hours threshold), workers and employers potentially in scope 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. At these hours thresholds, workers potentially in scope are also more concentrated among certain groups, including younger (aged 16 to 24) workers, women, disabled workers, and those from some ethnic minority backgrounds.	**Positive**

	As hours thresholds rise further towards 48 hours, coverage of the right broadens across the economy. Nonetheless, we overall expect the impacts on workers to primarily occur where there is evidence of one-sided flexibility, short-notice shift changes and cancellations, and insecurity of hours and income. The existing evidence base indicates that this includes low-paid workers, and workers in some form of insecure work (such as zero hours contracts) or sectors where such practices are most common. As set out in the 'Non-monetised costs and risks' section, there are some potential risks to the demand for certain contracts in scope (which may particularly impact, for example, groups such as students). To minimise potential unintended risks from the right to payment for shifts cancelled, moved or curtailed at short notice, the government has ensured the consultation is wide ranging with very few preferred options. This is reflected in the wide range of options in this OA. By consulting on the payment amount for shifts cancelled, moved or curtailed at short notice we can ensure the payment amount is fair and proportional, with the potential of mitigating any unintended risks. In addition, the increase in labour costs is modest relative to total labour costs in the economy, and employers are likely to take a range of approaches to dealing with higher costs.	

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. This legislation will place burdens on employers, hirers and agencies particularly those in sectors where the use of these variable hours contracts is frequent. In some cases, reduced ability to adjust staffing at short notice could lead to	**May work against**

	higher operating costs, lower responsiveness to demand, or lost output. The scale of these effects will depend on the final policy parameters, including the hours threshold, whether there is a very short notice period, the timeframe for short and very short notice, and the payment amount, as well as on any exceptions. However, there are also several aspects of the policy that will benefit employers. Most notably, this will level the playing field for employers already providing payments for short notice cancellations, movements or curtailments of shifts to their workers or for employers who do not cancel, move or curtail shifts at short notice, and provide positive productivity benefits to employers as a result of wellbeing improvements for workers. Overall, the impact on the business environment and growth is uncertain at this stage, as the measures are out for consultation. The direct impact on business is expected to be negative because the measure introduces familiarisation, set up, workforce planning, and short notice payment costs and reduces some forms of employer flexibility. Potential productivity and wider economic benefits may arise through improved worker wellbeing, better scheduling practices and fairer competition, but these benefits are uncertain and difficult to monetise. Additionally, the cost of short notice payments is seen as a transfer from employers to workers, as the payment from short notice cancellations or changes of shifts (which is the cost to employers and agencies) is the same as the benefit to workers and agency workers (who receive this payment). Therefore, the economic impact of this cost is largely offset. The government therefore expects any overall growth impact from this measure to be small and dependent on final policy design. The consultation will be used to test these trade-offs, including how the final parameters can improve security and predictability for workers while maintaining appropriate flexibility for employers where short notice cancellations, movements or curtailments to shifts are genuinely unavoidable.	

	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. There is 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. Evidence from investment surveys suggests that labour costs and employment protections are not primary considerations for foreign direct investment[68]. This is supported by additional analysis which finds that after the Act's implementation, Great Britain will move up the rankings for employment protections amongst OECD countries, shifting from near the bottom towards closer to the average[69]. 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 because contracts which are most likely to be impacted by the need to provide payment for short notice cancellations, movement or curtailment to shifts are mainly used in non-traded sectors such as retail, hospitality, and health and social care, due to the flexible nature of these sectors. 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. 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	**Neutral**

[68] EY Global Limited. 'EY UK Attractiveness Survey - June 2025'. 2025.

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

	businesses when deciding to deploy FDI in the UK[70]. Moreover, this measure and the Act overall will not lead the employment rights framework to be an outlier compared to many other European economies that the UK will be competing with for FDI.[71] 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.[72] 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

221. Since much of the detail of this legislation 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.

[70] EY Global Limited. 'EY UK Attractiveness Survey - June 2025'. 2025

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

[72] 'Wanted: skills for inward investors'., World Skills UK, 2022

222. 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.

223. Monitoring and evaluation will be critical to provide policy makers 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 meet to assess the process and effectiveness. A monitoring and evaluation plan will be developed using HM Government best practice which will be proportionate to this requirement. This will include both quantitative and qualitative data collection to inform analysis.

224. Our monitoring and evaluation approach will provide:

a. Accountability: We will assess if 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 did what it was intended to do.

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

225. We will also undertake a Post-Implementation Review of this policy within 5 years following introduction (when the secondary legislation comes into effect). This allows the policy time to become sufficiently established.

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

227. 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.

228. 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 reasonable notice of shift patterns and payment for shifts cancelled, moved or curtailed at short notice.

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

229. 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

230. 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. 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 intentions of the policy, for example a decrease in workers experiencing short notice cancellation, movement or curtailment of their shifts, or an increase in payment when late cancellation, movement or curtailments occur.

    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 thinktanks and business stakeholders which cover the behaviour around cancellations and notice of shift scheduling. These options provide metrics which can be measured to assess the effectiveness of the policy, thinktanks 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.

    e. Additional monitoring. This would likely include identifying other evidence sources available which enable us to measure whether there is an increase in the amount of notice that workers receive of their shifts scheduling, and whether there have been any unintended consequences from reducing the flexibility available to employers.

Review objectives

231. Any review of the right to payment for shifts cancelled, moved or curtailed at short notice 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.

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

    a. To what extent has the short notice payment measure impacted the short notice cancellation, movement or curtailment of shifts?

    b. To what extent has the short notice payment measure increased the predictability of work schedules for workers?

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

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

233. We will also evaluate the economic impact of the right to payment for short notice cancellation, movement or curtailment to shifts 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 are 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 to employers and the wider economy as a result of this measure?

234. We will further continue to develop our monitoring and evaluation plans with a focus on how we are gathering insights into the impacts of the option taken forward after this 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

235. The government has committed to continuing full and comprehensive engagement and consultation on the implementation of the Plan to Make Work

Pay[73], working with employers, workers, hirers, agencies, trade unions and other stakeholders. As set out in *Next Steps to Make Work Pay*[74], the government will take a phased approach to engagement and consultation on these policy measures, as well as phasing commencement by allowing a buffer familiarisation period after regulations are laid.

236. Holding a 12-week consultation allows stakeholders from all sectors to fully engage with the complex policy issues at hand. The government is committed to holding roundtables and bilateral sessions with stakeholders to ensure that it appropriately considers the most effective options.

237. Phasing commencement 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.

238. The government is committed to ensuring there is sufficient support and non-statutory guidance for employers of all sizes. Alongside a wide range of engagement and communication, DBT will be working closely with trade bodies, trade unions and Acas and others to ensure sufficient guidance will be available on the zero hours measures. The government has committed to ensuring time is built into the implementation plans to allow stakeholders, including small businesses, to familiarise themselves with changes in law, Codes of Practice and guidance.

239. The government will also ensure that, where appropriate, guidance is published to ensure all stakeholders have the information required to make necessary adjustments. The government is also considering how to best engage stakeholders during the familiarisation period to ensure that the details of the new requirements are clear, particularly to smaller employers who may need more information to adapt.

Declaration

Department: Department for Business, Innovation, Science and Trade

Contact details for enquiries:

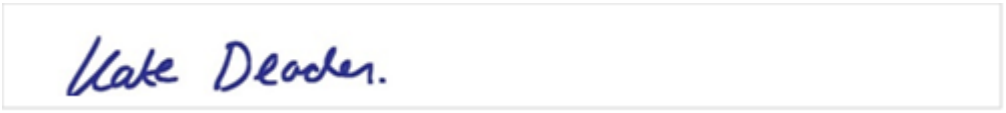
ERDAnalysisEnquiries@businessandtrade.gov.uk

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

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

[74] Next Steps to Make Work Pay - GOV.UK, DBT, 2024

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

Signed: 

Date: 12/08/2026

Annex

Assumption log

240. The analysis makes several assumptions; the most important are set out below in Table 4. 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 across these assumptions among others. The references for these sources are included elsewhere in the OA.

241. DBT commissioned Ipsos to conduct primary research. This published research combines a quantitative survey of 2,381 people, and a series of 18 in-depth interviews[75], 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.

242. The evidence base for short-notice scheduling is materially stronger for workers in insecure work, on zero hours or similar arrangements, with variable schedules, or in sectors where such practices are most common. Several of the sources cited in this OA therefore provide the strongest evidence for the lower part of the hours threshold range. While some evidence suggests that unpredictability in the timing of work is not confined to the lowest-hours workers, direct evidence on the impacts of applying an hours threshold entitlement at substantially higher levels of guaranteed hours is more limited. The analysis of higher thresholds in this OA should therefore be interpreted as more uncertainty as they are combining evidence backed principles with more assumption driven judgements that consultation is intended to test.

243. As set out previously, the Employment Rights Bill Implementation Roadmap[76] states that the reforms to zero hours and similar contracts 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

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

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

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.

244. 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.

Table 4: 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. As such, there 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. 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 in scope for workforce planning	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.[77] This source does not refer to specific hours thresholds. This means that employer impacts cannot be dynamically estimated at different hours thresholds. Depending on the hours threshold, a higher or lower proportion of employers could be captured by the legislation. For the highest hours threshold (48 hours) we consider that all employers could be in scope, regardless of whether they employ a worker on a 'flexible contract' (as defined by the RF) or not. This is a cautious approach. The uncertainty is discussed in more detail in the Annex.

[77] Firm Foundations', Resolution Foundation, April 2024. The Resolution Foundation defines a flexible contract as "one that entails significant uncertainty for the worker, either because they do not know how much they will be paid week to week, or because they have a guaranteed income only for a limited period of time.". The specific categories included in the definition are: workers on zero hours contracts, workers on 'short-hours contracts' (which guarantee between 1 and 8 hours of work a week),workers whose number of hours worked varies week-to-week *and* who are paid a fixed hourly rate, workers on fixed-term contracts < 6 months, temporary workers on causal contracts, and temporary seasonal workers.

Percentage of employer hours which are difficult or impossible to predict week to week; and cannot be mitigated by workforce planning	Incomes Data Research (2018); CIPD (2022)	Medium-low	Medium	These surveys provide a proxied value for the percentage of employers who said that hours for zero hours contract workers varied greatly and were difficult or impossible to predict under the status quo. Therefore, this does not provide a specific estimate of the proportion of hours which cannot be predicted or planned for even with robust workforce planning processes. This source also mainly refers to zero hours workers, and therefore provides the strongest evidence at the low hours thresholds. At higher hours thresholds, this source creates considerably more uncertainty where scheduling practices, contractual stability and employer behaviour may differ. If a greater or lesser share of hours can realistically be predicted through better workforce planning, this will lead to an over or under estimate respectively.

Number of hours per week which are too variable to reliably plan for, and therefore could not be predicted even with workforce planning	CIPD (2018)	Medium-low	High	Based on midpoints from survey data related to how much workers' hours varied week to week. This is a proxy for the number of hours which are too variable to plan for with improved workforce planning and which therefore may be subject to short notice payments. This is based on worker experience of varying hours, and therefore does not directly estimate the number of hours which cannot be planned for. This is based on data from 2018 which may therefore be outdated. This source also mainly refers to zero or low hours workers, and may be more uncertain when used in the model for higher hours thresholds. The total number of hours which may be liable for short notice payments may be under or overestimated using this assumption.

Number of employers who would adapt workforce practices (workforce planning)	DBT (2026) combined with business population estimates above	Medium: robust source, but particular uncertainty in the High scenario	Medium	To estimate the number of employers who would need to adapt their practices and therefore invest in improved workforce planning, we use data from the DBT (2026) research on the prevalence of cancellations of shifts and notice usually received. In our Low scenario, we apply the percentage of precarious workers receiving less than 1 days' notice to the number of employers in scope (see above). In our High scenario, we apply the percentage of precarious workers receiving less than 1 weeks' notice to the number of employers in scope (see above): this is uncertain, and we expect it to be cautious. This is discussed in more detail in the Annex. This source is not based on data related directly to workforce planning, and is based on worker (rather than employer) reported data. Therefore, it is subject to some uncertainty and could lead to the impact estimates being an under or over estimate. In the high scenario we apply the proportion of precarious workers impacted by shift cancellation to the wider economy, as precarious workers are more likely to be impacted by shift cancellation than other workers this is likely to be an over estimate of the policy impact.

Proportion of workers who are unaffected by legislation at a 48-hour threshold due to not working varying hours	Living Wage Foundation (2023)	Medium-High	Medium-High	At higher hours thresholds, those who never work varying hours are unlikely to be affected by the right to payment for short notice cancellation, movement or curtailment of shifts. We use an estimate of the percentage of workers who say that their job does not involve variable hours to provide this proportion, based on a survey of all people in work. This assumption however does not include the nuances of what might be considered a shift cancellation, movement or curtailment in the legislation, so may overestimate the proportion of workers who would not be eligible.
Percentage of workers who have shifts cancelled at any point unexpectedly	DBT (2026)	Medium: robust source, but particular uncertainty in the High scenario	Medium-High	This survey provides a percentage of workers in insecure work who have had working hours or shifts ever cancelled with 7 days' notice or less. Similar to other assumptions, this data source is more uncertain at higher thresholds.
Current notice periods for shift cancellations	DBT (2026)	Medium	Medium-High	This survey provides data on the notice usually received by workers in insecure work who had experienced shift cancellations. Similar to other assumptions, this data source is more uncertain at higher thresholds.

Median wage for workers in scope	ASHE (2025)	Medium-High	Medium-High	This provides specific, high quality survey data on wages for workers in the UK. For the purposes of this analysis, we use the median hourly wage for workers on zero hours contracts. There is some uncertainty in this assumption depending on the specific scenarios and populations impacted. It may be an under-estimate, particularly at higher hours thresholds.
Workers currently receiving compensation for late notice cancellation	Living Wage Foundation (2023)	Medium	Medium-High	This is the best available source for the compensation currently received by workers (in this case, those who report that their hours vary) who experience cancellations. Alternative sources (e.g. DBT (2026) research) do not provide sufficiently granular breakdowns for our modelling. Nonetheless, there is some uncertainty in this assumption depending on the specific scenarios and populations impacted.
Unit cost associated with workforce planning, per employer	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 payment for short notice cancellation, movement or curtailments of shifts, multiplied by the equivalent wage rate of workers responsible for this process. 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.

Evidence gaps

245. The analysis within this OA is based on the best available evidence at this stage and is based primarily on the areas of the consultation where options have been explicitly stated. However, there remain important uncertainties which affect the assessment of the options for the right to payment for shifts cancelled, moved or curtailed at short notice. These uncertainties relate to the likely costs and benefits of different options, how employers, agencies, hirers and workers may respond to the measures, the extent to which existing data captures the workers and business models most affected, and how different options may interact with genuine operational need. In particular, there is uncertainty around the appropriate definition of short notice, whether a separate very short notice period is needed, the appropriate level and basis of payment, the circumstances in which exceptions should apply, and how the measure should operate and be enforced in agency worker arrangements.

246. The consultation has been designed to gather information on these areas where there are evidence gaps, with this being reflected in the fact that many options are presented as free text to reflect the scope of how open the consultation is. Examples of where the government is seeking further evidence from the consultation include:

    a. the appropriate timeframe for defining short notice, including whether this should be 1 day, 2 days, 3 days, 5 days, 7 days or another period. This will help determine the point at which cancellations, movements or curtailments create sufficient detriment for workers to justify a statutory payment, while maintaining necessary flexibility for employers where changes are unavoidable. This is being tested through questions on the short notice period for directly engaged workers and agency workers (Q44.a–b and Q46.a–b)

    b. whether there should be a separate “very short notice” period, with a higher payment attached, to reflect the potentially greater inconvenience and costs faced by workers when shifts are cancelled, moved or curtailed at very short notice. This is being tested through questions on the very short notice period for directly engaged workers and agency workers (Q45.a–b and Q47.a–b)

    c. the appropriate basis for calculating the short notice payment, including whether the payment should be based on a percentage of what the worker would have earned from working the shift or relevant hours, or a percentage of what the worker would have earned at the relevant National Living Wage or National Minimum Wage rate. This will help assess how different calculation methods affect worker payment, employer costs, simplicity and proportionality. This is being tested through the question on the short notice payment calculation method (Q48.a–b)

    d. the appropriate payment percentage for short notice and very short notice payments. For example, a lower payment percentage may reduce costs for employers but provide less payment for workers who have lost expected income or incurred costs, while a higher payment percentage

may provide stronger payment and incentives for better workforce planning but impose greater costs on employers, agencies and hirers. This is being tested through questions on the payment percentage for short notice payments and very short notice payments (Q49.a–b, Q50.a–b, Q51.a–b and Q52.a–b)

e. the circumstances in which exceptions from the requirement to make a short notice payment may be justified. This could include circumstances where the cancellation, movement or curtailment arises from events outside the employer's control, such as extreme weather events or widespread power outages, while ensuring that any exceptions do not undermine the core objective that workers should not bear all the financial risk of short notice changes. This is being tested through questions on exceptions for directly engaged workers and agency workers (Q53.a–c and Q54.a–c)

f. the potential for unintended consequences due to factors we have not taken into account. This will be informed by the broader impacts questions in the consultation (Q61 and Q62.a–b)

247. Consultation responses will be used to refine the assessment of costs, benefits and risks before final policy decisions are taken. This will include updating the final-stage impact assessment to reflect further evidence on business behaviour, operational need, agency worker arrangements, enforcement and compliance, non-monetised costs and benefits, and potential unintended consequences. This approach is intended to ensure that the final policy parameters improve financial security for workers where shifts are cancelled, moved or curtailed at short notice, while maintaining necessary flexibility for employers, agencies and hirers where short-notice changes are genuinely unavoidable.

Evidence base

248. This section outlines how we have quantified the costs and benefits to employers and households resulting from the right to payments for short notice cancellation, movement or curtailments to shifts. This places obligations on business to create a system to ensure their compliance with these regulations and ensure any payments to workers where they are due. This also creates incentives for employers to invest in a system associated with improved workforce planning to provide suitable notice of shift changes where that is possible.

249. Many of the costs associated with this regulatory 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 a guaranteed hours contract and the right to reasonable notice of shifts. 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 when considering the wider package of measures.

Monetised Costs

250. 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 and agencies would not need to provide payment to workers for any shift cancellations, curtailments or movements at short notice. Similarly, under this option, workers will suffer from the issues related to one-sided flexibility. Relative to the status quo, we expect that employers, hirers and agencies invest more time in workforce and shift planning to ensure enough notice is given to mitigate the risk of triggering the requirement to make short notice payments. Where necessary as they cannot be mitigated through workforce planning, we assume employers (or agencies) will pay a short notice payment. 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.

251. The main monetised costs to business from the right to payment for shifts cancelled, moved or curtailed at short notice are expected to come in the form of:

    a. Familiarisation and set-up costs incurred by business to understand new requirements associated with the policy and implement the systems by which workers on contracts in scope have the notice of shifts and any shift cancellations, movements and curtailments recorded, ensuring that the correct level of payment can be made where notice is given within the short notice period.

    b. Ongoing additional workforce planning costs are the costs associated with additional time invested in the scheduling of workers to corresponding hours/shifts in advance. Whilst businesses will already undertake some degree of workforce planning, we expect that the regulations will mean that workforce planning happening at an earlier stage represents a burden or cost on businesses. We consider this to be an indirect cost because it relates to a behavioural response from employers who seek to avoid short notice payments where possible and where it makes financial sense to do so.

    c. There will also be a cost for employers and agencies with paying short notice payments where these are due. However, the unit costs associated with this are primarily presented as indicative. This is partly because it is anticipated that many employers, hirers and agencies will be incentivised to plan out their shifts more efficiently, and so including the cost of payments based on current business behaviour would be a clear overestimate.

Familiarisation cost

252. 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, hirers or agencies 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 the new right, that the familiarisation and implementation of this policy is undertaken by the corporate manager/director[78] in small and micro businesses since they are less likely to have dedicated HR resource. In medium and large businesses, we assume that the familiarisation and implementation of this policy will be undertaken by one HR manager/director[79] and three HR administrative assistants[80].

b. When accounting for an uprate by non-wage labour costs (21.6%) as per ONS[81] 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.

253. In our central estimate we take a cautious approach and assume that the time taken for familiarisation 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[82], because it is applied to the entire business population, including those without workers in scope. However, a 2024 Resolution Foundation[83] 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.

254. This gives a unit cost estimate of £35 for small and micro businesses, and £90 for medium and large businesses. Aggregating over the full business population, this leads to a one-off familiarisation cost of £60 million in the low estimate. We conduct sensitivity analysis using 2 hours for familiarisation in high estimates to account for the uncertainty in how much time employers may need to familiarise themselves, which equates to a cost of £110 million.

[78] SOC code: 11

[79] SOC code: 1136

[80] SOC code: 4136

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

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

[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 2: Calculation of one-off familiarisation cost in low-cost scenario

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

Notice and payment – set-up

255. We assume that after familiarising themselves with the legislation, businesses will incur a set-up cost as they must create a process by which they track notice given and establish a process in their payroll systems for where they have changed shifts at less than short or very short notice.

256. To estimate the set-up costs, we apply the same assumptions in terms of worker(s) responsible and time taken as the familiarisation costs, leading to a one-off cost of £60 million in the low estimate. Again, we include sensitivity analysis which leads to an estimated cost of £110 million for implementation in the high estimate.

257. Overall, we anticipate that the one-off cost of employers familiarising themselves with the legislation and implementing a system through which they would comply with it would be approximately £110 million in the low estimate, or £230 million in the high estimate.

Workforce planning – ongoing

258. We consider the main ongoing behavioural cost associated with this option to be the workforce planning that businesses will undertake to ensure that they provide enough notice to avoid short notice payments where possible. This is because, as evidence suggests, many employers, agencies and hirers that currently use the types of workers in scope of this policy currently often provide their workers with very short notice of any cancellations. However, the right to payment for short notice cancellations, movements or curtailments of shifts will ensure that when this happens, they will be obligated to provide a payment to the worker. As such, we believe that employers, agencies and hirers will look to avoid these where possible through more robust workforce planning. As such, we consider workforce planning to be an indirect cost to employers, as it is a behavioural response rather than a requirement for compliance. Our understanding of how a business will adapt its workforce planning is still nascent, and the costs here are to be seen as indicative, especially given that the detail of the policy of what is defined as 'short notice' is likely to affect the level of workforce planning required to remain compliant. These will be revised throughout the consultation process as more evidence becomes available.

259. 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[84].

260. First, to derive the number of businesses affected by the legislative change, for the low estimate (at an hours threshold of 8 hours) we have applied an estimate of the proportion of employers that hire workers on 'flexible contracts' from the Resolution Foundation (2024)[85] to DBT estimates of the total number of businesses in Great Britain with more than one employee, derived from the Business Population Estimate (BPE). For the high estimate (at an hours threshold of 48 hours), we assume that the measure could potentially be relevant to all employers.[86] However, this is a simplifying and highly cautious assumption and should not be read as implying that all employers would need to make the same degree of behavioural change. In practice, many employers may already provide predictable schedules.

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

[85] 'Firm Foundations', Resolution Foundation, April 2024. The Resolution Foundation defines a flexible contract as "one that entails significant uncertainty for the worker, either because they do not know how much they will be paid week to week, or because they have a guaranteed income only for a limited period of time.". The specific categories included in the definition are: workers on zero hours contracts, workers whose number of hours worked varies week-to-week and who are paid a fixed hourly rate, workers on 'short-hours contracts' (which guarantee between 1 and 8 hours of work a week), workers on fixed-term contracts < 6 months, temporary workers on casual contracts, and temporary seasonal workers.

[86] Given that the evidence from the Resolution Foundation is specific to 'flexible contracts', and population of workers in-scope under the high estimate (at an hours threshold of 48 hours) would be much broader, we do not consider it sufficiently robust to apply in the high scenario.

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 'flexible contract'	Number of employers that employ at least one worker with a 'flexible 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

261. 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 provide notice to 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). 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 staff member estimated to partake in the exercise) 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.

262. We assume that only those who currently cancel shifts at less notice than each option for short notice will need to change or adapt their workforce planning processes to avoid short notice payments where possible. The DBT (2026) research indicates that around 33% of current precarious workers have ever experienced hours or shifts being cancelled with less than 7 days' notice. We make the simplifying assumption that this can be applied directly to the business population affected in both the Low and High scenario. Of those precarious workers who had experienced hours or shifts being cancelled with less than 7 days' notice, the DBT (2026) research also asked respondents the notice they usually receive: 25% reported less than one day's notice (this is applied in the Low scenario) and 97% reported less than a week's notice (this is applied in the High scenario).[87] The approach to the High scenario assumes that the *additional* businesses captured in the High scenario (compared to the Low scenario which captures employers with at least one worker on a 'flexible contract') are as likely to cancel shifts with less than 7 days' notice. In practice, this is likely a cautious approach: the DBT (2026) research indicates that workers with some guaranteed hours are less likely to indicate that they have had shifts cancelled with less than 7 days' notice.

263. We apply these proportions to the business population estimates (2025) to estimate the number of businesses that would need to amend how they allocate

[87] This number is not 100% because 2% responded with 'Don't know' and 1% responded 'Prefer not to say'. This may be an overestimate as everyone who responded 'Cancelled 5 to 7 days before' have been included (and therefore may include some who received 7 days' notice).

working hours, such that short notice payments are minimised. The formula in Box 3 explains how this is calculated.

Box 3: Formula for cost of workforce planning

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

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

Adv is the proportion of businesses in the UK who do not currently provide notice of cancellations at each option considered for short notice

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

264. 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 the potential employers in scope, we anticipate that workforce planning would incur a yearly cost to business of between £50 million and £460 million based on the level of short notice considered in this OA. This is not considered a direct cost, and is therefore excluded from our Equivalent Annual Net Direct Cost to Business (EANDCB) estimates, as we believe these to be behavioural changes rather than compliance related.

Box 4: Calculation of ongoing workforce planning cost in low cost (short notice 1 day) scenario:

$$Number\ of\ micro/small\ businesses\ estimated\ to\ be\ in\ scope\ (85{,}000) * cost\ of\ corp\ managers/directors\ (£37.29) * time\ taken\ (13) * number\ of\ corporate\ managers\ (1)$$

$$+$$

$$Number\ of\ medium\ businesses\ estimated\ to\ be\ in\ scope\ (3{,}000) * cost\ of\ HR\ manager/director\ (£36.23) * time\ taken\ (13) * number\ of\ HR\ managers\ (1)$$

$$+$$

$$Number\ of\ medium\ businesses\ estimated\ to\ be\ in\ scope\ (3{,}000) * cost\ of\ HR\ administrative\ assistants\ (£17.58) * time\ taken\ (13) * number\ of\ HR\ assistants\ (3)$$

$$+$$

$$Number\ of\ large\ businesses\ estimated\ to\ be\ in\ scope\ (1{,}000) * cost\ of\ HR\ manager/director\ (£36.23) * time\ taken\ (13) * number\ of\ HR\ managers\ (1)$$

$$+$$

$$Number\ of\ large\ businesses\ estimated\ to\ be\ in\ scope\ (1{,}000) * cost\ of\ HR\ administrative\ assistants\ (£17.58) * time\ taken\ (13) * number\ of\ HR\ assistants\ (3)$$

$$= £50{,}000{,}000$$

265. 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 short notice cancellations, curtailments or movements of shifts. 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.

Payment for late cancellation, movement or curtailment of shifts

266. Aside from the costs associated with familiarising and complying with the change in legislation, there will be ongoing costs for those employers that face truly unpredictable demand and thus pay out for shifts which are cancelled, moved or curtailed at short notice or still ask the worker to attend work even if there is little to do.

267. We calculate the value of payments for changes if employers were to continue with current behaviour. This is illustrative as in reality employers who could plan around changing demand would be incentivised to do so. This means that the rate of cancellations, curtailments or movements would fall as would the

estimated cost of the payments if behaviour did not change, and it would only persist where demand was truly unpredictable. The analysis here estimates the cost of payment for late cancellations, but does not capture the costs arising when employers curtail or move shifts. Therefore, the costs presented here may underestimate the overall impact on employers.

268. Where employers could not predict demand in advance, it is likely that in many cases they would rather pay for the worker to complete their shift even if only a small output/benefit was delivered rather than pay a similar rate for no work. This depends on what rate the short notice payment is set, if the payment rate is low, employers may prefer to cancel, move or curtail workers' shifts and pay the fee. However, if the payment amount for cancellation is set at a rate close to or at the value of the shift in question, employers may rather pay the worker to attend the shift even if there is little work to do, as they would pay a similar amount for cancelling the shift and getting no work completed for it.

269. We assume throughout our analysis that some businesses incur a cost of workforce planning and so avoid the cost of short notice payments (whereas they would incur the cost of short notice payments based on current behaviour, i.e. without any further workforce planning). However, we also make an indicative estimate of how much the ongoing cost of payments for cancellation, movement and curtailment could be in scenarios where better planning may not be possible.

270. While the policy set out in the Act describes the overarching framework for a payment mechanism, much of the detail of this policy will be set out in secondary legislation. This OA considers options here, although allowing for data constraints we adopt the notice periods for shift cancellation of less than 24 hours and 7 days, which are considered as the ends of the explicit options considered in the consultation.

271. Considering that the scope of the options for the hours threshold (and therefore the workers in scope) in this consultation ranges from 8 to 48 hours, we treat the upper and lower bounds differently when modelling the impacts of the payment:

    a. In the Low scenario, we start with number of workers estimated to fall under the 8 hour threshold (around 3.3 million). Based on the DBT (2026)[88] research, we then apply the percentage of workers in precarious work who reported experiencing cancellations of shifts with less than 7 days' notice (33%) and, of those, the percentage who reported that they usually received less than one day's notice (25%). This results in around 270,000 workers potentially receiving cancellation payments.

    b. In the High scenario, we do not assume that all workers contractually eligible at a 48 hour threshold would experience cancellations engaging the right. We start with the number of workers estimated to fall under the 48 hour threshold (around 28.6 million). Based on the LWF (2023)[89], we then apply the percentage of workers who report that their hours vary (55%). Based on the DBT (2026) research, we then apply the percentage of workers in precarious work who reported experiencing cancellations of

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

[89] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

shifts with less than 7 days' notice (33%) and, of those, the percentage who reported that they usually received less than 7 days' notice (97%).[90] This results in around 5 million workers potentially receiving cancellation payments. This is intended to better proxy the population practically exposed to cancellation risk, although there remains uncertainty over whether all workers who report variable hours would fall within scope in practice.

272. The two options being considered in this OA for the payment approach are to base it on:

    a. The value of the shift or hours in question.

    b. The applicable minimum wage rate multiplied by the scheduled number of hours that were cancelled, moved or curtailed.

Box 5: Formula for Payment for Shift Cancellation in the 'Low' scenario

$$Cancellation\ Payment\ = [V_{MW} * N_S * P_{FP} * P_{SIP}]$$

Where:

V_{MW} is the value of the hours cancelled multiplied by the payment approach of either minimum wage or median wage

N_S is the number of shifts cancelled in a given year

P_{FP} is the percentage of employers already paying some form of payment for late cancellation

P_{SIP} is the percentage of employers who say their shifts are impossible to predict and therefore cancellations cannot be easily avoided even through workforce planning

273. The number of hours cancelled used in this model is a highly uncertain proxy, and this also does not explicitly account for the number of shifts curtailed or moved. We intend to use the consultation process to understand better how often shifts are cancelled and what this means for hourly work.

274. Data from CIPD[91] suggested that for employers of workers on variable hours contracts, 37% stated that their workers worked similar hours each week, 12% vary by a few hours each week (e.g. 1 to 3 hours), 13% vary by 4 to 8 hours and 10% vary by more than 8 hours a week. The rest of the respondents indicate that their hours do not tend to vary week-to-week but do seasonally (16%) or that they don't know (12%).

275. If we take an average from the figures where workers indicate that their hours vary and adjusting for the 12% who indicate that they 'don't know', we are able

[90] This number is not 100% because 2% responded with 'Don't know' and 1% responded 'Prefer not to say'. This may be an overestimate as everyone who responded 'Cancelled 5 to 7 days before' have been included (and therefore may include some who received 7 days' notice).

[91] Labour Market Outlook, CIPD, 2018

to estimate the percentage of workers whose hours vary by different amounts each week. We then take the mid-point from their survey responses for the number of hours they vary each week[92], and multiply through by the percentage of workers. We take this as a proxy for the average number of hours cancelled each week[93]. We estimate that, for workers where hours did vary, the average amount was by 4.3 hours a week.

276. It should be noted that this data does not distinguish to what extent the variation is due to the employer or the worker. Additionally, the variation may occur due to workers taking on additional shifts. At this point in time, we make a simplifying assumption that variation is symmetric, i.e. it is equally likely to relate to additional shifts as it is to cancelled shifts. We therefore assume that 2.15 hours are cancelled per week. For the annual cancelled hours, we estimate that on average 100 hours (2.15 x 46.4[94] weeks) are cancelled per worker potentially receiving cancellation payments.

277. In the absence of detailed demographic information of the workers who have their shifts cancelled, we make a simplifying assumption using the 2025 National Living Wage (NLW, applicable for workers aged 21 years and over) of £12.21 per hour as the payment amount. For the value of the shift option, we use the median wage of workers on zero hours contracts, as identified in ASHE (2025), as a proxy for the median wage of workers with variable hours – this equates to £13.76 per hour. While this does not capture the full range of workers potentially in scope of the policy, it reflects evidence that workers with no or few guaranteed hours are the population more likely to have shifts cancelled at short notice, and therefore would be more likely to benefit from the policy than workers with a higher number of guaranteed hours. DBT (2026)[95] research indicates that 33% of workers in insecure work have experienced cancellation of working hours or shifts with seven days' notice or less, with this rising to 41% for workers on zero hours contracts.

278. We also adjust for the number of employers who already pay for cancelled or curtailed shifts:

    a. CIPD (2022)[96] estimates suggest that 33% of employers that make use of zero hours contracts compensate workers for shifts that are cancelled with less than 24 hours' notice. However, the survey does not provide information on the level of compensation, nor the employer behaviour if shifts are cancelled at longer notice.

    b. DBT (2026) research indicates that 34% of workers in insecure work who have experienced a shift cancelled with seven days' notice or less report receiving some form of compensation. Of those, around 35% report receiving full payment for the hours scheduled, around 29% report receiving a minimum guaranteed rate, around 26% report receiving a

[92] 2 hours for those who say their hours vary 1-3 hours; 6 hours for those who say their hours vary 4-8 hours; 10 hours for those who say their hours vary 8+ hours per week.

[93] The specific calculation is (2 hours x 25.53%) + (6 hours x 27.66%) + (10 hours x 21.28%) = 4.3 hours. We note that the final category of "hours vary by more than 8 hours each week" is open-ended. We have assumed 10 hours.

[94] This is the average number of weeks worked for full time workers (assuming 5.6 weeks of annual leave). This is a simplifying assumption and may not be applicable for certain groups (e.g. those on zero hours contracts).

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

[96] Zero-hours Contracts: Evolution & Current Status, CIPD, 2022

percentage of the expected wages, and around 9% report receiving other types of benefits or perks. The research does not provide information on how this changes depending on the specific notice received that is less than 7 days.

c. LWF (2023)[97] research estimates that around 72% of workers whose hours vary and reported that they had shifts cancelled unexpectedly in the past 12 months received some kind of payment. The differences with other research may, in part, reflect the different populations surveyed (with the LWF (2023) research surveying a broader population of workers whose hours vary). Whilst this research indicates a higher propensity for employers to provide payments than the other research, it also provides the most granular breakdown of the level of payment received, which is not available in the other sources. Therefore, we use the LWF (2023) research in our modelling, whilst acknowledging that this may overestimate the proportion of employers making payments for cancelled shifts due to the policy.

279. We assume that businesses will aim to cancel shifts ahead of the point where they need to provide payment where possible and adjust the amount of notice that they provide of cancellations through workforce planning. We use survey evidence from CIPD (2022)[98] which suggests that 28% of businesses believed that the hours of their zero hours contract workers either varied greatly each week or were impossible to predict as a proxy for those shifts that are not able to be better planned, and therefore may incur cancellation costs. This is backed by evidence from Incomes Data Research (2018)[99] where 28% of respondents with staff on zero hours contracts regarded demand for such hours as highly variable and difficult to predict. However, this research also notes that no respondents reported that demand for minimum hours contracts work was difficult to predict, and employers with minimum hours contracts workers were more likely to state that hours vary on a seasonal (rather than weekly) basis. This suggests that our approach may over-estimate the % of cancellations that cannot be mitigated through better workforce planning, particularly in the High scenario.

280. The exact nature of any exceptions from the duty to pay for shifts cancelled, moved or curtailed have not been set out and will only be set out in secondary legislation, with the accompanying consultation seeking views on where these exceptions may be required. It is therefore possible that a proportion of these shifts might fall under these exceptions and therefore employers might not incur a cost associated with compensating these workers. We present the costs associated with payments therefore as a high-end indicative estimate.

281. To calculate a unit cost associated with payments for short notice cancellation or curtailment, we combine the assumptions set out above, as set out by Box 5. This equates to a unit cost of between £2.62 per week per worker at 10% of the minimum wage[100] (Low scenario) and £23.67 per week per worker at 80% of the

[97] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

[98] Zero Hours Contracts, Evolution & Current Status, CIPD, 2022

[99] Minimum and zero hours contracts and low-paid staff, Incomes Data Research, LPC, 2018

[100] £12.21 (NLW for 21+) * 10% * 2.15 (number of hours cancelled per week). May not match due to rounding.

wage of the worker[101] (High scenario). This is effectively an economic transfer from employers to workers who will receive this payment due to not being given sufficient notice of shift changes.

282. Finally, the LWF (2023)[102] research indicates that around 19% of workers whose hours vary and reported that they had shifts cancelled unexpectedly in the past 12 months received a payment of over 75% of their regular pay (which, by definition, must be at least the relevant NMW / NLW). Meanwhile, around 72% received some kind of compensation. Given the data limitations, we make the simplifying assumption that these can be applied to the Low and High scenario for the payment % for short notice (i.e. 19% of workers who have shifts cancelled unexpectedly receive more than 80% of their regular pay, and 72% receive more than 10% of their regular pay). This approach is taken irrespective of the hours threshold (8 hours in the Low scenario, 48 hours in the High scenario) and short notice period (1 day in the Low scenario, 7 days in the High scenario). This is on the basis that the LWF survey did not specify a timeframe for the cancellation (noting that it is possible that the likelihood that employers provide compensation decreases as the notice increases) and that the scope of the population surveyed broadly applies in the High and Low scenario (in absence of more granular breakdowns that are more targeted to the populations impacted in each scenario).

283. Based on the range of policy options explicitly considered in this OA, using the assumptions laid out above, the cancellation[103] payments could lead to a cost to business of between £5 million and £1.2 billion per year (with a corresponding benefit to workers). This is a wide range, reflecting the full range of policy options under consideration. There are some further limitations that are important to consider when interpreting these figures.

    a. These estimates are subject to a number of simplifying assumptions and are subject to uncertainty, particularly the upper bound. Much of the underlying evidence used to inform the key assumptions, including the proportion of shift changes that cannot be mitigated through workforce planning, is drawn from studies of zero hours contracts or workers with few hours guaranteed. As a result, applying these assumptions to workers with higher guaranteed hours may not fully capture differences in scheduling practices and contractual stability in these parts of the labour market. In particular, workers with higher guaranteed hours may face different patterns of shift variability and employer behaviour, and therefore the incidence and nature of short notice changes may differ from those observed among those with fewer hours guaranteed. The estimates presented should therefore be interpreted with caution at higher thresholds, and ongoing consultation and evidence gathering will be used to refine these assumptions for the final impact assessment.

    b. The monetisation focusses primarily on shift cancellations and does not explicitly include the cost associated with short notice movement or curtailment of shifts, due to data constraints. The unit cost would be calculated following a similar approach as set out in Box 5.

[101] £13.76 (median wage for workers on zero hours contracts) * 80% * 2.15 (number of hours cancelled per week)

[102] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

[103] This is just the cancellation payment and does not include the movement or curtailment payment.

c. The options included in this OA and accompanying consultation create scope for a 'very short notice' period which could be set at a different time period and higher payment percentage relative to the short notice period. This could change the monetised impacts. The unit cost would be calculated following a similar approach as set out in Box 5.

Summary

284. Due to the wide range of potential options for the parameters discussed in this OA, with no government preferred option across any of the parameters and the government's choice not to set out preferred lead options within the ranges provided (except for FWA enforcement), a specific Net Present Social Value (NPSV) and EANDCB is not provided.

285. 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, which are outlined in Table 6. We use 2025 as the price base year and 2027 as the present value to account for the 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 short notice payments is estimated at between £20 million and £1.3 billion.

Table 6: Options used in modelled cost estimates

Right to Short Notice Payment	Short notice period	Very short notice period	Payment approach	Payment % for short notice	Payment % for very short notice	Hours threshold
Smallest impact	1 day	No very short notice period	% of National Minimum/Living Wage × number of hours they would have worked	10%	N/A (there is no very short notice)	8 hours per week
Largest impact	7 days	No very short notice period	% of worker's hourly pay × number of hours they would have worked	80%	N/A (there is no very short notice)[104]	48 hours per week

286. Our ranges show that the expected cost of the legislation will depend on which workers are in scope and how the mechanisms for payment work. Since the detail of these will be set out in secondary legislation after this consultation, this OA makes uncertain assumptions and presents unit costs which could be

[104] While having a different very short notice period may have implications for administration costs for employers which are not captured, in terms of wider cost of payments, a short notice period of 7 days at 80% of the wage of the shift is considered the highest impact policy.

incurred from the range of policy options. There are reasons why this modelling could lead to us over-estimating the impacts of the policy:

a. The ongoing costs of this policy are estimated based on workers on variable hours contracts as per the status quo. There is a chance that, as a result of this policy, alongside the policies providing workers with a right to a guaranteed hours contract, and a right to reasonable notice, employers will incorporate more predictable, guaranteed hour contracts in operating models, and therefore the number of people who are on contracts in scope may decline over time. This will reduce the burden of this regulatory change on businesses over time.

b. Likewise, employers may opt to not cancel a shift and instead go ahead with the shift – even if the work achieved by the worker is minimal, that could be more beneficial than paying a potentially similar amount to the wage paid in return for no hours worked. The extent of this will depend on whether the payment amount is the full amount of close to or below the cost of the shift, with the higher the level of short notice payments the greater risk of deadweight.

c. At higher hours thresholds, the modelling captures a wider group of workers, including some whose working patterns may be less likely to involve shift work, variable hours or short-notice changes. To account for this, the high scenario removes the 44% of workers who report that their job does not involve variable hours or shift work as per the Living Wage Foundation[105], leaving an estimate of the workers more likely to be affected by short-notice cancellation, movement or curtailment of shifts. Within the constraints of the available evidence, this is considered a reasonable approach and reflects our best estimate of the workers potentially in scope. However, there remains uncertainty around whether all workers who report variable hours or shift work would be affected by the policy in practice, for example, as not all such workers will have shifts changed at short notice. As a result, the estimates may still overstate the number of workers who would benefit from the right to payment, and this uncertainty is likely to increase as the threshold moves closer to 48 hours.

Costs and benefits to households calculations

287. The Equivalent Annual Net Direct Cost to Households (EANDCH) is equivalent to the payments associated with late changes to shifts. This will be a direct transfer from employers to workers, and will lead to a unit transfer of between £1.22 and £11.01 per hour cancelled when considering the low estimate of 10% of NLW/NMW or the high estimate of 80% of wages respectively. Based on the range of policy options considered in this OA, the cancellation payments could lead to an EANDCH of between -£5 million and -£1.2 billion annually, that is a benefit to workers of between £5 million and £1.2 billion.

288. Further benefits and costs to workers are not monetisable because many 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. Currently, the evidence base required to quantify the benefits associated with

[105] Living Wage Foundation Data Tables, Living Wage Foundation, 2023

the improved wellbeing expected from this legislation is not developed enough to robustly make this calculation.

Net Present Social Value (NPSV)

289. To provide an indicative range of the NPSV of the right to payments for late notice cancellation, movement or curtailment of shifts, we use the upper and lower bounds of policy options considered in this OA, and find that, for the monetisable elements of this policy, the NPSV is estimated at between -£510 million and -£4.2 billion. This uses 2025 as the price base year and 2027 as the present value base year in which costs and benefits start from.

290. However, it is important to note some limitations when interpreting the monetised NPSV.

291. First, the main driver of the monetised NPSV is the cost to business of workforce planning. This cost is subject to a number of uncertain assumptions, particularly at the top end of the range. This range should therefore be treated as indicative only. The monetised cost to business of providing cancellation payments is reflected as a benefit to workers (i.e. netted out for the NPSV).

292. Second, 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 this OA and supported by a range of survey data and research.

Non-Monetised Costs and Benefits

293. In addition to the monetised costs and transfers set out above, the policy is expected to generate a wider range of non-monetised effects for employers, agencies, hirers and (agency) workers. These effects are likely to vary materially depending on the final hours threshold and payment design. At lower thresholds, the main impacts are expected to be concentrated among workers in insecure and variable-hours work, and among employers, agencies and hirers relying on highly flexible staffing models. At higher thresholds, the core issue of late change to scheduled work may remain relevant, but the nature of the impacts is likely to shift. Worker benefits may relate more to payment for disruption, inconvenience and lost expected earnings, while employer impacts may arise more through broader workforce exposure and constraints on rota and workforce-management practices to cover volatile demand.

Non-Monetised Costs and Risks

Operational need

294. A key non-monetised risk associated with the right to short notice payments is the potential impact on the ability of employers, agencies and hirers to respond to operational need. This includes circumstances where the cancellation, movement or curtailment of shifts at short notice is due to unpredictable demand, urgent or time-critical events.

295. The policy is intended to ensure that where workers or agency workers have kept time available for work, and may have incurred costs or turned down alternative work, they receive appropriate payment where a shift is cancelled, moved or curtailed at short notice. This is intended to rebalance the financial risk of unpredictable demand, so that workers are not expected to bear the full cost of late changes which arise from business need.

296. However, the government recognises that there may be circumstances where requiring a short notice payment could be disproportionate. For example, where a shift is cancelled, moved or curtailed because of an extreme weather event, or widespread power outage it may not be appropriate for the employer, hirer or agency to be required to make a payment. The consultation therefore seeks views on whether there should be exceptions to the requirement to make short notice or very short notice payments, and if so, what those exceptions should be.

297. Evidence from DBT (2026) shows that one in three (33%) of workers in insecure work had experienced cancellation of hours or shift cancellations with seven days' notice or less. These workers were then asked for the reasons their working hours or shifts had been cancelled, common reasons included lower than expected demand, client/customer cancelled, poor planning by employer, errors or last minute changes in scheduling, employer had someone else to cover the shift, adverse weather conditions, financial restrictions requiring reduced hours, lack of materials, equipment or products needed to work, and no reason given at all. This indicates that some short notice cancellations reflect genuine reasons, whilst some may reflect avoidable planning failures.

298. Through gathering evidence from the consultation, the final policy can ensure that short notice payments provide greater financial security and predictability for workers and agency workers, while maintaining appropriate flexibility for employers, hirers and agencies to respond to certain circumstances.

Unintended consequences

299. The main non-monetisable cost is the potential loss of flexibility for businesses and a reduced ability to meet variable customer demand. This is especially pertinent to businesses operating in sectors with highly variable or unpredictable demand, including weather-dependent sectors and emergency services, where business and employment models rely on short-notice and relatively unscheduled work. At lower hours thresholds, this is likely to affect employers relying most heavily on variable-hours and highly flexible staffing models. At higher thresholds, the impact may broaden to include more part and full time workers and nearly all employers, creating reduced discretion to amend shifts

for workers with more substantial guaranteed hours. Even with strong workforce planning, this legislative change may result in, at times, periods of too many or too few staff. This however, on aggregate, will be mitigated if policy exceptions are implemented for situations in which short notice shift changes are frequent or a necessity, the detail of which will be set out in regulations following consultation.

300. Many employers use zero hours contracts to manage changing demand and with a view to keeping a flexible pool of labour that can be easily expanded or contracted to fill short term peaks and troughs in demand, resulting in fewer medium- to long-term cost obligations in their workforce. A CIPD (2022) report[106] suggests that 64% of employers that made use of zero hours contracts suggested one of the key reasons for doing so was to manage fluctuating demand. The right to payment for shifts cancelled, moved or curtailed will still allow for this pool of labour to be maintained. However, workers will receive notice of changes to shifts with sufficient time or will receive payment where cancellations, curtailments or movements have occurred at short notice.

301. In April 2024 the Resolution Foundation released a report[107] containing survey data from 750 employers in the UK in April 2024. This report suggests that one quarter of employers who use flexible forms of contract face seasonal demand, with a similar share (22%) suggesting that they experience 'uncertain' demand.

302. Consistently across the Resolution Foundation report, employers state cost reasons for using variable hours 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. Variable hours contracts are also seen to provide productivity benefits to employers that use them, with 14% of respondents reporting that workers on variable hours contracts are more productive than other staff.

303. The right to payment for shifts cancelled, moved or curtailed at short notice, alongside other zero hours measures, may lead to a reduction in the availability of these casual forms of work. This could impact the level of employment for groups who are more weakly attached to the labour market. Flexibility for the worker is consistently cited as the reason these contracts are used by workers[108], and a reduction in the availability of this type of work could limit the ability for certain groups to access the labour market.

304. Another potential unintended risk of the policy is that a reduced incentive for businesses to adjust their labour supply at short notice in response to falls in demand due to the associated cost and administrative burden leads to overstaffing. This is particularly the case at higher percentage payment options, most pronounced for the 80% of hours option considered for short and very short notice, where employers have reduced incentive to cancel shifts given that they will have to pay for up to 80% of the full value of it anyway. While this primarily results in higher wage costs (which cannot be robustly estimated), it also carries non-monetised implications. Overstaffing can lead to reduced operational efficiency, as staff may be underutilised during quieter periods. In

[106] Zero Hours Contracts, Evolution & Current Status, CIPD, 2022

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

[108] Firm Foundations', Resolution Foundation, 2024; Zero Hours Contracts, Evolution & Current Status, CIPD 2022

the longer term, businesses may seek to recover these costs by increasing prices, which could impact consumers and overall market competitiveness. For workers, overstaffing may lead to frustration or reduced job satisfaction if shifts become less meaningful or productive.

305. On the other hand, in sectors with particularly volatile demand, the right to payment for shifts cancelled, moved or curtailed at short notice could reduce the incentive for businesses to increase labour supply quickly in response to an uptick in demand. This is because they may risk incurring additional costs if demand falls again and shifts need to be cancelled or curtailed. This could result in understaffing during busy periods, impacting both workers and businesses. Workers may miss out on pay due to not being offered a shift, and those who work the understaffed shifts may experience increased job-related stress, while businesses' revenue or quality of service may fall, impacting their ability to survive in competitive markets.

306. The policy could also lead to businesses being cautious about offering shifts that are more likely to be cancelled, moved or curtailed at short notice to workers in scope of the right to payment for shifts cancelled, moved or curtailed at short notice. Instead, they may favour workers who are not in scope (i.e. those with guaranteed hours above the threshold) to avoid having to make a payment[109]. Therefore, at lower hours thresholds, those who work variable or fewer hours could see a reduction in choice of shifts, resulting in increased competition for shifts and reduced income. At higher hours thresholds, this avoidance risk is reduced as a greater proportion of workers could be in scope.

307. To minimise potential unintended risks from the right to payment for shifts cancelled, moved or curtailed at short notice, the government has ensured the consultation is wide ranging with very few preferred options. This is reflected in the wide range of options in this OA. By consulting on the payment amount for shifts cancelled, moved or curtailed at short notice we can ensure the payment amount is fair and proportional, with the potential of mitigating any unintended risks.

Impact on agencies

308. Agencies could face additional costs and complexity due to the short notice payment requirements. The Act sets out that agencies will be responsible for providing payments to eligible agency workers for shifts cancelled, moved or curtailed at short notice. Estimates from the REC suggest that there are approximately 1 million temporary agency workers in the UK. Overall, it is estimated that the recruitment sector accounted for 1.8% of the UK's total direct Gross Value Add (GVA) in 2023[110]. An estimated 76.4% of recruitment GVA was generated through temporary or contract placement activity[111].

309. Often agency workers are given very little notice of changes or cancellations to their shifts. As previously shown in the shortlisting section, agency workers are more likely to be subject to short notice changes or cancellations of shifts compared to those directly employed. The Association of Labour Providers

[109] Although, depending on the circumstances, this could amount to indirect discrimination prohibited by the Equality Act 2010.

[110] UK Recruitment Industry Status Report, REC, December 2023

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

survey shows that 24% of agency workers never have shifts changed or cancelled, whereas 64% have them changed or cancelled with less than 24 hours' notice[112].

310. The government understands that employers often turn to agency workers due to supply-side constraints (Resolution Foundation, 2018), with 43% of employers using agency workers to cover holidays and absences, while other supply side reasons such as uncertain demand (23%) and seasonal demand (21%) are also highlighted[113]. This shows that agency workers can be used by employers to fulfil 'stop-gap' roles in their workforce, which may leave them exposed to short notice cancellations, curtailments or movements of shifts.

311. As illustrated in the monetised direct costs outlined in the section above, agencies may incur set up costs for new systems to track which agency workers are eligible, identify when shifts have been cancelled, moved or curtailed at short notice, and make the payment to the worker. As well as the system set up costs, the agency will incur the cost of making the cancellation payment to the eligible worker in circumstances where a shift was cancelled, moved or curtailed at short notice. Due to evidence suggesting that agency workers may be more likely to have shifts cancelled, moved or curtailed at short notice, and the requirement for agencies to make the payment to agency workers, this requirement may disproportionately affect agencies, potentially altering the usage of temporary placements. The government is consulting on whether there is value in amending the Conduct of Employment Agencies and Employment Businesses Regulations 2003 so that agencies are required to give hirers relevant information to support them to comply with their duties under the zero hours measures.

312. Agencies may need to adjust pricing structures to account for these increased costs, which could reduce margins and increase financial risk, particularly for smaller agencies with limited cash reserves. The extent to which this will occur will depend on the detail of secondary legislation, and the interaction of how it applies to agency workers and those directly employed.

313. Under the Act, some of the short notice payments made by agencies to eligible workers would be recoverable from the end hirer to the extent that the hirer is responsible for the short notice. However, this is limited to arrangements entered into and not modified prior to, or within two months of, Royal Assent.

314. Agencies may wish to facilitate the recovery of short notice payments through modifying their contractual arrangements with end hirers to clarify liability and reimbursement terms, particularly for contracts entered into before two months after Royal Assent. Whilst renegotiating contracts could lead to additional costs, it may ensure the agency has the right to be reimbursed.

315. Where short notice payments are small and reimbursement is uncertain, agencies may find it more cost-effective to absorb the loss, which would further add to their own costs and shrink any profit margin.

[112] What Agency Workers Think, ALP, 2025

[113] Choices, choices', Resolution Foundation, 2018

316. To minimise potential unintended risks from the right to payment for shifts cancelled, moved or curtailed at short notice 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, which is reflected throughout this OA. An example of this is where the consultation asks for views on possible exceptions specifically in regard to agency workers to gain insights of stakeholders. Additionally, by consulting on separate timeframes for (very) short notice for agency workers we can ensure the (very) short notice timeframe is fair and proportional, with the potential of mitigating any unintended risks.

Non-Monetised Benefits

Workers

317. The policy seeks to address the imbalance created by one-sided flexibility in zero hours and similar contracts where shifts are cancelled, moved or curtailed at short notice. By introducing payments for shifts cancelled, moved or curtailed at short notice, eligible workers gain greater protection from the financial and practical detriment caused by late changes to planned work. For workers in insecure work and on lower guaranteed hours, this is likely to provide greater income security. For workers with more substantial guaranteed hours, the main benefit relates more to reduction in disruption, inconvenience and lost expected earnings. This change is intended to strengthen fairness in the employment relationship without removing flexibility entirely.

318. There are problems inherent in one-sided flexibility employment, such as pay insecurity, unpredictability of working hours and inability to fully exert rights[114]. Strong evidence links these with a range of negative phenomena such as anxiety around unfair treatment, lower pay and greater anxiety about 'downgrading'[115]. These have been highlighted in the rationale for intervention. The Skills and Employment Survey (2017)[116] estimated that around 7% of workers surveyed were 'very anxious' that their working hours could change unexpectedly.

319. Research by Moore et al. (2017)[117] 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. This is reinforced by recent survey evidence. A DBT (2026)[118] survey of insecure workers who had experienced changes or cancellations with less than seven days' notice found that 57% of these workers reported a moderate or significant impact on their ability to budget for household or other expenses.

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[114] Zero Hours Contracts, ReWage Policy Brief, Dix and others, 2023

[115] Downgrading in this circumstance refers to the reduction of a worker's job level, position or pay grade within an organisation.

[116] Skills and Employment Survey, Cardiff University, 2017

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

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

320. The Living Wage Foundation (2023)[119] paper suggests that those workers who are regularly subject to changes in their shifts are subject to an 'insecurity premium', which refers to the additional cost and income implications due to the way their hours are organised. This manifests in two main ways. The first is the loss of income associated with having shifts cancelled unexpectedly where they receive less than their full wage and are unable to find alternative work. Likewise, by not receiving sufficient notice of shifts being scheduled, workers are unable to use cheaper services to get to work in the first place (such as public transport or cheaper childcare). Findings from the Living Wage Foundation suggest that 27% of the insecure workers surveyed have faced higher travel costs because of the way their hours are organised, while 17% have experienced higher childcare costs. This is reinforced by survey evidence from DBT (2026). Among insecure workers who have had shifts changed or cancelled with 7 days' notice or less and require childcare in order to go to work, 86% reported that changes or cancellations to shifts with 7 days' or less notice had an impact on their ability to arrange childcare, while 87% reported an impact on the cost of childcare. In addition, 46% of insecure workers who had shifts changed or cancelled reported that it had an impact on the cost of travelling to work, providing further evidence that unpredictable scheduling raises day-to-day costs for affected workers.

321. Beyond the direct financial implications associated with un-cancellable childcare or travel costs for workers in these more insecure forms of work, it also creates difficulties planning their lives. The same Living Wage Foundation survey found that 29% of workers surveyed suggested that lack of certainty over their working hours had led to them having to cancel social plans or occasions, with 27% facing increased difficulty in financial planning or budgeting. This broader impact on workers' ability to manage their personal lives is reinforced by DBT (2026) survey evidence[120], which found that nearly two thirds (65%) of insecure workers experiencing changes or cancellations to shifts with 7 days' or less notice reported an impact on their ability to plan or manage their personal life.

322. As such, much of the benefit of this policy will come to the workers in the form of increased wellbeing, via counteracting the negative effects of one-sided flexibility. Most notably, these negative effects are related to pay insecurity, unpredictability and inability to assert rights.

323. Research by Smith and McBride (2022)[121] highlights how 'on call' contracts with short or no notice of shift cancellations contribute to insecurity where individuals make themselves available for work but are not offered shifts. Citizens Advice (2018)[122] 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 which need a regular and predictable income, such as access to private renting or mortgages. This is supported by evidence from DBT's survey on workers in insecure work

119 'Precarious Pay and Uncertain Hours, Living Wage Foundation, 2023

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

121 'Low-paid Multiple Employment and Zero Hours Work', Smith and McBride, 2022

122 Walking on thin ice: the cost of financial insecurity, Citizens Advice, 2018

(2026)[123] 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.

324. This finding is reflected in the level of underemployment present in these forms of contract. Underemployment for those on zero hours contracts specifically is at 28%[124].

325. Studies have demonstrated a link between health and wellbeing and job satisfaction in the workplace[125]. 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.

326. 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)[126] 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. This is consistent with DBT (2026)[127] survey evidence, which found that over half (56%) of insecure workers who experienced short-notice changes or cancellations to shifts reported an impact on their mental health.

327. A study by Schneider and Harknett (2017) found consistent evidence that scheduling practices such as short notice of work schedules, irregular work schedules and hours, cancelled shifts and on-call shifts are associated with worse sleep quality, and more psychological distress and unhappiness[128]. A DBT (2026) survey found that 46% of insecure workers who experienced changes or cancellations to shifts with seven days' notice or less reported an impact on their physical health.

328. It is therefore unsurprising that research found 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 4-6 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 this poor mental health when they also lack confidence in being able to afford an unexpected expense.

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

124 People in employment on zero hours contracts, Table 14, ONS, July-September 2025

125 Work Related Well-Being is Associated with Individual Subjective Well-Being, Ray, 2022

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

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

128 'How Work Schedules Affect Health and Wellbeing: The Mediating Roles of Economic Insecurity and Work-Life Conflict', Schneider and Harknett, 2017

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

130 'Limiting choices: Why people risk insecure work, Work Foundation, 2023

329. Using a novel reinforcement-learning simulation, a paper by Nokhiz et al.[131] (2025) quantifies how unpredictable shift scheduling undermines workers' long-term financial utility in the context of irregular work in the US. It finds that around 80% of food industry workers have little control over schedules, with 69% required to remain “open and available”. Modelling scenarios with greater schedule transparency, including compensation for short-notice cancellations, the authors demonstrate a statistically significant increase in predicted lifetime utility and a marked reduction in financial insolvency risk, particularly benefiting low-income, hourly sectors.

330. Poor workforce health imposes significant costs on the NHS, driven by stress-related illnesses, mental health conditions, and musculoskeletal disorders linked to insecure and unpredictable work patterns. Public Health England[132] estimates that work-related ill health costs the UK economy £100 billion annually, with mental health accounting for the largest share. CIPD research[133] highlights that poor health and wellbeing contribute to higher sickness absence and reduced productivity. The CIPD's Health and wellbeing at work 2025 report found that average employee absence had risen to 9.4 days per employee per year, while around a quarter of employees reported that work had negatively affected both their mental and physical health. By improving predictability in working hours, the policy could reduce stress and anxiety associated with income volatility, lowering the incidence of work-related health problems and easing demand on NHS mental health and primary care services.

331. As this policy is aimed at reducing income insecurity and giving workers more predictability over their income both in the short term and security over future 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.

332. Unstable hours and earnings are strongly linked to reliance on Universal Credit and other in-work benefits, as workers struggle to maintain consistent income. The Resolution Foundation’s Unstable Pay report[134] shows that 14% of workers experience erratic pay fluctuations of ±25% or more, making budgeting difficult and increasing the need for welfare support. This volatility also drives financial insecurity, leading to higher use of crisis loans and housing assistance. Introducing a right to payment for short notice cancellations, movements and curtailments of shifts would provide greater income stability, reducing the need for state support and improving household resilience. Over time, this could generate fiscal savings for government and support economic growth by enabling workers to participate more fully and productively in the labour market.

[131] Counting Hours, Counting Losses: The Toll of Unpredictable Work Schedules on Financial Security, Pegah Nokhiz, Aravinda K. Ruwanpathirana, Aditya Bhaskara and Suresh Venkatasubramanian, 2025
[132] Health and Work Evidence Review, Public Health England, 2019
[133] Health and Wellbeing at Work, CIPD, 2025
[134] Unstable Pay, Resolution Foundation, 2025

Benefits to employers, wider economy and growth

333. Beyond the benefits to workers themselves, the policy could also lead to benefits to employers and the wider economy. The wider literature indicates a positive link between wellbeing, engagement at work, employer performance and productivity. Similarly, it has been found that there is a negative impact of temporary employment on productivity. These 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 impacts 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.

334. Secondly, as suggested in the monetised element of this OA, it is likely that this policy will incentivise employers to invest more time and money into workforce planning, including improvements in technology and investing in training managers in better scheduling practices. There is evidence to suggest that this will benefit employers as well as workers, by streamlining processes and making them more efficient in their operations[135].

335. Recent empirical studies demonstrate that improving work scheduling practices can yield measurable productivity and financial benefits for employers. A randomised trial across 28 Gap retail stores in the US found that implementing stable scheduling, such as two-week advance notice and consistent shift times, led to a 7% increase in sales and a 5% rise in labour productivity[136]. Similarly, a large-scale analysis of over 1.2 million grocery transactions showed that hour-of-day and day-of-week schedule consistency improved cashier productivity by up to 1.63%, with gains of up to 7.93% among new hires[137]. These findings suggest that even modest investments in scheduling stability can enhance operational efficiency and workforce performance.

336. McKinsey[138] (2023) case evidence from the utilities sector indicates that AI-enabled scheduling can deliver substantial operational improvements, including higher worker utilisation, reduced service disruptions and productivity gains in the order of 20–30 per cent, supporting both cost efficiency and service reliability. Retailers using app-based scheduling platforms like Shyft saw a 12% reduction in labour costs, an 8.5% improvement in sales-to-labour ratios, and a 20% decrease in employee turnover[139]. These results indicate that better scheduling not only improves employee satisfaction and retention but also contributes to cost savings, service reliability, and overall business resilience.

337. However, while the evidence shows the link between good and more secure work, productivity, and incentivisation for employers to invest in workers, there is no evidence that enables us to quantify the impact that a right to payment for cancellation, movement or curtailment of shifts will have specifically.

338. 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

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

136 Doing Well By Doing Good: Improving Store Performance with Responsible Scheduling Practices at the Gap, Inc., Kesavan et al., 2021

137 The Impact of Schedule Consistency on Shift Worker Productivity: An Empirical Investigation, Lu et al., 2022

138 Smart Scheduling for Utilities, McKinsey, 2023

139 Schedule Optimisation Case Studies, Shyft

government's Economic Analysis and Enactment Summary Impact Assessment of the Employment Rights Act 2025[140], reflecting improvements in job quality, workforce stability and productivity, alongside fairer competition between firms.

339. The government has three main objectives for the zero hours measures. These include supporting sustained economic growth across the diverse range of industries that make up the UK economy, while establishing a baseline of security and stability for workers facing unpredictable hours so they can plan their lives more effectively and rebalancing labour market flexibility so that it works for both workers and employers. 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.

340. While these effects of one-sided flexibility reform are uncertain and difficult to quantify at this stage, they are expected to be small when compared to total labour costs in the economy and to partially offset any short-term adjustment costs for employers. To help mitigate these costs the government is consulting on a wide range of options, with no preferred options for the right to payment for shifts cancelled, moved or curtailed at short notice (other than FWA enforcement). The final policy parameters will aim at increasing predictability and security for workers while maintaining appropriate flexibility for employers, supporting a balanced approach to sustained economic growth.

Summary of impacts of options considered in this OA

341. 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.

342. The hours threshold has the largest effect on the impacts, both monetised and non-monetised, of this legislation because it determines the number and type of workers (in addition to those on zero hours contracts or contracted under zero hours arrangements) who would be eligible for payment protection. At lower thresholds, the expected benefits are more clearly concentrated among workers in insecure work and on contracts most closely resembling zero hours and similar arrangements, where concern around income precarity from late changes to shifts is strongest. At higher thresholds, eligibility extends to a broader set of workers for whom the policy may still provide meaningful payment for disruption and lost expected earnings, but where the link to precarity is weaker. As the threshold rises, the policy therefore changes in character as well as scale.

343. After this, the amount payable for the short notice payment is likely to be the most important to determining the impacts of the policy. This is because most of the options being considered go beyond the status quo as per surveys of both

[140] Employment Rights Act Economic Analysis and Summary Impact Assessment'. HM Government. 2026

employers and workers. While, due to the nature of many workers on these contracts, the difference between the value of hourly pay and the NMW rate is relatively small, for some workers at the margins there could be a considerably higher rate if by the value of their hourly pay. More importantly, a low payment percentage is likely to create relatively little distortion or disincentive for employers to adapt their process, a larger payment amount will improve income security considerably but will come at the expense of employers' ability to manage highly volatile demand.

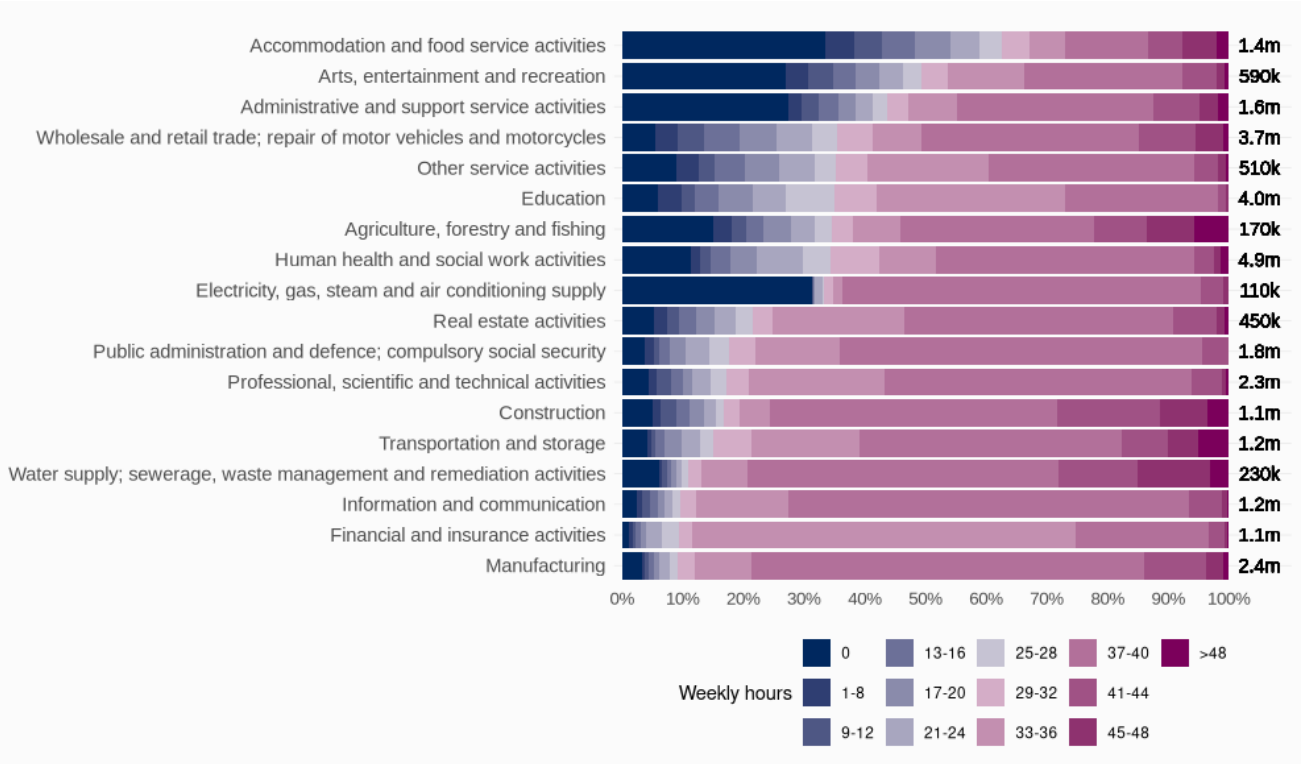
Wider Impacts

Sectoral impacts

344. 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 lower and mid-range hours thresholds. At higher hours thresholds, coverage of the right to payment for shifts cancelled, moved or curtailed at short notice would broaden across the economy, but the greatest practical impacts are still expected to arise where employers, hirers and agencies rely most on short-notice scheduling and variable workforce deployment. This OA considers the impacts on the economy at an aggregate level; however, in this section the OA considers specific sector-level impacts.

345. Figure 2 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 up to 28 hours per week (the midpoint between the lowest and highest options considered in this OA, which are 8 and 48 hours respectively), while pink bars represent thresholds above this midpoint. 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 2: Proportion of employee jobs by weekly basic hours band and sector, with total employee jobs counts



346. As outlined previously, at lower and mid-range hours thresholds, the sectors most likely to be impacted by the right to payment for shifts cancelled, moved or curtailed at short notice are those with variable or fluctuating demand. This is most notable in the hospitality; arts, entertainment and recreation; and administrative and support services sectors, where 63% (900,000 employee jobs), 49% (290,000 employee jobs) and 44% (700,000 employee jobs), respectively, of those employed are in scope of a 28-hour threshold (the midpoint between the lowest and highest hours threshold options). Similarly, retail, education, and health and social care would likely be disproportionately affected, with those sectors having 35% (1.3 million employee jobs), 35% (1.4 million employee jobs) and 34% (1.7 million employee jobs) of their workforce, respectively, potentially in scope of a 28-hour threshold. This supports the findings from the DBT survey (2026)[141] 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.

347. With hours thresholds closer to 48 hours, coverage of the right to payment for shifts cancelled, moved or curtailed at short notice 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.

348. Both education and health and social care are sectors that have considerable public sector provision. Therefore, the impacts to the public sector and increases in costs will increase government spending. Approximately 26.3% of those potentially in scope of a 28-hour threshold are employed in the public sector, compared to 26.4% of total employment being in the public sector.

Impact on small and micro businesses

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

350. Table 7 breaks down the proportion and number of employers by size that employ any workers on ‘flexible contracts’, based on the Resolution Foundation (2024)[142] and DBT business population estimates (2025). It also breaks down the number of employee jobs that are potentially in scope under hours threshold options of 8, 28 and 48 hours (the lowest option, midpoint, and highest option considered, respectively), by employer size, based on ASHE (2025).

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

[142] Firm foundations, Resolution Foundation, 2024

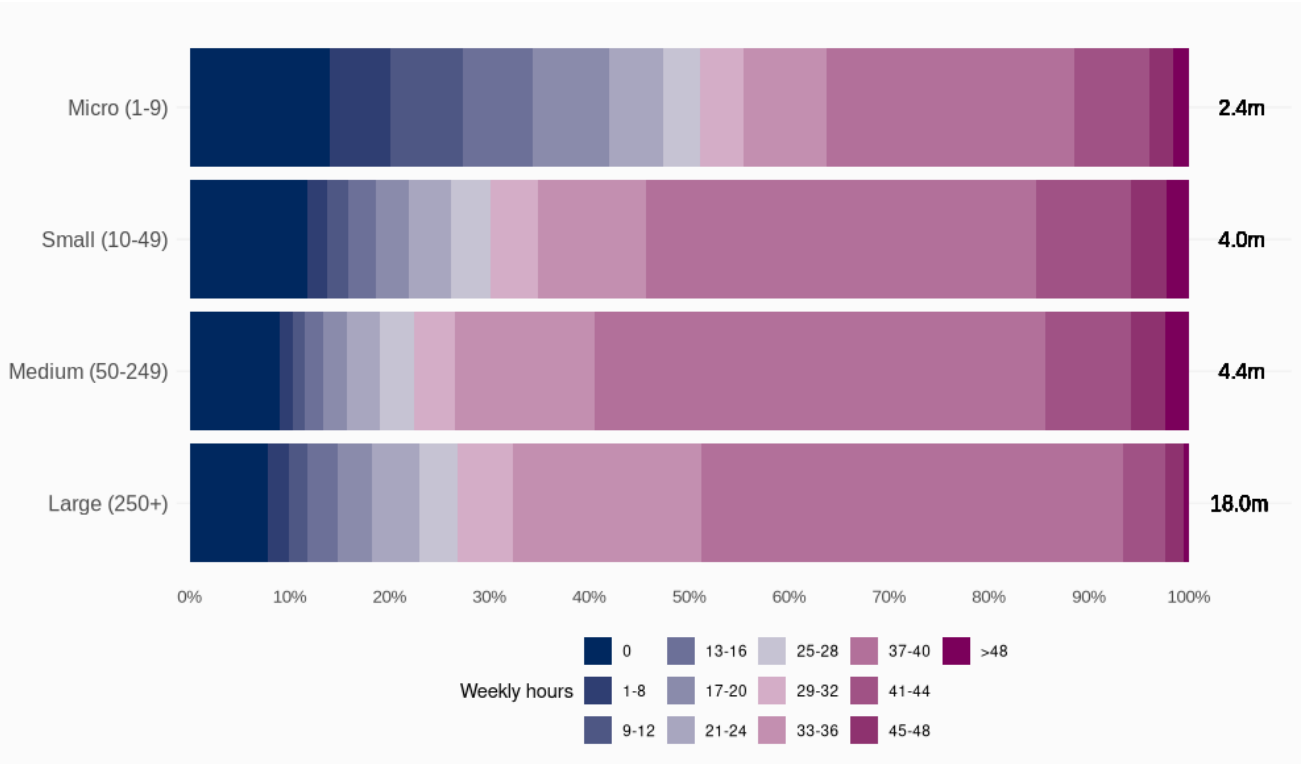
Table 7: Employment of workers on 'flexible contracts', and number of employee jobs potentially in scope under hours threshold options of 8, 28 and 48 hours, by employer size[143]

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 'flexible contract'	Number of employee jobs with 8 or fewer weekly basic hours	Number of employee jobs with 28 or fewer weekly basic hours	Number of employee jobs with 48 or fewer weekly basic hours
Small and micro (1-49)	74%	1,030,000	1,030,000	2,420,000	6,250,000
Medium (50-249)	93%	40,000	450,000	990,000	4,320,000
Large (250+)	94%	10,000	1,780,000	4,810,000	17,890,000
All businesses	75%	1,080,000	3,270,000	8,230,000	28,460,000

351. Likewise, Figure 3 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 up to 28 hours per week (the midpoint between 8 and 48 hours), while pink bars represent thresholds above this midpoint. The figures to the right of each bar indicate the total number of employee jobs in each business size category (in millions).

[143] Totals in this table may not exactly match the headline estimates presented elsewhere in this assessment. This is because records with missing business size information are excluded from the business size breakdowns shown here, whereas the headline estimates of workers in scope by hours threshold include all available records regardless of whether business size is reported.

Figure 3: Proportion of employee jobs by weekly basic hours band and business size, with total employee jobs counts



352. At lower and mid-range hours thresholds (where the policy remains more concentrated among workers in insecure and variable-hours work), micro businesses (1 to 9 employees) have a significantly higher proportion of total employee jobs potentially in scope than other businesses. For example, at an hours threshold of 28 hours per week, 51% of employee jobs in micro businesses are potentially in scope, compared to 30% of those in small businesses (10 to 49 employees), 22% of those in medium-sized businesses (50 to 249 employees), and 27% of those in large businesses (250 or more employees). At hours thresholds closer to 48 hours per week, the proportions of employee jobs potentially in scope across business sizes become relatively similar as coverage of the right to payment for shifts cancelled, moved or curtailed at short notice broadens across the economy.

353. 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. Large businesses account for only 1.5% of recruitment enterprises in 2024[144].

354. 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 variable hours workers who are most likely to be impacted by the right to payment for shifts cancelled, moved or curtailed at short notice work in small and micro businesses, and so an exemption would

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

significantly undermine the ability of this policy to address the possibility of employers exploiting their workers on variable hours contracts through one-sided flexibility. Moreover, as this is essentially a transfer of risk from the workers to employers, agencies and hirers, we assume that the cost imposed on small and micro businesses is directly related to the benefits the workers receive.

355. 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 improving security and predictability 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. It would also create a disincentive for these smaller firms to grow and therefore become in scope of the policy.

356. Similarly, there is a potential risk associated with medium and large businesses who are not exempt from these regulations potentially subcontracting small and micro businesses that are exempt to avoid this legislation to provide services, thereby undermining the objectives of the policy.

357. However, it is likely that burdens resulting from this policy will fall disproportionately on small and micro businesses. 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.[145] This may make understanding and implementing the changes, as well as ensuring ongoing compliance with them, disproportionately burdensome for these businesses.

358. In addition, small and micro businesses are likely to be more affected by the reduction 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 payment for shifts cancelled, moved or curtailed at short notice will reduce the ability to do this without incurring extra costs. This inefficiency is likely to disproportionately impact smaller businesses because they rely more on variable hours workers to manage volatile demand (as shown in Figure 3), 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)[146]. This means that smaller businesses are likely to be more exposed to demand fluctuations and therefore disproportionately impacted by the policy.

359. Over the course of consultation, we will consider ways of reducing burdens on small and micro businesses. We will consider methods such as early

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

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

engagement, with time built in for business to familiarise with the legislation and clear communication ahead of commencement and guidance.

Equalities Assessment

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

361. This policy aims to reduce the impact of one-sided flexibility, where employers providing short notice of shift cancellations or changes inadvertently transfers risk to workers. The regulatory changes are expected to have a positive impact on qualifying workers by providing workers with more stability through payment for short notice cancellations, movements and curtailments of their shifts. Provided employers give more notice of cancellations or changes, it would allow more time to rearrange or cancel childcare arrangements (or other arrangements) that are no longer required, potentially increasing the likelihood of recovering costs incurred, further reducing the financial impact of a cancelled, moved or curtailed shift. Or if employers do not provide more notice of shift cancellations or changes and instead make a payment to the worker, this too would reduce the financial impact of a cancelled, moved or curtailed shift. However, as outlined previously, an increase in regulation on these types of contracts could mean employers may be more hesitant to hire workers on these contracts, or offer more work to workers who are out of scope of the legislation, although the ability of employers to do this will depend on where the hours threshold is set.

362. 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 will mean that the data are not directly comparable, particularly at lower hours thresholds, but it provides a reasonable proxy to illustrate the likely composition of workers at lower and mid-range thresholds (between 8 hours and the 28-hour midpoint), where the policy remains more concentrated among groups in insecure and variable-hours work. As thresholds rise further, the in-scope population broadens and these distributional patterns become less pronounced.

363. Using ASHE, among employee jobs that are zero hours contracts or have 28 hours or fewer per week at a basic rate of pay:

    a. 68% are female, compared to 43% among those with more than 28 hours.

    b. 18% are aged 16 to 24 years, compared to 7% among those with more than 28 hours, and 7% are aged 65 years and over, compared to 2% among those with more than 28 hours.

364. Using the LFS, of employees who self-report being on a zero hours contract or usually working 28 hours or fewer per week:

    a. 23% have a disability under the Equality Act 2010, compared to 15% among those working more than 28 hours.

b. 47% are non-married, compared to 34% among those working more than 28 hours.

365. Also using the LFS, the employees more likely than average (23%) to self-report being on a zero hours contract or usually working 28 hours or fewer per week are those who:

a. Identify as Bangladeshi (34%), Pakistani (31%), or Mixed or Multiple ethnic groups (27%).

b. Identify as Jewish (41%), Muslim (30%), Christian (25%), or with 'any other religion' (24%).

366. Taken together, the impacts of this policy set out in previous sections are more likely to fall disproportionately on workers with certain protected characteristics. This includes: women, 16-24 year olds, people with a disability, those non-married, as well as the ethnicities and religions displayed above, reflecting their higher representation among those potentially in scope of lower and mid-range hours thresholds.

Business environment

367. The UK's flexible labour market, or its ability to match labour supply and demand and thereby maintain low unemployment[147], 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.

368. The right to short notice payments will reduce the speed at which employers, hirers and agencies can adapt staffing levels to changes in demand. This may affect the viability of certain business models.

369. However, the primary aim of this policy is around ensuring that workers who are on variable hours contracts are given sufficient notice of changes to their shifts, and payment for where short notice is given, giving certainty to workers around their future income and allowing them to plan accordingly. It is likely that either many employers in the economy are already doing this outside of a statutory requirement, 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.

370. As outlined previously, several countries within Europe and further afield have implemented policies to improve security and predictability for workers on variable hours contracts and have similar policy objectives to those outlined for this policy. This suggests that any relative difference on this matter, across some countries, may be negligible.

371. 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, more developed workforce planning processes alongside improved wellbeing

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

will feed through into productivity improvements. This would improve the business environment and the incentives for businesses to invest.

Impacts on the Enforcement System

Employment Tribunals

372. We expect there to be some impact on the employment tribunal system as a result of the right to a payment for short notice cancellations, movements and curtailments of shifts. This will possibly lead to an increase in demand for early conciliation services provided by Acas and cases within Employment Tribunals[148] (ET).

373. 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[149], in line with other measures included in the Act, to approximate the potential increase demand to Acas and ETs[150].

374. The closest proxy jurisdiction is assessed to be "Equal Pay" and "National Minimum Wage". Additional claims are estimated by multiplying the number of workers who gain the right to short notice payments for cancellation, movement and curtailment by the current employment tribunal claim per employee rate for the chosen" jurisdictions[151]. 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.

375. In the 8-hour threshold scenario, there is estimated to be an additional 600 ET cases and 1,900 Early Conciliation (EC) cases to Acas. The estimated impact increases with the 28-hour threshold to 1,600 ET cases and 4,800 EC notifications to Acas, and further increases with the 48-hour threshold to 5,600 ET cases and 16,700 EC notifications.

376. We will continue to work with the Ministry of Justice and Acas to further understand the impact that the right to payments for shifts cancelled, moved or curtailed at short notice will have on the employment tribunal system.

377. Enforcement of the right to payment for shifts cancelled, moved and curtailment at short notice by the Fair Work Agency could however help relieve this impact on the employment tribunal system.

Fair Work Agency

378. We expect there to be some impact on the state enforcement system as a result of the FWA enforcing the right to a payment for short notice cancellations, movements and curtailments of shifts. This could lead to an increase in

[148] 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.

[149] 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), 28 hours (8.2 million), and 48 hours (28.6 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.

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

[151] The claim per employee rate used is approximated as 0.016%. It is assumed that 28.8 million workers currently have these rights.

complaints to the FWA as well as an increase in the FWA's targeted enforcement activity and educational and promotional activity.

379. As this is a new right, it is not possible to robustly estimate the number of cases that this would add to the state enforcement system. See illustrative analysis in the employment tribunals section above. This also means it is not possible to estimate the cost of enforcing short notice periods. We will continue to work with stakeholder to understand the potential impact on state enforcement to ensure the FWA has sufficient funding and resource to effectively enforce short notice cancellations.

Trade implications

380. 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.

381. From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations.

382. From an economic standpoint, the right to payment for shifts cancelled, moved or curtailed at short notice will predominantly affect workers in sectors such as retail, hospitality, health and social care, which are not typically traded.

383. In addition, the impact is on total labour costs and therefore comparative advantage will be small.

384. 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

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