

Options assessment

Title: Status Framework Reform

Type of measure: Primary Legislation

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1. Summary of proposal

1. This options assessment (OA) considers the impact of reforms to the UK's status framework. There is a separate employment status framework for tax. This options assessment, and the accompanying consultation document, is concerned with the employment status framework for employment rights, not the framework for tax.
2. Although there are countless different working relationships that individuals and businesses can agree to, the law reduces these into one of three main types of status for employment rights. The three main types of employment status are:
 - a. **An employee** who has the most rights and responsibilities.
 - b. A **limb (b) worker** – i.e. a worker who is not an employee and who has fewer rights and obligations than an employee. The aim of the limb (b) worker status is to extend the coverage of core employment rights to a wider group of individuals than just employees, protecting a larger number of individuals who are in dependent working relationships but are not employees, often by virtue of having more flexibility in their work. The core¹ rights limb (b) workers have access to are outlined below (more detail can be found in Annex B):
 - i. National Minimum Wage / National Living Wage
 - ii. Paid holidays

¹ Depending on their particular characteristics, they may be entitled to other rights such as Statutory Sick Pay and parental leave rights.

- iii. Employer pension contribution
- iv. Right to be accompanied at a grievance/disciplinary hearing
- v. Whistleblowing protections
- vi. Discrimination, Equality Act 2010 protections, reasonable adjustments
- vii. Equal treatment for part-time workers
- viii. Protection from detriment for trade union membership
- ix. Itemised pay slip
- x. Written particulars of employment
- xi. Protection from detriment in certain health and safety cases
- xii. Right to join a trade union and participate in trade union activities

- c. **A self-employed person** has the least protection but also tends to have greater flexibility in their work and/or delivers a service to a customer or client as part of a business or professional undertaking.

3. The consultation, which this options assessment accompanies, seeks views on applying the following measures to reform the UK's employment status framework:

- a. Placing less emphasis on personal service in determining someone's employment status.
 - i. One of the key tests applied by the courts to determine an individual's employment status (defined in paragraphs 5-7) is whether they provide 'personal service'. In other words, whether the work must be carried out personally by the worker.
 - ii. This is often represented by the existence of a substitution clause. Substitution clauses allow others to conduct the tasks on behalf of the individual signing the contract, if the individual is unwilling or unable to do so. When used appropriately, these clauses are a core aspect of genuine self-employment and limb (b) worker status.
 - iii. However, some businesses make use of broad substitution clauses in contracts which can make it difficult for the individuals they engage to meet the court's personal service test, even where significant control is being exerted over how they conduct their work.
 - iv. The Government's intended starting point is that where significant control is being exercised over the person who is carrying out that work, that person should not be denied access to core employment rights on the basis of failing to meet the test for personal service alone. Personal service should continue to be a necessary consideration in determining employment status and should be considered alongside other factors like control and mutuality of obligation, but it should not be fatal to the test as is currently the case. Therefore, the Government is proposing to change the law to place less emphasis on personal service so that, when courts are deciding cases, the existence of a right of substitution does not outweigh all other factors that point to worker status.
- b. The presumption of worker status
 - i. Currently, if an individual or group of individuals believe that they have been incorrectly classified as self-employed by their engager, their only official route to redress is to bring a claim via Tribunal. At the Tribunal, there is no presumption of limb (b) worker status and so the onus is initially on the claimant to provide evidence that the working relationship meets the criteria for either employee or limb (b) worker status.
 - ii. However, the Government agrees with the Taylor Review² that this can be viewed as an unfair burden on workers and that action is needed to rebalance the system. The Government is, therefore, proposing to legislate to create a presumption of

² Matthew Taylor. [Good work: the Taylor review of modern working practices](#). 2017

worker status at employment tribunals, by reversing the burden of proof on worker status.

- iii. For example, for any claim that the person brings that require limb(b) status to be established it would be presumed that the claimant was a limb (b) worker and then it would fall on the respondent/employer to prove that they had not employed a limb (b) worker. Importantly though, this would not change the law with regards to what working characteristics makes someone a limb (b) worker.

- c. The consultation also seeks views on extending protections to the self-employed. These could include but are not limited to:

- i. **A new right to a written statement** – this would aim to give self-employed individuals greater certainty over the key terms of engagement, meaning they can be confident about crucial information such as how much they will be paid. It is important that people know the work that they are signing up for. They need to be able to make an informed decision about whether the terms and conditions on offer are right for them. A lack of transparency, or uncertainty around expectations and rights means that the self-employed can sometimes have imperfect information. This can be a contributing factor to an imbalance of power in working relationships whereby the self-employed may feel unable to challenge unfair working practices because it is unclear what their entitlement is in doing so. As outlined in the Taylor Review³, the provision of a written statement is one way in which working people can be provided with information to support their position when providing services to an organisation.
- ii. **Protection from being blacklisted for being a trade union member** – blacklisting of trade unionists involves the systematic compilation of information on individual trade union members and the use of this information by employers and recruiters to discriminate against those individuals because of their trade union membership or because of their involvement in trade union activity. The government is clear that blacklisting is unacceptable and has no place in modern employment relations and whilst protections exist to protect ‘workers’ from this practice, the same is not, for the most part, true for the self-employed.
- iii. **Extending health and safety protections** – this would mean that the self-employed do not face detriment for taking appropriate steps to protect themselves or others from serious and imminent danger in the workplace. Whilst self-employed people benefit from some health and safety provisions, the government is aware that there are some industries where a large number of self-employed workers may face significant health and safety risks. For example, the IPC (2025) found that only 7% of self-employed people in stage and screen production feel comfortable voicing safety concerns at work, despite 79% having been injured at work⁴.

- 4. This OA primarily focuses on the measures relating to the importance of personal service in determining someone’s employment status and the presumption of worker status – areas where the government expresses a preferred option in the consultation. With regards to measures on the self-employed, the government does not have a preferred approach at this stage on which rights and protections should be extended to the self-employed, which self-employed individuals

³ Matthew Taylor. [Good work: the Taylor review of modern working practices](#). 2017

⁴ IPC. [The show must go on safely: An analysis of the human toll and economic impact of injury in film, TV, and theatrical production](#). 2025

should be in the scope of new rights and whether or not a qualifying criteria should apply for the new protections (e.g. length of the contract / contract value). As such, in line with the Better Regulation Framework, we have not conducted options analysis upon these measures. To meet our Better Regulation requirements, we will publish options analysis when the government publicises its preferred option.

5. This OA estimates a total Net Present Social Value (NPSV) of -£119.2m over the ten-year appraisal period and a total Equivalent Annual Net Direct Cost to Business (EANDCB) of £167.8m for the preferred option. We estimate the annual net direct cost to households at -£153.9m per year. There are also significant non-monetised benefits of these policies including improving worker's wellbeing and levelling the playing field for businesses already providing the extended protections.

2. Strategic case for proposed regulation

Status framework background

6. Employment status is the classification of a working relationship between a person providing work and a person carrying out that work. It determines an individual's entitlement to statutory employment rights and provides the employer with a set of responsibilities. There is a separate employment status framework for tax. This options assessment considers the employment status framework for employment rights, not the framework for tax.
7. Employment status is not just a matter of what is in a contract; it is determined by the reality of the relationship between employer and individual taking account of all the circumstances, of which the contract is one aspect. An individual or employer cannot create a false employment status through a fictitious contract which does not reflect the true reality of the relationship between them.
8. As outlined above, there are three main types of employment status:
 - a. **An employee**
 - b. **A limb(b) worker**
 - c. **A self-employed person**

International comparisons

9. The International Labour Organization (ILO) publishes information on international comparisons for status. Employment status frameworks vary from country to country, with no one-size-fits-all approach. The UK's three-tier framework (employee, limb(b), self-employed) is not unique, however, two-tier frameworks are more common. See below for some examples.
 - a. Italy has a three-tier framework consisting of employees, self-employed workers and independent contractors ("collaboration contract" where work is done under the direction of another and is therefore similar to worker status in the UK).
 - b. Austria also has employees, self-employed workers and independent contractors, which is similar to the UK's worker status.
 - c. The Netherlands has three tiers: employees (employment agreement), worker (contract of work agreement), and self-employed (commission/contract for services agreement).

10. There have been movements in various countries to legislate specifically on the gig/platform economy, as it is challenging to fit this within traditional structures. Please see below for a few key examples of legislation⁵, although it is too early to assess the impact of these initiatives:

- a. The EU created a “Platform Work Directive” which creates a presumption of employment when factors indicating control and direction are present, as well as requiring increased transparency of algorithmic management systems.
- b. In Singapore, the Platform Works Act 2024 establishes a legal framework governing the rights, obligations, protections and representation of platform workers and platform operators in Singapore.
- c. In Canada, employment law is decentralised, but some states have acted e.g. in Ontario, the Digital Platform Workers’ Rights Act, 2022 establishes rules on pay statements, minimum wage, tips, notice of removal, and dispute resolution for those who perform digital platform work. It was implemented in July 2025.

Figure 1: Countries with policies or legislation on digital services platforms



Source: [ILO](#). Note: the chart shows legislation developments for platform workers in digital services. This is intended for illustrative purposes. It is not directly comparable to the policy measures proposed in this OA, which will not cover all gig economy workers, and will impact workers outside of the gig economy or digital services.

Problem under consideration

Incentives for businesses to exploit the current status framework

11. The ambiguity within the current framework often enables businesses to engage individuals as self-employed, even when the nature of the working relationship is closer to a limb (b) worker. This can lead to ‘false’/‘bogus’ self-employment (whereby individuals are treated as self-employed even though an employment tribunal would deem them a limb (b) worker, or an employee). Research from the Resolution Foundation suggests that there are up to 900,000 people at risk of

⁵ ILO [Digital Labour Platform tracker](#). 2026

bogus self-employment⁶. It can also lead to 'low autonomy self-employment' (whereby individuals are legally self-employed, even though a large amount of control is exerted over them in their working relationship).

12. When assessing employment status, the courts will look at a number of factors including personal service i.e. whether the individual has to do the work themselves.
13. However, the requirement for personal service means employers can insert a broad clause into the contract that states that the worker can substitute their labour. This enables them to argue (often within a correct interpretation of the law) on that basis the person is self-employed, even if substantial control is being exercised over how the work is being carried out.
14. Further, under the current framework, it can be difficult for workers to determine their employment status and therefore the rights and protections they are entitled to. Determining whether you are an employee, a worker or genuinely self-employed can require the ability to understand the legislation, and a huge amount of complex case law. This presents challenges in a system where the onus is on the worker to bring a case to an employment tribunal to establish their employment status.
15. Businesses have a strong financial incentive to exploit this ambiguity in order to utilise self-employment models, even when they are exerting large amounts of control over those they engage. Utilising self-employment-based models is often less costly for businesses than the alternatives. For example, we believe that it could cost up to 30% more to use limb (b) worker-based models than self-employed/contractor-based models. This is made up of around 12% holiday pay, 3% minimum pension contributions, as well as the employment rights limb (b) workers are entitled to.
16. Indeed, there is evidence that employers are inserting broad substitution clauses into contracts, which are then rarely if ever used, to falsely tip the scales towards self-employed status. An ONS survey⁷ found that, for the period November 2025 to August 2026, of the 3.4% of UK businesses using substitution clauses in their contracts on average, 60% report that they are never used in practice. Whilst it may be that these individuals are simply not exercising their right to substitution, it may also be the case that many individuals with substitution clauses do not have a genuine right to substitute.
17. Analysis of NatCen 2023⁸ research suggests there are around 210,000 people (or around 5% of the UK's self-employed population) who's working relationship exhibits characteristics of employees, or limb (b) workers in many regards, but are classified as self-employed only by virtue of their personal service characteristics.
18. There is a risk that these challenges could be exacerbated as an unintended consequence of recent HMG policy interventions, heightening the need for targeted intervention in this area. Once implemented, the Employment Rights Act will represent an important upgrade in workers' rights and are estimated to increase business' employment costs by up to £5bn per year⁹. Given that the UK has historically maintained some of the weakest worker protections among OECD countries, the Act represents a significant advancement – bringing the UK closer in alignment with other high-income nations, particularly in terms of safeguards against unfair dismissal.

⁶ Resolution Foundation. [Low Pay Britain Report](#). 2025

⁷ Office for National Statistics. [Business Insights and Conditions Survey: Business insights and impact on the UK economy](#). 2026

⁸ HMRC. [Employment Status in the UK 2023: survey and qualitative research](#). 2025

⁹ Department for Business and Trade. [Employment Rights Act 2025: impact assessments](#). 2024

19. As outlined above, it can be up to 30% less costly to use self-employed based models. While the Act is expected to have minimal impacts on employment, there is evidence to suggest that employers might decide to transition their models towards those of self-employment, to keep their number of workers constant while paying for fewer employment protections. This comes in the form of both international studies, and UK specific surveys – a recently published survey¹⁰ from the Chartered Institute of Personnel and Development (CIPD) shows that 10% of businesses anticipate that they will respond to the Employment Rights Bill alone by ‘increasing the use of limb (b) workers and/or self-employed contractors’. Extrapolated across the economy, this would equate to around 550,000 businesses. That said, previous increases in costs to employers have not led to significant rises in self-employed workers.

Impact on individuals

20. These incentives mean that, without intervention, many individuals are not receiving core employment protections and even more so may be in that position in the future, despite often being in working relationships where large amounts of control are exerted over them. This can cause serious harms such as low pay, poor job quality (and associated wellbeing issues such as such as loneliness, work-related insecurity and anxiety), as well as a lack of flexibility and autonomy at work.

21. Many of the workers impacted by the issues present within the current status framework will work in the gig economy, often in low paid work. Although estimates of the exact size of the sector vary, it is thought to cover between 500,000¹¹, and 4.3 million people (potentially having tripled over the last decade)¹². IFF Research, in a report commissioned by HMRC, found that 5% of workers are in the gig economy. Extrapolating this out to the entire working population suggests that 1.5 million workers are in the gig economy¹³.

22. A University of Bristol study of 510 UK gig workers found that 52% earn on average 6% below the minimum wage¹⁴, with the median respondent earning £8.97 per hour (53p less than the minimum wage at the time of the research) and working 28 hours per week in the gig economy¹⁵.

23. A study¹⁶ by Focus on Labour Exploitation also supports these findings, concluding that 63% of gig work couriers were being paid below the minimum wage, which was due to long unpaid waiting times/travelling between deliveries.¹⁷ BEIS analysis finds a similar result for a small proportion of gig economy workers (25%)¹⁸. Furthermore, IWGB (2022)¹⁹ found that 90% of respondents, predominantly couriers and private hire drivers, reported elements of their work consistent with in work poverty. In the absence of intervention, such as the ones the Government is proposing to provide these individuals with a living wage and holiday pay, amongst other things, this issue of low pay will persist.

24. These trends are often accompanied with low autonomy at work. Van Doorn (2022) finds evidence of poor job quality and a reduction in flexibility, stating that gig economy work purports to offer

¹⁰ CIPD. [The \(unintended\) consequences of the Employment Rights Bill](#). 2025

¹¹ CIPD. [The gig economy: What does it really look like?](#). 2023

¹² TUC. [Seven ways platform workers are fighting back](#). 2021

¹³ HMRC. [Contract trends in the UK labour market](#). 2022

¹⁴ Wood, A., Martindale, N and Burchell, B. (2023) Gig Rights and Gig Wrongs: Initial Findings from the Gig Rights Project: Labour Rights, Co-Determination, Collectivism and Job Quality in the UK Gig Economy, University of Bristol.

¹⁵ This study is not based on a representative sample, but authors believe the unique sample spans the diversity of the gig economy.

¹⁶ Note the survey had 49 responses and therefore cannot be deemed a representative sample but provides useful insights from qualitative responses.

¹⁷ Focus on Labour Exploitation. [The gig is up: Participatory research with couriers in the UK app-based delivery sector](#). 2021

¹⁸ BEIS. [The Characteristics of Those in the Gig Economy](#). 2018

¹⁹ IWGB. [New Survey Reveals the Hidden Cost of Living in the Gig Economy](#). 2022

autonomy but algorithmic management and customer demands have been reported to weaken workers' freedom and incite feelings of loneliness and psychosocial risks²⁰. Similarly, a University of Bristol Study found that 75% of gig economy workers experienced work-related insecurity and anxiety²¹. Taylor (2017) states that such job conditions can result in workers being reluctant to assert their rights at work, having no recourse to challenge how hours are offered or assigned, resulting in an exclusion from rights.²²

25. These challenges are not exclusive to the gig economy. Chamberlain (2024)²³ provides examples in the Hairdressing industry, examining the growing trend of chair rentals in hairdressing salons whereby stylists now work as self-employed individuals rather than employees. The study reveals there to be significant tensions between legal employment status and the social norms of the profession, with certain salon owners still adopting a 'boss' approach to management and exerting a degree of control over individuals despite them being self-employed. For example, certain salon owners have taken proactive steps to support chair renters by offering informal mentorship and encouraging participation in continuing professional development courses to address knowledge and experience gaps the owners may observe in their business. While these initiatives may be perceived as generous and mutually beneficial, they also introduce a dynamic in which owners exert a degree of influence over renters' professional development, blurring the boundaries between independent contracting and employment. This misalignment can generate tensions, particularly where renters perceive a loss of autonomy in how to organise their working patterns. In some cases, the author notes this has been linked to a diminished quality of working life and, ultimately, a move towards individuals leaving salons and the profession more broadly.
26. Similarly, data from the CIPD²⁴ indicates that the construction sector exhibits the greatest reliance on self-employed contractors, with 62% of businesses making use of self-employed contractors. This sector, therefore, extensively uses the Construction Industry Scheme (CIS). Under CIS, workers are considered self-employed, enabling employers to avoid costs of employment protections. According to Unite the Union, over 1.2 million construction workers were paid via CIS in 2022/23 which is a 15% increase from the previous year²⁵.

Rationale for intervention

27. The Government intervenes in the labour market to extend employment rights for efficiency and equity reasons. A well-functioning labour market, which provides necessary rights and protections, provides workers with high quality jobs whilst also empowering business to operate competitively.

Monopsony power

28. From an economic theory perspective, the ambiguity in the status framework provides undue bargaining power to the employer in employer-worker relationships. Such an occurrence is known as monopsony power.

²⁰ Van Doorn, Niels (2022): "Liminal Precarity and Compromised Agency. Migrant experiences of gig work in Amsterdam, Berlin, and New York City." in: Ness, Immanuel (ed.): The Routledge Handbook of the Gig Economy. pp. 158- 179.

²¹ University of Bristol. [Gig Rights & Gig Wrongs: Initial Findings from the Gig Rights Project: Labour Rights, Co-Determination, Collectivism and Job Quality in the UK Gig Economy](#). 2023

²² David Taylor. [Acas Discussion Paper: Ain't that typical? Everyday challenges for an atypical workforce](#). 2017

²³ Chamberlain, L. (2024) [Picturing good work: evaluating quality of working life through a critical qualitative lens](#). Ph.D. thesis, University of Liverpool

²⁴ BIST analysis of Chartered Institute of Personnel and Development (CIPD) [Labour Market Outlook](#) data.

²⁵ Unite. [Shock rise in bogus self-employment in construction](#). 2023

29. Labour markets that are characterised by monopsony will also negatively impact workers' terms and conditions. Since delivering better terms and conditions is costly for employers, it can be expected that monopsonistic employers will utilise their market power to provide them less frequently. Additionally, this can impact the lowest paid workers most prominently. Workers facing financial precarity may be unwilling to change jobs due to the risk of doing so, thereby creating monopsony market conditions. Furthermore, the precarity and low income of these workers mean they will often have no choice but to accept the terms presented by employers. This imbalance of power is exacerbated where workers in low-skilled and labour-intensive sectors are more substitutable, giving them less bargaining power.
30. In the absence of Government intervention, employers have little incentive to address this issue. The OECD's summary of the available evidence concludes that, other things equal, employers' preference is to 'offer a wage compensation for more insecure jobs'²⁶. As a result, employers in monopsonistic markets are likely to use their bargaining power to extensively offer insecure contracts, which pose less risk and cost to them.
31. The Competitions and Markets Authority (2024) found that monopsony power is a feature of many parts of the UK labour market and in the most concentrated sectors (i.e. where employment is dominated by only a few employers), workers' annual wages are 10% lower than in the least concentrated sectors²⁷.
32. In this manifestation, monopsony power is allowing employers to shift individuals into self-employment-based models, whilst still retaining a significant degree of control over how, when and by whom their work is performed. This allows employers to provide lower pay and no core employment protections.
33. The Government does not think the current status framework strikes the right balance between protection for workers and flexibility for both employers and workers. As outlined above, with businesses having little incentive to address the issue, Government intervention is required.

Negative externalities

34. A negative externality refers to a cost imposed on society that is not taken into account by an individual (in this case an employer) when making decisions. In an employment rights context, this refers to the harmful effects on third parties that result from the terms of employment relationships. For example, overwork, job insecurity and poor working conditions can lead to increased stress and mental health issues for employees. This can have spillover effects on families and communities, as well as potentially increasing healthcare costs to society.
35. As outlined above, the ambiguity of the UK's status framework has been associated with high levels of insecure work that we know can be harmful for workers' physical and psychological health generally²⁸ and in the UK²⁹.
36. Additionally, studies have identified that insecure work contributes to poor physical and mental health, which can reduce productivity³⁰. Bosworth and Warhurst (2021) find that job insecurity has

²⁶ Organisation for Economic Co-operation and Development. '[Employment Outlook 2022: Building Back More Inclusive Labour Markets](#)'. 2022.

²⁷ Competition and Markets Authority. '[The CMA's research on competition and UK labour markets](#)'. 2024.

²⁸ Cheng GHL and Chan DKS. '[Who suffers more from job insecurity? A meta-analytic review](#)'. *Applied Psychology* 2007: Volume 57(2), pages 272-303.

²⁹ Dawson C and others. '[Temporary employment, job satisfaction and subjective well-being](#)'. *Economic and Industrial Democracy* 2014: Volume 38(1), pages 69-98.

³⁰ Dawson C and others. '[Temporary employment, job satisfaction and subjective well-being](#)'. *Economic and Industrial Democracy* 2014: Volume 38(1), pages 69-98

a negative relationship with labour productivity³¹, though this relationship is not causal. Likewise, Lisi (2013) finds that a 10% increase in the use of temporary employment leads to a 2%-3% decrease in labour productivity³². Blanchard and Landier (2002) argue that this is because the 'lower costs on fixed-term contracts may induce firms to design routine, low productivity jobs, which they can fill through the use of fixed term contracts'³³.

37. Taken together, this theory and evidence presented above suggests that the case for reviewing and intervening in the employment status framework is becoming increasingly relevant, if not urgent. The rapid growth and prominence of the gig economy has significantly blurred the boundaries between employment categories, exposing gaps in rights and protections. This fragmentation has been further highlighted by a series of recent Government interventions which are necessary to support economic growth and modernise labour market practices. As such, these reforms underscore the urgency of addressing the underlying structural issues in the status framework to ensure that policy objectives of these interventions can be delivered effectively and equitably, without detriment to Governments fiscal outlook.
38. Without coherent and proactive intervention, these issues may continue to further undermine worker security. Maintaining flexibility in the labour market is important, particularly as atypical forms of work become more prevalent. In this context, addressing gaps in the current employment status framework will help ensure that sectors reliant on more flexible forms of contract can continue to thrive – while doing so in a way that promotes fairness, legal clarity, and broader economic resilience.

3. SMART objectives for intervention

Policy objectives

39. The objectives of the status framework reforms are to tackle issues with the current framework, such as bogus self-employment and the use of substitution clauses, that can enable exploitation at work, illegal working, and leave vulnerable people without core employment protections. The reforms are also intended to benefit businesses, by helping ensure they are operating on a level playing field, without being undercut by employers who are potentially denying workers the rights they should be entitled to, thus saving on costs associated with employment protections.
40. This intervention seeks to reduce the dominance of the personal service test when courts determine an individual's employment status for rights. The policy objective is to ensure an individual's employment status accurately reflects the nature of their working relationship with their employer.
41. The intervention also seeks to include a presumption of worker status in court, whereby workers are presumed to be limb (b) workers, and employers must prove they are self-employed – rather than the individual being self-employed by default and having to prove that they are limb (b) workers. The policy objective is to empower individuals to take employment status cases to tribunal and reduce the burden on workers of proving employment status.

³¹ Bosworth D and others. [Does good work have a positive effect on productivity? Research findings](#). 2021

³² Lisi D. [The impact of temporary employment and employment protection on labour productivity: evidence from an industry-level panel of EU countries](#). *Journal for Labour Market Research* 2013: Volume, 46, pages 119-144.

³³ Blanchard O and others. [The Perverse Effects of Partial Labour Market Reform: Fixed-Term Contracts in France](#). *The Economic Journal* 2022: Volume 112(480), pages F215-F244.

42. The intended outcomes are to reduce the prevalence of bogus and low autonomy self-employment, reduce the use of broad substitution clauses, and reduce the need for individuals to navigate complex legislation by placing the burden of proof on employers.

43. The objectives can therefore be summarised as:

- a. Reducing prevalence of bogus and low autonomy self-employment.
- b. Reduction in the use of broad substitution clauses intended to avoid providing workers with employment rights.
- c. Increase in the number of workers covered by core employment protections (including national minimum wage, holiday pay, and employer pension contributions).

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

Preferred policy option

44. The preferred policy option introduces the following measures to achieve the policy objectives:

- a. Placing less emphasis on personal service in determining limb (b) worker status
- b. Legal presumption of limb b worker status

Theory of change and logic models

Demoting the significance of personal service / right to substitution

45. Input:

- a. This intervention demotes the significance of personal service so that, when courts are deciding cases of whether someone is a limb b worker, the existence of a right of substitution does not outweigh all other factors that the government consider point to limb b worker status.
- b. This would seek to tackle the issue of widely drafted substitution clauses being used to defeat any limb(b) worker status claims/cases to deny workers core employment protections. It would ensure that when courts are deciding cases, the existence of a right of substitution does not outweigh all other factors that point to worker status.
- c. This would require primary legislation – amending the main definition in section 230(3)(b) of the Employment Rights Act 1996 (the definition of a limb (b) worker). This definition of limb (b) worker is the same (or a similar form) in the Trade Union and Labour Relations (Consolidation) Act 1992, the Working Time Regulations 1998, SI 1998/1833, the National Minimum Wage Act 1998 and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000, SI 2000/1551. It is the government's intention to reflect any changes made to the limb (b) worker definition to these other definitions.

46. Outputs:

- a. The output of this activity includes moving low-autonomy self-employed contractors who are highly controlled by the business engaging them to limb(b) worker status. This would provide them with the following employment protections: unlawful deductions from wages, National Minimum Wage, paid holidays, right to be accompanied at a grievance/disciplinary hearing, whistleblowing, discrimination, equal treatment for part-time workers, protection from detriment from trade union membership, itemised pay slip, written particulars of employment, protection from detriment to certain health and safety cases, workplace pension scheme, right to join a trade union.

47. Outcomes:

- a. The outcomes of moving these contractors to limb(b) worker status would be that these workers are granted employment protections such as the National Minimum Wage, paid holiday, access to a workplace pension and protections from unlawful wage deductions.

48. Impact:

- a. Increase access to employment protections for the affected population, thereby increasing their job and income security.
- b. Reduces the exploitation of vulnerable workers who often have little autonomy over their work. This could come with wellbeing benefits.
- c. Reduce instances of 'bogus' self-employment by making it easier for the courts to classify workers as limb(b) in instances where substitution clauses lead people to believe they are self-employed when a court would find them to be employees or limb (b) workers.

Legal presumption of worker status

49. Input

- a. This policy option includes a presumption of worker status at employment tribunals. As described in section 1, currently the onus is on individuals to provide evidence that the working relationship meets the criteria for either employee or limb (b) worker status. A presumption of limb b worker status means that when a person brings a claim to the tribunal arguing the case that they should be a limb(b) worker and entitled to core employment protections, it would be presumed that the claimant was a limb (b) worker and then it would fall on the respondent/employer to prove that they had not employed a limb b worker.

50. Outcomes:

- a. The outcome of this policy would be to strengthen individuals' legal position when bringing a case to tribunal and provide a clearer route for them to make a successful claim for core employment protections.

51. Output:

- a. The output of this policy would be to empower limb (b) workers whose employers exercise significant control over their work to take these cases to tribunal, thus potentially making it easier to establish their limb(b) status.
- b. It might also incentivise behavioural change for those engaging the services of self-employed contractors as they would need to be able to demonstrate clear evidence that the individual is not a limb(b) worker. This may incentivise the keeping of documentation and records of the relationship which would be good policy practice.

52. Impact:

- a. The impacts of this policy would be to reduce levels of 'bogus' and low autonomy self-employment (as cases might be more likely to go to tribunal), and to empower workers to ensure they are receiving the rights they are entitled to via tribunals.
- b. This might also incentivise good document keeping for employers, supporting them to better navigate the complexity of the status framework.

5. Summary of long-list and alternatives

53. This consultation is seeking views on a targeted approach to reforming the status framework. The initial long list of options under consideration were the following: (options a and b are described in Section 4):

- a. Placing less emphasis on personal service in determining someone's employment status.
- b. Presumption of worker status.
- c. Placing less emphasis on personal service in determining someone's employment status alongside creating a presumption of worker status (taken forward).
- d. Placing less emphasis on personal service in determining someone's employment status in the platform economy only.
- e. Bring platforms within scope of the framework that regulates employment businesses and employment agencies.
- f. Non-regulatory: continue to put pressure on business and organisations where the Government is aware there are issues with 'bogus self-employment' and/or issues arising from substitution e.g. illegal working.
- g. Non-regulatory: targeted communications campaign that focuses on of 'bogus' self-employment and/or issues arising from substitution.

54. The reasons why options d-g were not taken forward are outlined below.

55. Option 0: Do nothing – maintain the current legislation without introducing primary or secondary amendments

- a. This option is unlikely to meet the intended objectives of this policy in reducing bogus or low autonomy self-employment, or ensuring individuals are receiving the rights they should be entitled to. Section 2 has outlined how the current status framework has contributed to these issues and so inaction will not meet the policy's objectives.

56. Placing less emphasis on personal service in determining someone's employment status in the platform economy only.

- a. The policy objectives include reducing the use of substitution clauses, and ensuring the right workers are covered by core employment protections.
- b. One way to achieve these objectives is to ban the use of substitution in the platform/gig economy. Substitution is a core part of 'self-employment' status, therefore banning substitution clauses in this sector would move platform workers into limb (b) status, entitling them to core employment protections.
- c. However, this approach would require careful definition of platform workers to ensure the Government is capturing the right groups. The Government would need to be careful to not to extend the scope too broadly to capture those who are genuinely self-employed and in business for themselves. It would also need to be designed in a way that does not take away beneficial flexibility of work.
- d. All things considered, this option would not address policy objectives. It would only benefit those working through platforms, and not other low autonomy self-employed contractors. It would also be significantly difficult to design in a way that does not have unintended consequences, given the lack of data for this cohort of workers – this policy might inadvertently reduce flexibility for workers, harming workers as well as potentially affecting those who are genuinely self-employed. This policy would also not achieve the objectives of reducing complexity in the status framework, as this adds additional complexity by making exceptions for certain sectors (i.e. platform work). The Government therefore does not include this policy option in the shortlist.

57. Bringing platforms within scope of the framework that regulates employment businesses and employment agencies

- a. Key policy objectives are to ensure that individuals have access to the right employment protections, and to reduce bogus self-employment. With many of the affected workers in the platform economy, stricter regulation of these platforms might reduce bogus self-employment.
- b. This option would, therefore, be designed to bring platforms within scope of the framework that regulates employment business and employment agencies (or clarify that they are in scope). This would treat platforms as employment businesses ensuring that work-seekers receive certain information before starting work and prohibiting the charging of a fee for work-finding services.
- c. It would not however make changes to employment status and would therefore not necessarily bring some of those who are self-employed and working through the platforms within scope of core employment protections. As such, this option does not meet the

objectives of bringing those who are self-employed and working through these platforms within the scope of employment protections, therefore this option is discounted from the shortlist of policies.

58. Non-regulatory: continue to put pressure on businesses and organisations where the Government is aware there are issues with 'bogus self-employment' and/or issues arising from substitution e.g. illegal working.

- a. The Government can continue with the approach of applying pressure on businesses and organisations where the Government is aware there are issues with 'bogus self-employment' and/or issues arising from substitution e.g. illegal working.
- b. However, where firms are complying with existing law, or where the only available route to challenge practices is for workers to bring claims to tribunal, there is little the Government can do to require platforms to change their business practices. The Government could also only be able to target larger companies, without addressing issues arising in smaller or micro businesses.
- c. This approach would therefore be ineffective in addressing any of the stated policy objectives.

59. Non-regulatory: targeted communications campaign that focuses on 'bogus' self-employment and/or issues arising from substitution.

- a. A further non-legislative option that could be explored is a potential targeted communications campaign that focuses on of 'bogus' self-employment and/or issues arising from substitution. One of the challenges with the current employment status framework is the complexity of the existing tests to determine employment status and the difficulty for individuals to understand and enforce their rights. The Government could identify opportunities to raise public awareness so that individuals have better awareness of the rights they are entitled to and how to navigate the complex status framework.
- b. This might reduce some bogus self-employment as workers might be more aware of the rights they are entitled to and thus be encouraged to take employers to tribunal. However, it would reduce bogus self-employment by a much smaller amount than changing the status framework.

6. Description of shortlisted policy options carried forward

Impact of preferred option

60. The impact of the preferred option was calculated based on the effect of providing limb (b) employment protections to the c.210,000 individuals who could be impacted by the reforms, according to analysis of NatCen data. This largely represents a direct transfer from businesses to workers. Recall that these rights are:

- i. National Minimum Wage / National Living Wage
- ii. Paid holidays
- iii. Employer pension contribution
- iv. Right to be accompanied at a grievance/disciplinary hearing
- v. Whistleblowing

- vi. Discrimination, Equality Act 2010 protections, reasonable adjustments
- vii. Equal treatment for part-time workers
- viii. Protection from detriment for trade union membership
- ix. Itemised pay slip
- x. Written particulars of employment
- xi. Protection from detriment in certain health and safety cases
- xii. Right to join a trade union and participate in trade union activities

61. Additionally, the cost to business includes administrative costs, such as familiarisation costs, and the cost of defending claims at tribunal. Please see the Annex A for a detailed discussion on the methodology.

62. As such, the monetised impact exclusively captures the effect of placing less emphasis on personal service in determining someone's employment status.

63. The impact of the presumption of worker status is non-monetised for the following reasons. However, we provide some illustrative analysis in Annex A.

- a. The main channel of impact is to empower workers to take cases to tribunals in order to assert their rights and incentivise employers to practice good document keeping on the employer/worker relationship.
- b. This might lead to an increase in tribunal cases, however, there is no evidence available to quantify the potential behavioural response from empowering workers to take cases to tribunals. BIST's approach across employment rights analysis has been to assess the impact at 'steady state,' rather than attempting to estimate a potential spike in claims following the policy (for which there is limited evidence to inform this estimation).
- c. Further, since the policy will not change the law with regards to employment status classification, we do not expect the policy to increase the number of people brought into scope of limb (b) rights. This is because the Government does not believe that the creation of such a presumption would have a substantial effect on either the genuinely self-employed or those that engage them. The presumption is a rebuttable one, subject to the same standard of proof as in current cases. Therefore, we expect the monetised effect of this aspect of the preferred way forward to be negligible.
- d. An additional impact might be for businesses to make their staff employees to 'play it safe' in case the businesses are taken to tribunal. However, it is not possible to quantify this effect as we cannot predict how many firms would take this approach.
- e. However, this is still an essential aspect of the reforms, given these reforms meet the policy objectives of empowering individuals to access the rights they are entitled to, by shifting the burden of proof onto employers.

64. The NPSV of the preferred way forward is -£119.2m. Please see Table 1 for the breakdown of costs per employment protection, in the first year.

65. While the NPSV is overall negative, we expect the preferred way forward to have potentially significant unquantified benefits, including higher wellbeing, as described below. The policy is expected to bring individuals into the scope of employment protections that they are likely entitled to, and most of the monetised costs to businesses are transfers to households (i.e. cancelling

each other out in net terms). The monetised cost to businesses that are not transfers to households include familiarisation and admin costs of applying employment protections.

Table 1: Year 1 costs for each employment protection

Employment Protection	Cost to Business (£m)
National Living Wage	116.5
Holiday Pay	4.5
Pension Contribution	38.3
Whistleblowing/Enforcement	0.2
Admin Costs	30.5
Familiarisation cost	17.4
Total	207.4

Impact of defining platform workers and bring them within scope of core employment protections

66. The only additional policy in the shortlist is the option to define platform workers and bring them within scope of core employment protections, as this policy achieves policy objectives. The rest of the policies dropped out in the longlist for the reasons outlined above.

Policy detail

67. This approach would enable those working through platforms to enjoy core employment protections and would help level the playing field for businesses who are competing with platforms who choose to engage people on a self-employed basis. It could also reduce some of the issues that arise from substitution if platforms decide that the risks to the business from widespread substitution (e.g. illegal working, reputational, poor customer service etc) are not worth bearing if they are required to provide core employment protections to workers.

68. The challenge with this approach would be in defining platform workers and ensuring the Government captures the intended groups.

Monetised impact

69. The costs of this policy were calculated in the same way as Option 1, except the number of workers was scaled down to reflect the likely proportion of platform workers out of all workers using personal service. See Annex A for more detail on the methodology.

70. The NPSV for this option is -£43.2m, which is higher than the preferred way forward, however this reflects that there are fewer workers in scope of the policy, thus the costs to business overall are lower, rather than the policy meaningfully having a higher benefit to society.

Table 2: Summary values for each option

Option	NPSV (£m)	EANDCB (£m)	EANDCH (£m)
A – option (preferred)	-119.2	167.8	-153.9
B – Define Platform workers and bring them within scope of core employment rights	-43.2	60.4	-55.4
C - do nothing	0	0	0

Wider non-monetised impacts and links to growth

71. The measures will also have significant benefit to workers in the form of increased wellbeing and security of work. However, we are unable to monetise them at this stage.
72. As with any regulatory intervention, if not well-targeted and well-designed, the measures have the potential to cause unintended consequences. The main risks include higher labour costs weighing on demand for workers and damaging employment prospects and costs being passed back onto workers or consumers.
73. We expect that businesses will react to higher labour costs in a number of ways, and this will mean that ultimately the total cost they actually incur will be lower than this direct impact. Generally, business will look to pass on costs to consumers (in the form of higher prices) and/or workers (in the form of lower wages or worse terms and conditions) where possible. The ability to do this will depend on the demand and supply conditions that a business faces, both in product and labour markets. Where businesses face resilient demand or have a large pool of workers to draw on, then businesses are more likely to be able to pass on costs to consumers and their workforce.
74. If businesses cannot pass on costs because consumer demand is too sensitive to price changes, or wage setting is bound by institutions like the minimum wage, then they may look to absorb those costs through activities such as cutting investment or reducing training expenditure. If this is not possible, cutting employment costs, either by reducing the number of employees, reducing the hours of their workforce, or reducing the availability of overtime hours.
75. Survey evidence supports the view that employers will take a range of different approaches to dealing with higher labour costs, with absorbing costs the most commonly reported response to the rising National Living Wage across surveys from the CBI, FSB and CIPD³⁴. Other responses included investing more (and less) in technology and training, cutting pay growth for other workers, and cutting recruitment.
76. Whilst that evidence is backward-looking, an ONS survey on employer responses to future increases in employment costs tells a similar story. Across all businesses in the UK with 10 or more employees, the two most common ways that businesses would respond to higher labour costs are to increase prices (40% of businesses) or to absorb within profit margins (31% of businesses). Other responses included to reduce the number of employees (17%), limit overtime hours (10%) or reduce wages for other employees (9%)³⁵.

³⁴ Low Pay Commission. [National Minimum Wage - Low Pay Commission Report 2023](#). 2024.

³⁵ Office for National Statistics. [Business insights and impact on the UK economy](#). Wave 117 edition. 2024.

Worker benefits

77. As discussed earlier, much of the benefit of this policy will be increased wellbeing for workers by reducing the negative effects of pay insecurity, unpredictability and the inability to assert rights. As such, policies such as this one which reduce work insecurity can be expected to benefit workers. Additional evidence in this regard is outlined in the following paragraphs.
78. A study found that 75% of gig economy workers report work-related insecurity and anxiety³⁶. There is a wealth of evidence that links insecure and variable work to negative impacts on some workers. As such, policies such as this one which reduce work insecurity can be expected to benefit workers.
79. Firstly, there is strong evidence that links the problems inherent in one-sided flexibility related to employment, such as pay insecurity, unpredictability of working hours and inability to fully exert rights³⁷, with a range of negative phenomena such as anxiety around unfair treatment, lower pay and greater anxiety about 'downgrading'³⁸. A Resolution Foundation report³⁹ finds that flexible working arrangements also lowered firms' responsibility for non-wage benefits such as sick pay or maternity or paternity pay (13%); or training and development costs (10%). Those firms who used flexible contracts regularly were around 10 percentage points more likely to report these motivations for using them than lower use firms.
80. Citizens Advice (2018)⁴⁰ 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.
81. Studies have demonstrated a link between health/wellbeing and job satisfaction in the workplace⁴¹. 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. 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, Narcisee and Togher (2024)⁴² 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.
82. Work Foundation (2024)⁴³ polling found that 'insecure' workers were twice as likely as secure workers to experience job related stress (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.
83. Having said this, it should be noted that an internal survey⁴⁴ conducted among FREENOW minicab drivers found that the majority would like to remain independent contractors (59%), with

³⁶ British Safety Council. [Working in precarious times: the gig economy and zero-hours contracts](#). 2024

³⁷ Dix and Others. [Zero Hours Contracts, ReWage Policy Brief](#). 2023

³⁸ Downgrading in this circumstance refers to the reduction of a worker's job level, position or pay grade within an organisation.

³⁹ Resolution Foundation. [Firm Foundations](#). 2024

⁴⁰ Citizens Advice. [Walking on thin ice: the cost of financial insecurity](#). 2018

⁴¹ Ray, T.K. [Work Related Well-Being is Associated with Individual Subjective Well-Being](#), *Industrial Health* 2021: 60(3), pages 242-252.

⁴² Wang M.L. and others. [Job Flexibility, Job Security and Mental Health Among US Working Adults](#), *JAMA Netw Open* 2024: 7(3).

⁴³ Martin and others. [Zero Choices: Swapping Zero-Hour Contracts for Secure, Flexible Working](#). 2024

⁴⁴ Lydall, R. [Ride-hailing app Freenow offers drivers 'breakthrough' choice of employment status](#). 2023

almost a third (31%) preferring to have limb (b) status. This suggests that these drivers value the upfront pay more than the monetary value of holiday pay, for example.

Business response: unintended consequences

Employment

84. As with any regulatory intervention, if not well-targeted and well-designed, the policy measures described in this assessment have the potential to cause unintended consequences. The main risks include higher labour costs weighing on demand for workers and damaging employment prospects and costs being passed back onto workers in the form of worse terms.
85. There is some evidence that employment reforms make employers less willing to hire workers. Martin and Scarpetta (2012) find that employment protections can reduce job reallocation and creation if they increase the costs of reallocation⁴⁵, which in turns means that some workers lose out from employment protection reforms. This is because workers who are displaced due to higher labour costs end up worse off in the long run due to longer periods of unemployment and/or lower real wages in post-displacement jobs.
86. However, we deem the risk of significant unemployment effects from the package to be small. Recall that the primary right the policy extends is access to the National Living Wage. Historically in the UK, rises in the National Living Wage have caused little to no employment effects⁴⁶⁴⁷⁴⁸⁴⁹, suggesting there is a significant degree of monopsony power amongst low paying employers. Even where employers are forced to cut labour, it is likely that more productive firms will react by assuming their market share, as was the case in Germany in 2015, where overall productivity improved following large increases in the national minimum wage, as less productive firms exited the market⁵⁰.
87. Moreover, a Resolution Foundation report⁵¹ demonstrates that even if the upper bound of BIST's estimates for the impact of the entire Employment Rights Act (£5bn per year) manifested, only small employment effects would arise. With the cost to business of this measure being less than 5% of this £5bn figure, we expect the risk to be smaller still.
88. This is consistent with the modern literature on the impact of employment rights. A meta-analysis of peer reviewed studies by Brancaccio et al,⁵² on the relationship between labour market regulation and employment shows that, after controlling for publication bias, 51% of studies find a negative relationship between labour market deregulation and employment, whereas 28% of studies find the effect to be ambiguous and 21% find a positive relationship. This study also shows that the latest literature is most likely to find a negative relationship between deregulation and employment, suggesting that EPL may in fact be supportive of employment outcomes. The OECD conclude that 'most studies, including those relying on well-identified natural experiments, find that dismissal protection for regular-contract workers has no or a small negative effect on employment and that unemployment is little affected as well.'⁵³ This is further

⁴⁵ Martin and Scarpetta. [Setting It Right: Employment Protection, Labour Reallocation and Productivity | De Economist](#). 2012

⁴⁶ Bell, B., Machin, S. [Minimum Wages and Firm Value](#). 2016.

⁴⁷ Institute for Fiscal Studies (IFS). [The impact of the National Living Wage on wages, employment and household incomes](#). 2021.

⁴⁸ Manning, A. [The Elusive Employment Effect of the Minimum Wage](#). 2021.

⁴⁹ Dube, A. [Impacts of minimum wages: review of the international evidence](#). 2019.

⁵⁰ Dustmann, C and others. [Reallocation Effects of the Minimum Wage](#). *The Quarterly Journal of Economics* 2022: Volume 137(1), pages 267-328.

⁵¹ Resolution Foundation. [Low Pay Britain Report](#). 2025

⁵² Brancaccio, E., De Cristofaro, F., Giammetti, R. [A Meta-analysis on Labour Market Deregulations and Employment Performance: No Consensus Around the IMF-OECD Consensus](#). 2020.

⁵³ Organisation for Economic Co-operation and Development. [Employment Outlook 2020](#). P.171. 2020.

supported by Heimberger, who was unable to reject the null hypothesis that ‘the average effect of EPL on unemployment is zero’.⁵⁴ Other surveys of the literature reach similar conclusions.^{55 56}

89. Nevertheless, those risks to employment will be highest for workers with the weakest attachment to the labour market, including: (1) the low-paid, who are already most likely to be let go from work in a downturn; (2) disabled workers, who face a large ‘employment gap’; and (3) the youngest workers, since they are still gaining experience and skills. The risks will also be higher in local labour markets where demand is weaker, (i.e., those that tend to have lower average incomes or higher levels of unemployment), and in sectors most impacted by the reforms such as the gig/platform economy.
90. The policy design will therefore need to be carefully considered, with additional evidence gathered in the consultation, to minimise these risks.

Cost passthrough

91. The pass-through of higher labour costs from businesses to other parties could also create an unintended consequence, for example, if costs are passed back to workers in the form of reduced wage growth. The literature is not conclusive on the extent that this happens in response to higher protections. Some studies show that, in the US mandating maternity health insurance was passed onto workers via lower wages for women⁵⁷, and another study found that across several European countries nine-month maternity leave entitlements reduced wages by 3–4%⁵⁸. Not all studies concur though. For example, some show that maternity legislation in the US and the UK had no effect on wages and actually mildly increased employment⁵⁹. Similarly, Ruhm and Teague (1997), using information from 17 European and North American countries, showed that short to moderate entitlements to parental leave are positively related to per capita incomes and labour force participation⁶⁰.
92. Furthermore, one of the main impacts of this policy will be to bring a group of workers into scope of the National Minimum/Living Wage and there is little evidence of pass-through onto workers from the National Minimum/Living Wage increases. This may be in part because on a mechanical level, the wage floor means that employers cannot pass those costs back to those same workers. However, some employers have reported that higher wage increases for the lowest paid has in part been paid for by smaller pay rises for higher-paid members of their workforce, yet there is limited evidence this impact has meaningfully affected wages.
93. Ultimately, the extent that passthrough wages occurs will depend on a variety of factors, including employers’ wage and price-setting power, their ability to absorb costs, and how much flexibility they have against minimum standards. If costs cannot be passed on or absorbed, then employers may cut hours offered to workers, future hiring activity, and may make redundancies in order to cut costs. At a macro-economic level, we expect these effects to be relatively small.

⁵⁴ Heimberger, P. [Does Employment Protection Affect Unemployment? A Meta-analysis](#). 2020.

⁵⁵ Boeri, T. [Institutional Reforms and Dualism in European Labor Markets](#), Chapter 13 in *Handbook of Labor Economics*, 2011, vol. 4B, pp 1173-1236.

⁵⁶ Martin, J.P., Scarpetta, S. [Setting It Right: Employment Protection, Labour Reallocation and Productivity](#). *De Economist* 160, 89–116 (2012).

⁵⁷ Gruber, J. [The incidence of mandated maternity benefits](#). *The American Economic Review* 1994: Volume 84(3), pages 622-641.

⁵⁸ Ruhm, C.J. [The Economic Consequences of Parental Leave Mandates: Lessons from Europe](#). *The Quarterly Journal of Economics* 1998: Volume 113(1), pages 285-317.

⁵⁹ Waldfogel J. [The Family Gap for Young Women in the United States and Britain: Can Maternity Leave Make a Difference?](#). *Journal of Labor Economics* 1998: Volume 16(3), pages 505-545.

⁶⁰ Ruhm C.J. and others. [Parental Leave Policies in Europe and North America](#). National Bureau of Economic Research 1995: Working Paper Number w5065.

94. Overall, we do not believe there is a strong case that these will lead to negative impacts on those workers it is seeking to benefit. However, there is sufficient evidence around potential unintended consequences to highlight the risks that will need to be considered during policy development work. These are also areas which Government will need to monitor and evaluate so that there is a clear understanding on how reforms are impacting on employers and workers.
95. The Government will seek to minimise the risk of these unintended consequences through the policy development process. This is why the reforms will be delivered in partnership with businesses and trade unions, using extensive consultation to ensure Government gets the detail right before changes are implemented.

Consumers

96. When assessing the impact of the Platform Worker Directive⁶¹, the EU concluded that the impacts on consumers are varied.
97. On the one hand, consumers may benefit from better quality service if businesses take more responsibility for training staff.
98. On the other hand, consumers may face higher price increases if companies pass on the additional costs to them. This may in turn reduce demand for these goods/services.

Impacts on ‘traditional’ businesses/businesses already providing entitlements

99. The Measures would benefit firms that already employ workers by making sure that firms operating through false self-employed people follow the same regulations and do not engage in unfair competition.
100. Businesses that rely on impacted firms in their operations may be faced with higher service fees. These, compounded by the reduced number of people working through these businesses, may lead to some decrease in overall revenues (a lack of data does not allow to quantify this). However, new companies might emerge to gain the market share of those going out of business.

Small and micro business assessment

101. Typically, employment rights measures have a disproportionate impact on small and micro businesses (SMBs) because costs arising from complying with these regulations are generally fixed costs, so do not depend on the output of the business. As SMBs operate on a smaller scale, adjustment costs represent a greater proportion of their total cost. Similarly, understanding new measures and complying with them may take up greater time and resource, as SMBs are less likely to have teams dedicated to regulation compliance than large businesses.
102. SMBs are not exempt from most of these measures because a large proportion of the workforce is employed in SMBs⁶². Exemption would undermine the objectives of this policy package and violate the underlying principle that all workers have the right to better working practices no matter who they work for. Non-exemption of SMBs also minimises the complexity for businesses to understand and comply with these measures as their situation changes, as well as any enforcement costs. Furthermore, exempting small and micro businesses from these measures could create perverse incentives, where small businesses seek not to grow to avoid being captured by this legislation, undermining the policy objectives. Similarly, there is a potential risk associated with medium and large businesses who are not exempt from these regulations potentially subcontracting SMEs who are exempt to avoid this legislation to provide services, thereby undermining the objectives of the policy.

⁶¹ European Commission. [Impact Assessment Report accompanying the document Proposal for a Directive of the European Parliament and of the Council to improve the working conditions in platform work in the European Union](#). 2021.

⁶² Department for Business and Trade. [Business population estimates for the UK and regions 2024: statistical release](#). 2024

103. Nevertheless, where there is likely to be a disproportionate impact in SMBs but an exemption is not appropriate, the Government will consider mitigation options. The Government plans to undertake extensive engagement with SMBs and business representatives to understand and test where mitigations can be made that still deliver the policy objectives. Including ensuring that businesses have access to guidance and access to advice to help navigate the changes, as well as providing any preventative steps employers should be taking.

Sectoral impact

104. We lack data to produced monetised estimates, by sector. However, analysis of the abovementioned NatCen data allows us to provide indications of the sectors most impacted.

105. The data indicates that the sector with the most individuals who were identified as self-employed or as borderline limb (b) worker/self-employed only by virtue of their personal service characteristics is the Other Services sector⁶³ (this includes various repair services as well as hairdressing, washing and funeral services and makes up most of the affected population), followed by the Education and Human Health and Social Work Activities sector.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare	(1) Overall impacts on total welfare – qualitative and quantitative assessment and monetised estimates	Directional rating Note: Below are examples only
Description of overall expected impact	On balance, we expect the net effect to society to be positive. Overall, the policy is expected to bring individuals into the scope of employment protections that they are likely entitled to. Most of the monetised costs to businesses are transfers to households (i.e. cancelling each other out in net terms). The monetised cost to businesses that are not transfers to households include familiarisation and admin costs of applying employment protections. While the monetised impacts suggest a negative overall impact, we expect the policy to lead to potentially significant unquantified benefits, including higher wellbeing and productivity. We therefore assess that the policy will likely have positive impacts overall.	Positive Based on all impacts (incl. non-monetised)
Monetised impacts	The Total Net Present Social Value of the preferred option is - £119.2m over the ten-year appraisal period (2025 prices, 2026 present value).	Negative
Non-monetised impacts	Non-monetised impacts are expected to be positive. These include improvements to worker's wellbeing, potential improvements to services offered by platforms, and levelling the playing field in this sector.	Positive

⁶³ See Section S of the [detailed SIC code classifications](#) for a breakdown of activities included in this sector.

	Wider macroeconomic impacts include potential increases to consumption and living standards (as worker's wages rise).	
Any significant or adverse distributional impacts?	The main protection offered in this policy is the introduction of NLW, which will disproportionately benefit low-income households.	Positive

(2) Expected impacts on businesses	(2) Expected impacts on businesses – qualitative and quantitative assessment and monetised estimates	Directional rating
Description of overall business impact	Overall, this policy is expected to generate a negative net cost to businesses, as it imposes employment protections such as national minimum wage, which are costly for businesses. These costs largely represent transfers to workers, as outlined below. However, there are non-monetised benefits. Businesses that are not directly impacted by these policies will see some benefits given this policy creates a level playing field with traditional businesses.	Negative
Monetised impacts	The EANDCB of the preferred option is £167.8m (net cost) (2025 prices, 2026 present value).	Negative Based on likely business £NPV
Non-monetised impacts	Non-monetised benefits include a more level playing field for traditional businesses.	Positive
Any significant or adverse distributional impacts?	There are no significant or adverse distributional impacts.	Neutral

(3) Expected impacts on households	(3) Expected impacts on households – qualitative and quantitative assessment and monetised estimates	Directional rating
Description of overall household impact	This policy represents a transfer from businesses to households, therefore households are expected to see significant benefits. These benefits arise being granted core employment protections, as well as wellbeing impacts.	Positive
Monetised impacts	The Equivalent Annual Direct Cost to Households is - £153.9m (net benefit) (2025 prices, 2026 present value).	Positive

Non-monetised impacts	Non-monetised impacts largely involve wellbeing impacts of increased protections and stability of work.	Positive
Any significant or adverse distributional impacts?	The main protection offered in this policy is the introduction of NLW, which will disproportionately benefit low-income households.	Positive

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?	While this policy might impose costs on specific businesses, it does not affect the ease of doing business itself. This policy will therefore have a neutral effect on the UK business environment. It will have limited / no impact on the attractiveness of the business environment, on barriers to entry, on market concentration and competition, on foreign investment, and on the scope for businesses to bring innovative products and services to market. To note, while a reduction in business flexibility might reduce the attractiveness of the UK business environment, the reforms are well targeted at specific segment of the UK economy and therefore the effect is not expected to be widespread.	Neutral
International Considerations: Does the measure support international trade and investment?	No impact on trade. This is unlikely to affect UK international competitiveness, with the reforms simply bringing the UK in line with the standards of its international competitors. For example, these reforms would be implemented as the EU's Platform Directive takes effect, our assumption is that the UK's level of regulation will remain equivalent (or indeed less stringent) than similar European markets. No link to international obligations.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	There are no expected impacts to natural capital and decarbonisation.	Neutral

8. Monitoring and evaluation of preferred option

106. The Government will undertake proportionate monitoring and evaluation. To determine whether the policy has met its objectives, we will review the policy within 5 years following introduction. The Government deems this an appropriate length of time for the impacts of the policy to be embedded and measurable.

107. The intended outcome of this policy is to move a large number of people from self-employed status to limb (b) status, ensuring these people have the right employment protections. Data difficulties in this space make specific numbers difficult, but around 20% of current (bogus or low autonomy) self-employed people moving to limb (b) is a reasonable target – equivalent to around 42,000 people.

108. It also aims to make it easier for employers and workers to navigate the complex status framework, by introducing presumption that will make it easier for workers to get their rights and encourage good bookkeeping from employers which will help them navigate the framework. Making it easier for individuals to navigate legislation is difficult to measure, however survey data (either from research institutions and academics for surveys, or the Government might consider options for its own research on this area) showing an increase in the awareness of employment status and the rights they are entitled to would be a good outcome.

Table 3: Theory of change

Inputs	Activities	Outputs	Outcomes	Impacts
Demote significance of personal service (as described in Section 4)	Legislation, which would mean when courts/tribunals are deciding a worker's employment status, the right of substitution doesn't outweigh all other factors	Rise in the number of people categorised as self-employed, using survey data to assess this	Increase in employment protections granted to workers Reduce bogus self-employment Levelling the playing field for business in this sector	Improved workers' wellbeing (measured through BIST-commissioned survey data)
Legal presumption of worker status (as described in Section 4)	Legislation to implement presumption of worker status at employment tribunals	Strengthen contractor's legal position when bringing a case to tribunal	Easier for individuals to navigate legislation, and take employers to tribunal Employers keep better document-keeping	Reduce bogus self-employment, and empower workers to ensure they are receiving the rights they are entitled to – again measured by survey data

109. To assess whether the policy has achieved its objectives, the Government will look to the following metrics:

- a. Increase in number of people moving from self-employed to limb (b) worker status – this can be tracked by replicating surveys such as the NatCen (2023) survey used to inform this assessment's analysis.
- b. Increase in number of people receiving core employment protections – whether workers are receiving the necessary employment protections will be wrapped up in other monitoring and evaluation processes, which are detailed in policy specific impact assessments. For example, whether they are receiving NLW, will be included in the NLW monitoring and evaluation.
- c. Improvement in workers' wellbeing in this sector.
- d. Reduction in bogus self-employment (900,000 individuals are currently thought to be at risk of bogus self-employment⁶⁴).
- e. Employers maintaining good document-keeping of employer/worker relationship.
- f. Individuals feeling more empowered to take employers to tribunal for status reasons.
- g. Promotion of competition in this sector.

110. However, data in this space is limited and for the most part, this Options Assessment has relied on analysis of a NatCen survey and a University of Bristol study. Therefore, the above metrics will be collected by survey data either commissioned by the Government, by using existing surveys (such as those conducted by the ONS), or by relying on academic studies.

111. The Government will also ensure monitoring to avoid unintended consequences:

- a. Falls in employment – the Government will monitor overall employment levels, as well as employment in sectors heavily affected by the proposed policy measures.
- b. Cost passthrough – the Government will monitor wider terms and conditions for individuals employed by affected businesses, to ensure businesses do not pass on costs through worsening terms and conditions. The Government will also monitor prices set by affected businesses against the market average to assess whether firms are passing on costs to consumers.

112. The Government will also explore opportunities to gather qualitative insights to better understand the impact of these policy changes. This may involve collaboration with Acas, trade unions, business representative groups and platform companies.

- a. These stakeholders will help the Government ensure there are limited unintended consequences of making it easier for workers to be classified limb (b) workers. For example, avoiding genuinely self-employed people becoming being categorised as limb (b) workers.

⁶⁴ Resolution Foundation. [Low Pay Britain Report](#). 2025

9. Minimising administrative and compliance costs for preferred option

113. The Government has committed to continuing full and comprehensive engagement and consultation on the implementation of the Plan to Make Work Pay, to ensure that these changes work for businesses of all sizes. We want employers, workers, trade unions and other stakeholders to have the time and space to work through the detail of each key measure with us. As we set out in our Next Steps to Make Work Pay, Government will take a phased approach to engagement and consultation on these policy measures, as well as phasing commencement.
114. Phasing consultation will allow employers from all sectors, workers, trade unions and other stakeholders to fully engage with the complex policy issues at hand and will ensure Government is appropriately considering the most effective way forward. Phasing commencement will mean stakeholders will be able to plan their time and resources to make sure they are ready when the changes come in.
115. At this stage of policy development, it is not possible to outline specific mitigations to administrative and compliance costs, but these will be considered through policy development of the secondary legislation.
116. The Government is committed to ensuring there is sufficient support and guidance for employers of all sizes. We will be working closely with Acas and others to develop Codes of Practice and guidance on measures where these are needed. We have committed to ensuring time is built into our implementation plans to allow stakeholders, including small businesses, to familiarise themselves with changes in law, Codes of Practice and guidance.
117. The Government will also ensure that, where appropriate, guidance is published to ensure all stakeholders have the information required to make necessary adjustments.
118. We know one of the main places that people turn to for reliable, accurate information on legal requirements is gov.uk. Work is currently underway to ensure that our digital content is useable, easy to navigate and accessible to all stakeholders.

Declaration

Department: Department for Business, Innovation, Science and Trade

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

Senior responsible officer:

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

Signed:



Kate Dearden MP
Minister for the Future of Work
Department for Business, Innovation, Science and Trade

Date: 29/10/2026

Annex A: Detailed analytical approach

Placing less emphasis on personal service in determining someone's employment status

119. Regarding Option 1, demoting the importance of personal service when defining someone's employment status, in practice, will often mean reducing the power of substitution clauses. This in turn will bring a group of individuals, who are self-employed only by virtue of their personal service characteristics, into the scope of limb (b) worker rights. These rights include:

- a. National Minimum Wage / National Living Wage
- b. Paid holidays
- c. Employer pension contribution
- d. Right to be accompanied at a grievance/disciplinary hearing
- e. Whistleblowing
- f. Discrimination, Equality Act 2010 protections, reasonable adjustments
- g. Equal treatment for part-time workers
- h. Protection from detriment for trade union membership
- i. Itemised pay slip
- j. Written particulars of employment
- k. Protection from detriment in certain health and safety cases
- l. Right to join a trade union and participate in trade union activities

120. As a result of data constraints, we are only able to conduct bespoke analysis on the first three rights. The rest are captured within familiarisation costings (see below).

121. The primary impact of the policy is to produce a transfer from businesses to workers. This is particularly true for access to the National Minimum Wage, holiday pay and employer pension contributions. These rights are associated with a monetary value, making it reasonably straightforward to assess the extent to which the cost to business of providing these rights translates into benefits for workers.

Key assumptions

Table 4: Summary of assumptions

Description	Assumption	Source
Number of workers affected	210,000	Analysis of NatCen survey – we assume that affected individuals are those who are self-employed only by virtue of their personal service characteristics.
Number of weekly hours worked per worker	30	Analysis of NatCen survey data.
Hourly wage	11.96	Wood, Martindale and Burchell (2022) found that workers in the gig economy earned 6% below the national minimum wage. We assume this wage differential holds and apply it to the 2026 National Minimum Wage (NMW) rate (£12.71) for those aged 21 and over, yielding an estimated hourly wage of £11.96 per hour.
Number of businesses affected	188,000	Using an average of the ONS 2025/2026 Business Insight Surveys, finds approximately 3.4% of businesses use substitution clauses, equivalent to 188,000 businesses. This is a maximalist approach – not all businesses will be affected, as some of them will be genuinely using self-employed people who will not be affected by the reforms.
Discounting	3.5%	Standard appraisal assumption.

122. Our analysis is a static assessment and does not account for the potential ways employers might seek to avoid the measures. It also frequently relies on imperfect data and assumptions.

Number of workers affected

123. Our analysis relies on additional analysis of NatCen survey data collected in 2023. The data is self-reported survey data and, when disaggregated, often contains small base sizes. BIST are seeking to update this data using a similar methodology. When this is complete, we can repeat the analysis with these updates.

124. Amongst other things, this data provides insight into individuals' employment status, and the aspects of their working relationship that contributes towards this classification. The research is based on a nationally representative survey of 8,767 UK adults aged 18 to 64 and was carried out using a sample from the probability-based NatCen Opinion Panel. Survey respondents were asked questions designed to identify their employment status and had their employment status classified based on their responses. Further details can be found in the published report.

125. Please note that the categorisation of individuals into employment status categories was only performed on the screened in population. The screened in population consisted only of individuals who had ambiguous employment circumstances and could not be categorised into an employment status category in the screener. Furthermore, individuals themselves may not be fully aware of their own employment circumstances, which means that the some of the answers respondents give about their employment circumstances, may not be the case in actuality. Both of these points mean that it is challenging to gather evidence on this population.

126. We assume that affected individuals are those who are self-employed only by virtue of their personal service characteristics. This leaves us with around 210,000 individuals.

127. Depending on the specific right we are assessing the impact of, we scale the figure down further to remove those who are already receiving either the National Minimum Wage or holiday pay:

- a. For the National Minimum Wage Calculation, this population is scaled down to around 99,000 individuals to account for the fact that 47% of the relevant population are paid below the National Minimum Wage.
- b. For the holiday pay calculation, this population is scaled down to around 103,000 individuals to account for that fact that 49% of the relevant population do not receive holiday pay.
- c. For the pension contribution calculation, we do not have data on the number of relevant individuals who already receive a pension contribution from their employer. Therefore, we use two populations. One based on assumption that no one in the population currently receives a pension contribution from their engager (210,000 individuals), and one where those who receive holiday pay also receive a pension (103,000 individuals).

Number of companies affected

128. We have used ONS 2025/2026 Business Insights and Conditions Survey data for the period November 2025 to August 2026 on the number of businesses that use substitution clauses, finding that, averaged over this period, 3.4% of businesses use substitution clauses. This corresponds to around 188,000 businesses. This is an upper bound as we take a maximalist approach and include businesses who do not employ people since they may still use self-employed contractors. Further, as indicated above, not all these businesses will be impacted – some of them will be using genuinely self-employed people who will not be affected by the reforms.

Hours worked

129. To calculate National Minimum Wage and holiday pay impacts we need to understand the number of hours individuals are working at the role where they would be receiving additional rights.

130. We assume the number of hours worked by our population of interest is 30 hours per week based on NatCen survey data. However, this is a simple average, and there will be significant variations between workers. Estimating hours worked for this cohort in particular is difficult, given workers tend to work irregular hours. There might also be misunderstanding when completing the survey, for instance workers are often paid ‘per drop’ but hours worked might include the time spent waiting for tasks.

Hourly pay

131. A University of Bristol study⁶⁵ with a non-probability sample of 510 UK gig workers found that in 2022, those gig economy workers who do not make the minimum wage were paid, on average, £8.97 per hours – 6% below the national minimum wage at the time (£9.50). Although this is not a perfect proxy, the individuals studied are the types of individuals that could be affected by the reforms, and this is the best data we have.

132. We take this 6% figure and apply it to the 2026 National Minimum Wage rate (£12.71 per hour) for those aged 21 and over, yielding an estimated hourly wage of £11.96 per hour.

133. There are several limitations with this approach to calculating hourly pay:

- a. Survey data is self-reported, which is particularly problematic for salary and hours worked where people often do not have precise understanding of these factors. There might also be misunderstanding around whether the time period spent waiting should be included in hours worked – workers may not be paid for these hours, but they might be included in ‘hours worked’, thus dragging down average wage levels.

⁶⁵ Wood, A. Martinda, N. Burchell, B. [Gigs Rights & Wrongs: Initial Findings from the Gig Rights Project: Labour Rights, Co-Determination, Collectivism and Job Quality in the UK Gig Economy](#). 2023

- b. Even if the data is accurate, the wage calculation is based off the average across workers but there will be significant variations of pay within this cohort of workers.

National Minimum Wage calculations

134. Our analysis suggests that annual benefits to workers are around £116.5m.

135. The impact is the same for each year of the appraisal period, as we assume counterfactual wage difference between current wage and national minimum wage remains the same across the appraisal period, in the absence of evidence on wage growth in this sector, or knowledge or future National Minimum Wage rates.

136. We calculate the impact using the following formula:

$$(NLW \text{ rate} - \text{average hourly pay of those below the NLW}) * \text{number of workers affected} * \text{average hours worked in the job of relevance per week} * 52$$

137. Please see the 'assumptions' section for assumptions number of workers affected, hourly wage and weekly hours worked. The proportion of workers earning below NMW comes from the NatCen (2023) survey data.

138. Overall, we can be much more certain about the costs and benefits faced by employers and employees in the first year of appraisal. As the appraisal period continues these costs and benefits become increasing uncertain.

Holiday Pay calculations

139. Our analysis suggests that the annual benefits for workers (and the cost to business) is around £4.5m, and this remains the same across the appraisal period.

140. We calculate the impact of holiday pay using the standard methodology for rolled-up holiday pay outlined in Table 5:

Table 5: Method For Holiday Pay Calculations

Step	Method
1	Multiply the hours worked by the hourly rate to find the worker's total pay in this pay period (1 October to 7 October)
2	Divide the answer to Step 1 by 100, rounding to the nearest pence
3	Multiply the answer to Step 2 by 12.07
4	Round the answer to Step 3 up or down to the nearest pence

141. Please see the 'assumptions' section for assumptions around hours worked, hourly pay and number of workers.

Enforcement

142. Our analysis suggests that the annual enforcement costs to business will be £248,777.

143. We calculate the estimated number of claims in two steps:

- a. Approximate the current claim rate of workers who are covered by the policy currently
- i. 'Claim per worker' = Claims in proxy jurisdiction ÷ Current number of workers with right.

- b. Assess the impact of the policy change, using the rate of claims in the enforcement system currently
 - i. $\text{Impact of reform} = \text{Claim per worker} \times \text{Number of workers gaining right}$

144. We only use claims relating to public interest disclosure. We then multiply the increase in claims by the cost of a claim (£310 for ACAS claim; £6000 for ET case).

- a. The Survey of Employment Tribunal Applications (SETA) sets out costs incurred to business from engaging in early conciliation and ET. The 2018 SETA findings along with an ACAS Evaluation (2019) suggests around £6,000 in costs to an employer related with an ET and around £310 for early conciliation. These costs include time spent on a case by directors and staff, legal advice and representation.

Familiarisation cost

145. Our analysis suggests the overall cost to business in the first year is £17.4m. There are no familiarisation costs in following years.

146. We calculate familiarisation costs using the following formula:

$$[\text{number affected} \times \text{time taken to familiarise (hrs)} \times \text{hourly labour cost}]$$

147. We assume the following familiarisation time:

- a. 30 minutes of time taken for familiarisation costs, given these are not new rights – they are existing rights being extended to a new population. This is a standard assumption in such instances.
- b. We apply this to all new protections giving a total familiarisation time of 2.5 hours.
- c. We assume the cost is a HR director wage.

148. We apply this estimate to the entire potential business population impacted (188,000 businesses). As such, this figure will be an overestimate as some of these businesses will not be affected by the reforms if the self-employed persons they utilise have genuine substitution clauses.

149. Further, as discussed above, some of these businesses will already be providing the extended rights. Nevertheless, we take a maximalist approach and assume businesses have to undertake this exercise for each of the seven core rights that will be extended.

Admin costs calculations

150. Our analysis suggests the admin cost to business in the first year is £30.5m, with this falling to £9.7 in following years.

151. We follow the same methodology as above, except we assume the following time taken for admin:

- a. For one-off admin costs, we assume 2 hours for producing written particulars (consistent with the right to written particulars impact assessment), and 30-minute admin cost each for adding workers to holiday pay and pension systems.
- b. For recurring costs, we assume 10 minutes for amending written particulars statements once a new employee joins and recurring 30 minutes for holiday and pensions.

Presumption of worker status: illustrative analysis

152. As discussed in the main body of the text, we do not include an assessment of this aspect of the policy within our NPSV. An increase in tribunal cases is the only potential cost to businesses for this option.
153. To illustrate the potential impact of the policy on ACAS claims and ET cases, we apply similar methodology as in the Whistleblowing protections against sexual harassment Impact Assessment⁶⁶. We first estimate an illustrative number of yearly additional claims and cases resulting from the policy, based on the number of ACAS claims and ET cases from 2022/23 (as estimated in the previous section).
154. As there is no robust evidence on the share of public interest disclosures related to status, we assume three scenarios – where the share of public interest disclosures related to status is 1%, 5% and 10%. Considering the wide range of reasons why a worker can bring a public interest disclosure claim to ACAS (such as: criminal offences, failure to comply with an obligation set out in law, miscarriages of justice, endangering someone's health and safety, damage to the environment, and covering up wrongdoing in the above categories), it is reasonable to assume that less than 10% of claims will relate to status.
155. We then consider the extent to which the policy will lead to more workers who qualify for public interest disclosure to raise a claim with ACAS, using the abovementioned scenarios.
156. By applying these assumptions to the number of ACAS claims and ET cases estimated earlier in this OA, we derive a potential range of additional claims and cases. We estimate that additional ACAS claims could range from 64 to 662, and additional ET cases could range from 60 to 620.
157. Using the costs to business for each tribunal claim as described in paragraph 144, this leads to a total increase in cost to business ranging from £377,342 to £3,922,858.

Table 6: Scenarios for presumption of worker status – increase in ACAS claims

Increase in ACAS claims as a result of the policy	1% of public interest disclosures related to status	5% of public interest disclosures related to status	10% of public interest disclosures related to status
1%	64	318	637
3%	65	325	650
5%	66	331	662

Table 7: Scenarios for presumption of worker status – increase in ET tribunals

Increase in ET claims as a result of the policy	1% of public interest disclosures related to status	5% of public interest disclosures related to status	10% of public interest disclosures related to status
1%	60	298	596
3%	61	304	608
5%	62	310	620

Table 8: Scenarios for presumption of worker status – annual cost to business (£)

⁶⁶ Department for Business and Trade. [Whistleblowing protections against sexual harassment impact assessment](#). 2024

Increase in ACAS and ET claims as a result of the policy	1% of public interest disclosures related to status	5% of public interest disclosures related to status	10% of public interest disclosures related to status
1%	377,342	1,886,708	3,773,416
3%	384,814	1,924,068	3,848,137
5%	392,286	1,961,429	3,922,858

Annex B: Entitlement descriptions

Entitlement	Description
National Minimum Wage	The National Minimum Wage is the minimum pay per hour almost all workers are entitled to. It is currently £12.71 for those 21 and over.
Holiday Pay	Almost all people classed as workers are legally entitled to 5.6 weeks' paid holiday a year (known as statutory leave entitlement or annual leave). This includes: • Agency workers • Workers with 'irregular hours' (where the number of hours they work in a pay period often or always changes) • 'part-year' workers (where there are periods of at least a week in a leave year where they do not need to work and are not paid) An employer can include bank holidays as part of statutory annual leave.
Employer Pension Contribution	Employers' contribution into workers' pension scheme.
Part-time worker rights	Part-time workers are protected from being treated less favourably than equivalent full-time workers just because they're part time. A part-time worker is someone who works fewer hours than a full-time worker. There is no specific number of hours that makes someone full or part-time, but a full-time worker will usually work 35 hours or more a week. Part-time workers should get the same treatment for: • pay rates (including sick pay, maternity, paternity and adoption leave and pay) • pension opportunities and benefits • holidays • training and career development • selection for promotion and transfer, or for redundancy • opportunities for career breaks
Working time rights	Workers cannot work more than 48 hours a week on average - normally averaged over 17 weeks.

	This law is sometimes called the 'working time directive' or 'working time regulations'. Workers can choose to work more by opting out of the 48-hour week. Those under 18 cannot work more than 8 hours a day or 40 hours a week.
Right to a Written Statement	An employer must give employees and workers a document stating the main conditions of employment when they start work. This is known as a 'written statement of employment particulars'. It is not an employment contract. The written statement is made up of: • the main document (known as a 'principal statement') • a wider written statement