

New employment protections will improve workers' wellbeing, but won't make any difference to economic growth

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The Employment Rights Bill making its way through Parliament is a big deal for low-paid workers, but will have a negligible impact on the economy, contrary to what its supporters and critics claim, according to new [Resolution Foundation](#) research published recently.

With the share of (hourly) low paid workers across Britain having fallen from a fifth of the workforce to just 3.5 per cent due to the minimum wage being ramped up in recent decades, *Low Pay Britain 2025* explores an equally important but neglected issue for low-paid workers – job insecurity.

The report notes that while the incidence of low pay has fallen, the share of workers on zero-hours contracts (ZHCs) has risen, from 2.4 per cent a decade ago to 3.4 per cent – or 1.1 million workers – today. Furthermore, 2.4 million workers across Britain report feeling very anxious about unexpected changes in their shifts.

The Employment Rights Bill seeks to address these issues but has got entangled in a wider debate about economic growth. Critics say the proposals will hamper growth and cause job losses, while proponents claim improving work conditions will boost productivity.

Instead, the proposed changes will have a negligible impact on growth, says the Foundation. Even the Government's upper estimate of a £5 billion cost to businesses would translate into just 11,000 job losses, under the Office for Budget Responsibility's standard modelling approach. This is tiny – cutting the employment rate by just 0.02 per cent – in the context of changes that will give millions of workers new

protections at work.

The Foundation adds that even with new employment protections, the UK's labour market will remain lightly regulated by international standards. On the question of dismissals – where the Government is making big changes with 'day one' rights – the strength of the UK's regulation will only rise from 34th to 21st out of 38 OECD countries.

The report says there are two important questions to answer on jobs and hours insecurity as the Government moves from legislation to implementation.

The first is how to tackle hours insecurity, where workers don't know how much paid work they'll have from one week to the next.

The Government want to give workers a new right to guaranteed hours reflecting the hours they *regularly* work, as well as compensation when shifts are cancelled without reasonable notice. As well as giving workers more certainty over their pay packets, this would make it harder for rogue employers to withhold work from those on zero-hours contracts for reasons unrelated to business need.

These entitlements should be broadly applied, says the Foundation, or they risk excluding too many workers facing hours insecurity. The report recommends workers with contracts of up to 25 hours per week are eligible, to ensure that half of workers on variable hours contracts are included. It notes that workers on 21-25 hours are more likely to be anxious about shift changes than workers on lower hours.

The second big question is about enforcement.

The recent increase in Employer National Insurance Contributions has raised the employment status tax gap between employees and self-employed workers to 9 per cent for a typical earner. This opportunity for tax arbitrage, combined with new employment protection for employees, raises the risk of 'bogus' self-employment – where workers are misclassified as self-employed to avoid tax and legal responsibilities.

The Government must therefore complement stronger rights with stronger enforcement of the boundary between workers and the genuine self-employed. This legal boundary should be clarified so that workers know their rights, and so that it can be better policed by state enforcement agencies.

Nye Cominetti, Principal Economist at the Resolution Foundation, said: "The Employment Rights Bill risks becoming the next legislative battleground as proponents and critics argue over whether it's good or bad for the economy. But this row risks missing the point of the reforms, which is to tackle workers' anxiety about insecurity at work.

"The Government should focus on making its reforms as effective and focused as possible. With over two million workers anxious about unexpected changes in their shifts, new rights to guaranteed hours and reasonable notice of shifts should extend well beyond those on zero-hours contracts.

"Having successfully reduced low pay over recent decades, now is the time to tackle the next workplace scourge of hours insecurity and anxiety. This can be done while retaining Britain's flexible labour market, offering the chance to improve workers lives without threatening their jobs."