



APPG on Modernising Employment meeting Good Work, New Deal and the Employment Bill 31st March 2025

Welcome from the Chair, Lee Barron MP: aim is to bring the experts together to shape rather than debate the policy so that it works for everyone.

Apologies: Baroness Stedman-Scott

Present: Lee Barron MP, Lord Lucas of Crudwell and Damian Hinds MP

Speakers:

1. Damian Hinds MP:

Like all things in public policy, our employment stats are neither good nor bad. We have relatively low unemployment although concerned about the numbers of young people not in work or training. We do have large numbers of people off work due to sickness and disability though and this figure has not moved much since Covid. There are more women in work than ever before but the average age of exit from the labour market was lower than the late 1950s.

In Government the golden rule is do no harm, keeping unemployment low is key. This promotes workers rights as the market is tight. Fiscally what you do in terms of taxes is important as shown by the increase in NI contributions. Business rates disproportionately have an effect on high volume employers such as retail. There are three audiences for the Bill:

- 1) Individual – quality of life by enhancing regulations is important;
- 2) Employer – needs some flexibility to grow economically;
- 3) People not in work- insider / outsider theory. These are unrepresented. DBT reckons that the cost is 0.4% of the national wage bill and this will fall disproportionately on smaller businesses.

The legislation is likely to be positive if it is well targeted and unintended consequences are mitigated. Looking at Day One rights and a probation period, there is a grey area in the legislation. It talks about a lighter touch and less onerous process: need to see how this plays out.

Zero hour contracts - this was a totemic political issue. Under 3% of workers had a zero hour contract under the last Government with high job satisfaction and an average of 26 hours work per week. Historically we have had piece workers, commission only sales and catalogue workers who were in effect zero hour contract workers. For many a zero hour contract is a second job and one of the biggest users is the NHS through agency staff. Some people choose to be supply teachers, it is a sellers' market at the moment.

Those who are not in work, esp. out of work for a long time (ex-offenders, long-term sick) need a foot into the door to get back into work. Zero hour contracts gave employers a way of offering that first step. The biggest question is what will it do to the unemployment numbers?

- #### **2. Keith Rosser, Chair of the Better Hiring Institute:**
- has looked at the bill from an employers and workers perspective. What does a good bill look like that is fairer for workers and good for business? For employers the economic reality is challenging with unemployment increasing slowly and vacancies down by 100k per year.

Slide 6 – shows what we need to do: with digital platforms we need to be careful that they do not relocate overseas. The Fair Work Agency will be launched in a year's time. We are asking for visible leadership so that businesses can see and hear from the Agency. Avoid it becoming swamped and / or a panacea to all people.

Definitions will be critical to understanding the new regulations.

Slide 7 – watch out for unintended consequences. How do you change the behaviour of rogue organisations, bad employers etc.? Do not want to see offshoring, have seen examples recently. What about AI, how will that effect the labour market?

Optimistic about this session and how to develop the thinking. We will be writing a report based on this to deliver to Mark Holmes and colleagues.

3. Mark Holmes, Deputy Director DBT: an important time in the passage of the Employment Rights Bill.

Labour Party in opposition published a plan on how to make work pay. Broad Bill which has completed its passage through the Commons and will go into Committee in the Lords after Easter. Likely to become law in the Summer.

Main measures are:

- 1) Security at work and ending one-sided flexibility
- 2) Fair pay measures e.g. statutory sick pay from the first day of illness and adult social care arrangements
- 3) Voice at work
- 4) Family rights e.g. making paternity leave a day one right.
- 5) Fairness, gender equality action plans for instance.

Objectives are to improve rights, fairness etc. and are part of the Government's mission to grow the economy. We will need to work with employer groups to make the measures effective and workable. Recognise the backdrop of rising costs affecting businesses. DBT is reliant on working with employers to get this right.

Govt has conducted four short consultations on amendments to the Bill. There will be more to come to look at the details such as unfair dismissals during the statutory probation period. Govt is committed to consulting properly. There is no plan to ban zero hour contracts but wants them to be un-exploitative. Need to define terms such as "regularly" and "reflect".

Expectation is that most measures will not come into being until 2026 at the earliest. The time will be spent on developing codes of practice, working out definitions etc. This may delay some matters coming into force.

4. Professor Chris Warhurst, University of Warwick

Good work is a key policy issue for this Government. Govt needs good jobs / work and we have a set of measures that show us what job quality and Good Work looks like. To move the debate forward, we need to develop a business case that covers the interests of individuals, employers, the NHS and the State. Last year ReWage was commissioned by the Labour Relations Agency NI to sketch out what this business case for good work might be. Needs more and better data, but it covered the seven dimensions of job quality/Good Work and innovation, productivity and employee health/wellbeing. The evidence suggests that there is a positive link between innovation and good work. Pay is important for innovation, especially incentive pay. Firms with high innovative capacity are those with good internal representation for staff.

There is also a positive link between good work and productivity. Higher wages usually linked to higher productivity but there a causal direction challenge here – high wages might lead to higher productivity in firms but firms with higher productivity might be able to pay higher wages. Long working hours impede productivity as do temporary contracts. The latter might be because there is a lack of commitment by both parties – employees and employers. There is also a positive link between employee health and good work. For example, higher pay helps with mental and physical health, though most of the research focuses on income - which can come from more than pay - rather than pay alone. ReWAGE has published a short policy brief and longer evidence paper on this business case. The conclusion to be made is that if we want to increase growth and reduce economic inactivity in the UK, we have to have good work as a tool in the toolbox, promoting it through policy and to workers / employers.

5. Carl Quilliam, Public Affairs Manager, CIPD: Slide 11 / 12 – captures the measures in the Bill to show its breadth. This is a generational update to employment legislation.

Slide 13 – result of a survey of employers. Mostly positive and a more recent survey shows the sentiment has shifted as the costs of the bill have crystallised. Employers are more concerned, see Slide 14. Employers understandably want to see more detail. It is positive that the Government wants to consult on these matters. Change to statutory sick pay is long overdue but this is an added cost to business. Are working with Prospect to look at TU rights and how employer behaviour might change.

Slide 15 – shows improvements that CIPD would like to see in place

6. Cathryn Moses-Stone, Head of Policy, CMI

I am here representing the Chartered Management Institute (CMI), the UK's leading professional body dedicated to raising the standards of management and leadership excellence. We have over 220,000 members and more than 150,000 people currently studying on one of our management and leadership accredited programmes. We have conducted extensive research on workplace practices with managers, and so bring detailed insights into how managers, across seniority level, size of business and sectors, view the proposed reforms and their implementation challenges.

The landscape of work in the UK is evolving rapidly. Employers and employees alike recognise the need for updated workplace rights that reflect the demands of a modern economy. Our research shows strong support among managers for key provisions in the Bill. Over 76% of those we surveyed agree that improving workers' rights will boost productivity, and 65% believe this should be a top national priority. Additionally, our data indicates widespread employer support for the following measures:

- 92% of British managers say enhanced family-friendly policies are important to implement.
- 90% of British managers say action plans to eliminate gender, ethnicity, and disability inequalities are important to implement.
- 82% of British managers say day-one rights—ensuring immediate basic rights for all employees—are important to implement.
- 80% of British managers say the right to request flexible working as default from day one is important to implement.
- 74% of British managers say banning zero-hours contracts is also important to implement.

However, you cannot legislate a productive, inclusive and positive working culture into existence - that relies on quality, skilled managers who really understand that what is good for their employees, is good for their business. The biggest challenge we face is not just introducing new rights but ensuring they are successfully embedded into workplace culture. Alarming, 82% of managers in the UK are 'accidental managers' - individuals promoted into leadership roles without formal training and our data shows that poor management is one of the leading causes of workplace dissatisfaction. Without investment in leadership skills, new employment protections risk falling short in practice.

At CMI, we know that well-trained managers are better equipped to foster inclusive workplaces, reduce turnover, and boost productivity. This is particularly relevant to provisions such as the right to request flexible working from day one, banning zero-hours contracts, and eliminating pay inequalities. When managers are properly trained, they not only ensure compliance but create environments where employees feel valued, supported, and motivated to perform at their best.

Businesses will be less burdened by regulation or implementing a code of practice if they have well-trained managers and a positive working culture. Among employers who have heard of CMI, survey data shows that 68% of employers say that professional Chartered Managers are more likely to be better at leading teams compared to non-Chartered Managers. Additionally, 86% of managers agree that being a trained Chartered Manager grows awareness of how to create diverse and inclusive workplaces.

While the Bill represents a significant step forward, there is a clear gap between policy intent and workplace reality. Many of the proposed changes in the Bill are intended to be the catalyst for implementing better day-to-day working practices, but the extent to which they achieve this will depend on practical implementation. Government must work closely with businesses to ensure managers are equipped to embed these changes effectively. The introduction of a Fair Work Agency is promising, but its success will depend on whether it provides businesses with clear, practical guidance rather than simply adding to regulatory burdens.

Far from being a hindrance, strong employment rights can drive productivity. In fact, 76% of managers agree that improving workers' rights positively impacts productivity. We also know that poor workplace culture and weak management contribute significantly to staff turnover, with one in three employees citing poor management as a reason for leaving a job.

The UK has a well-documented management skills gap, contributing to our productivity lag compared to G7 peers. Addressing this through investment in management training—rather than simply adding layers of enforcement—will be key to ensuring this Bill delivers on its ambitions.

The Bill presents an opportunity. Done right, it will help businesses attract and retain talent, enhance workplace culture, and support economic growth - all the while being better for workers. But for this to happen, we must:

- Prioritise management and leadership training to support implementation.
- Ensure enforcement bodies provide guidance, not just penalties.
- Partner with businesses to make compliance straightforward and effective.
- Protect and provide vital routes for management upskilling

This is not just about compliance; it is about fostering high-trust, high-performance workplaces. If we seize this moment, we can create a stronger, fairer, and more productive economy.

7. **Tim Sharp, TUC** ultra flexible labour market experiment has failed. Wages have fallen since 2008 for example. Insecure work has increased and the economic consensus has moved. Cambridge has shown a link between higher unemployment rates and regulation.

Govts programme has merits and picking up on blatant unfairnesses in the labour market:

- 1) Zero hour contracts – example is the problem at McDonalds and lack of training / development. Evidence that workers are parked on zero hour contracts, not covering short term gaps.
- 2) Workers can stay on a zero hour contract if they are happy to. Welcome amendments covering agency workers and collective agreement changes.

Think that workers are better able to plan their lives.

Sick pay – welcome changes and bringing millions into the sick pay system. Will protect workers from having to work when not well.

Slide 24, Union recognition – research shows that workplace with recognition have higher wages and productivity. In some sectors there is little Union presence and union recognition is difficult.

Slide 25 – not a perfect Bill but a great step forward. There needs to be some urgency behind the implementation of the Bill. Reforms around employment status needs to be brought forward. Sees the Bill as improving lives of workers as well as employers.

8. Kate Shoesmith, Deputy CEO, REC

Appreciated the approach taken by officials, has been clear that the officials want a broad representation. We do want detail and appreciate that we are relying on secondary legislation to make this work.

Good work and good jobs are good business. Why do individuals choose to work in a flexible way?

- 1) Ikena studying for his Masters in screenwriting and is funding that through temp jobs.
- 2) Jan who works in an office. In 2016 she took a step back from a high powered job due to a health condition and caring responsibilities at home.
- 3) Clare, locum radiographer, who spent 18 years in a substantive post in the NHS. Wanted to get back to her core interest rather than a more managerial role.

Need to look at public sector employment practices and not make assumptions about how and why people work the way they do. Most people surveyed about flexible work, want to do this. Need to ensure that it works for all parties.

When we speak to supply teachers, there are over 26k vacancies for secondary school teachers. Need to ensure that when people request a zero hours contract they understand that the work actually exists. The Fair Work Agency will need to be well funded with good staff and the power to go after bad actors.

Let's not overload the Tribunal system which some of these measures might do. Getting the regulations in the right place and right time is crucial.

Questions

1) Lucy Lake, People and Purpose

Appreciate the Govt's effort to build a better workplace. Concerned that critically important definitions such as using agency workers for strike cover and what makes one self-employed are unclear. What is the value of a probationary period if there is no clear timing?

Lower threshold of industrial action for SMEs do not make sense. Feels out of proportion, how will Unions work adequately with SMEs and how will the Govt control this? Sees difference in Scottish and English Unions and behaviour.

2) Martin Traynor, Institute of Hospitality

Lot is not understood about zero hour contracts. In Hospitality we employ large numbers of students who want to work during term but not exam time. Also have a large cohort of older workers who want flexibility with their working hours.

3) Cordelia Osewa-Ediae – general nervousness from SMEs about the implementation of the bill. Many are planning to reduce hiring. Historically certain groups are more effected e.g. women with caring responsibilities. How can the Govt. make sure that progress made is not lots.

4) Nick Dancer, Freelancer & Contractors Service Association

DBT's collaborative approach has improved the Bill by amendment to bring Umbrellas/Intermediaries in scope of the FWA for employment rights. But we need to go further by introducing a licensing scheme - like accountants have to ensure an individual and firm's past follows them.

We want to see intermediaries recognised as a route to giving workers rights because many just would not have a Contract of Employment otherwise.

We are worried about HMRC making the recruitment business the employer for tax purposes, and that the repapering exercise this will force essentially strips 700,000 people of employment rights, with many being forced to move to a Contract for Service with the agency.

The HMRC policy undermines this Bill and we cannot let these 700,000 people lose their employment rights and be allowed to be forgotten.

We recommend a licencing agency for Intermediaries and using joint and several liability for any tax debts with the agency - this will force due-diligence

5) Peter Webb, London Care and Support Forum

Concerned about zero hours contracts and social care, most employees are female and largely form the BAME community. Funded by LA contracts, tendered on a lowest-price-wins basis with an auction for the work which forces down the price below the London Living Wage. Turnover is huge even management, 30% annually. Cannot continue this way. If adult social care fails so does the NHS.

Conclusions: Lee Barron MP:

No-one wants to see employers mis-using their power, need to find the balance so we are not imposing but protecting people. This meeting has started the discussion. The world of work is the route out of poverty. How the Bill looks will effect how employment is modernised.