# Modelling the economic benefits of the Employment Rights Bill

Howard Reed, Landman Economics and University of Northumbria

May 2025

# Table of Contents

# 1 Introduction

The Employment Rights Bill (ERB), which contains a number of measures designed to reform the UK labour market, was introduced into the House of Commons as part of the legislative programme of the Labour Government following its election victory in July 2024. As part of the legislative process for the ERB, the UK Government produced an economic analysis (EA) of its likely impacts (UK Government, 2024).

The reason for producing this report is that in the EA, the economic costs of the ERB are (mostly) clearly outlined and monetised but many of the potential benefits are not explicitly estimated. This has allowed some media commentators to create the impression that the ERB will inevitably impose substantial costs on business by emphasising the costs of the Bill while ignoring the benefits. Furthermore, as explained in Section 2, much of the reporting of the costs and benefits which *were* estimated in the EA was flawed – giving the impression that the total estimated net cost of the measures outlined in the ERB was around £5 billion per year, whereas in fact this is an upper bound estimate; the **central** estimate for the overall net cost of the ERB is less than £300 million per year.

This report uses the details of the EA to make an overall assessment of the economic benefits of the ERB, and who these accrue to. The EA only estimates monetised costs to employers and benefits to workers for a subset of the impacts outlined in the Bill. These are covered in Section 2 of the report, which draws on Annexes 10 and 11 of the EA.

Sections 3 to 5 of this report focus on six aspects of possible economic benefits of the bill which are mostly not explicitly modelled in the EA. These are listed under headings (a) to (f) in paragraph 66 of the EA as follows:

a) Reducing the number of working days lost to stress, depression or anxiety.
b) Improvements in wellbeing for workers affected by enhanced employment rights.
c) Improvements in labour market compliance (e.g. reducing the number of firms paying less than the National Minimum Wage).
d) Reductions in strike action.
e) Reductions in workplace conflict (other than strike action).
f) Increased employment for people who currently would like to enter paid employment but are unable to due to home or family commitments.

**When these wider economic benefits are taken into account, the overall benefits of the ERB are estimated to be around 37 times greater than the net costs if the central estimate of net costs is used. Even if the upper estimate of net costs (£5 billion) is used, the overall benefits of the ERB are more than three times larger than the net costs.**

Section 3 of this report explains the overall methodology used for the estimates of wider economic benefits and the scope of the benefits considered. Section 4 presents the calculations for the estimated effects of the bill per percentage point reduction in the metrics identified in points (a) to (f) above, while Section 5 outlines the range of assumptions made about how effective the ERB will be overall. For example, to what extent will strike action, or workplace conflict, be reduced as a consequence of the ERB? Section 6 presents the estimates of the overall economic benefit of the ERB under different assumptions about its effectiveness and a comparison with the estimated costs to employers and benefits to workers in Section 2. Section 7 discusses the potential distributional effects of the ERB, in terms of whereabouts in the income distribution are the employees who are most likely to benefit from its provisions. Section 8 presents conclusions.

# 2 The costs of the Employment Rights Bill to businesses and the benefits for workers, as estimated in the Economic Assessment

This section summarises the evidence from the Economic Assessment on the costs of the Employment Rights Bill to businesses and the benefits of the Bill for workers. In the EA, Section 10 of the Annex discusses the costs and benefits of individual aspects of the ERB, while Section 11 discusses the aggregated net present value and monetised impact of the ERB on workers and employers. Potential wider economic benefits (not estimated in the EA) are covered in Sections 3 and 4 below.

Table 2.1 summarises the evidence from Section 10 on the costs and benefits of individual policies in the ERB. Note that here we only include the “highest-impact” and “medium-impact” policies on a line-by-line basis. These are discussed in Tables A3 and A5 of the EA respectively. The “low-impact” policies have only limited costs in each case, and so we include a line summarising their impact at the bottom of the table.

**Table 2.1. Estimated costs and benefits of the Employment Rights Bill to businesss and workers: Summary of Annex 10 of the Economic Assessment**

| Policy proposal | Annual direct impact on business | Annual direct impact on workers |
|---|---|---|
| High impact policies: | | |
| 1.Establish a Fair Pay Agreements process in the adult social care sector | Potentially large cost (>£1bn) | Potentially large benefit (>£1bn) |
| 2.Right to guaranteed hours | Large cost (£100m-£1bn) | Large benefit (£100m-£1bn) |
| 3.Right to reasonable notice of shifts with payment for shifts cancelled, moved and curtailed at short notice | Large cost (£100m - £1bn) | Large benefit (£100m - £1bn) |
| 4. Day 1 unfair dismissal rights | Medium cost (£10m-£100m) | Medium benefit (£10m-£100m) |
| 5. Improve access to SSP by removing Lower Earnings Limit and waiting period | Large cost (£100m-£1bn) | Large benefit (£100m-£1bn) |
| 6. Repeal Strikes (Minimum Service Levels) Act 2023 | Small cost (£0-£10m) | Small direct benefit (£0-£10m) |
| 7. Repeal Trade Union Act 2016 | Small benefit (£0-£10m) | Small direct benefit (£0-£10m) |
| 8. Ending use of 'fire and rehire' | Costs could be large (>£100m) | Benefits could be large (>£100m) |
| 9. Establish Fair Work Agency to bring together existing state enforcement functions | Small benefit (£0-£10m) | Medium benefit (£10m-£100m) |
| **Medium impact policies:** | | |
| 10.New right to unpaid bereavement leave | Medium cost (£10m-£100m) | Medium benefit (£10m-£100m) |
| 11. Strengthening collective redundancy rights | Uncertain | Uncertain |
| 12. Protections against dismissal for pregnant workers | Medium cost (£10m-£100m) | Medium benefit (£10m-£100m) |
| 13. Day 1 right to paternity leave and unpaid parental leave | Medium cost (£10m-£100m) | Medium benefit (£10m-£100m) |
| **Low impact policies (summarised in Appendix)** | (Summed): medium cost (£10m-£100m) | Medium benefit (£10m-£100m) |

Source: UK Government (2024), Annex 10

The main finding from Table 2.1 is that in every case, the cost of each policy to businesses is at least partially offset by a benefit to workers. This shows that the reporting of the direct economic impacts of the Bill was very inaccurate and one-sided, focusing almost entirely on the costs to businesses while ignoring the benefits to workers.

Section 11 of the Annex of the EA estimates the aggregate monetised impacts of the ERB across the policy areas shown in Table 2.1. The analysis uses the Regulatory Policy Committee's Impact Assessment calculator to aggregate the monetised values of each policy measure for the:

1) Total Net Present Social Value (NPSV)
2) Business Net Present Value (BNPV)
3) Net direct cost/benefit to business per year (EANDCB)
4) Net direct cost/benefit to households per year (EANDCH)

The IA is clear that this is "only a partial assessment of the package" (UK Government 2024, para 95) because there is not sufficient evidence to monetise all impacts – particularly those that are less tangible or indirect, such as the increases in wellbeing from better working conditions. In Sections 3 and 4, we attempt to assign monetary values to these wider impacts.

Table A6 of the EA shows that the best estimate of Net Present Social Value (over a 10-year period) of the ERB is -£2.8 billion, or £280 million per year on an annualised basis. The estimated annualised benefit for households is £0.5 billion, and the estimated annualised cost to business is £0.9 billion (UK Government 2024, para 98). This estimate of net cost – £280 million per year in social terms – is much smaller than the reported headline figure of £5 billion for the "costs of the Bill to employers", which is an *upper bound* estimate. The EA is also careful to point out that the £280 million figure "should not be interpreted as our assessment being that the package will be negative for society, rather more [that] we cannot robustly estimate many of the benefits at this stage".

In summary, the central estimate of the overall social cost of the Employment Rights Bill based on the partial analysis of costs and benefits by the UK Government is £280 million per year, not £5 billion. However, this £280 million estimate ignores several potential wider economic benefits that are mentioned in Paragraph 66 of the EA but not estimated in monetary terms. The remaining sections of this report attempt to estimate these wider economic benefits.

# 3 Methodology for estimating wider economic benefits

## 3.1 Outline

The methodology used in this report for estimating wider economic benefits is a three stage process:

1) Identify the **target metric** for each aspect of intervention mentioned in paragraph 66 of the ERB. This is the economic "bad" that the Bill is designed to address (for example, the number of working days in the UK economy lost to stress, depression and anxiety).
2) Estimate the benefit **per percentage point** of reduction in the target metric
3) Make assumptions about the **effectiveness** of the ERB, i.e. the **extent** to which the incidence of the target metric will be reduced once the ERB is implemented.

Where possible, I use statistics referenced in the Economic Analysis document unless there is a better or more recent source of data available.

All the wider economic benefits in Sections 3-5 are measured in annual terms for comparability with the £280m per year cost figure in Section 2.

## 3.2 Scope

The scope of the wider economic benefits estimated here includes all the benefits listed as (a) through (f) in the Introduction to the report, but excludes distributional weighting accounting for increased benefits arising for low-income workers as a result of the ERB (heading (g) in paragraph 66 of the EA) as it is not clear what distributional weights should be used. The scope also partially excludes three other potential wider impacts listed in paragraph 68 of the ERB:

- Enhanced employment rights supporting labour market participation (although this is partially captured in item (f) above).
- Increased job satisfaction leading to increased productivity (partially captured in item (b)).
- Robust enforcement ensuring markets are competitive by holding all businesses to the same standards (partially captured in item (c) ).

Finally, there are three additional wider impacts that are completely excluded from the estimates in this report because we judge them to be too difficult to calculate with any reliability. They are:

- Promoting long-term employer-employee relationships and encouraging high-performance work and management practices that can strengthen incentives for investment in training.
- Reducing the risks associated with job switching.

- Positive reallocation effects, whereby imposing higher standards on all businesses may prevent high-productivity employers from being undercut by less productive employers that resort to low-wage and insecure work to compete.

# 4 Estimating wider economic benefits per percentage point reduction in the target metric

This section shows, for each of the six areas of economic benefit included in the analysis, the rationale for including them (based on the descriptions in paragraph 66 of the Economic Analysis document), and how the calculations of each benefit (in terms of economic benefits per percentage point reduction in the target metric) are made.

## 4.1 Benefit (a): reducing the number of working days lost to stress, depression or anxiety

### Rationale

The EA states:

*Since low quality and insecure work can adversely impact wellbeing and health, the measures are likely to have a positive impact on the c.2 million employees who report feeling anxious about hours worked or shifts changing unexpectedly* (Felstead et al, 2018). *Those workers facing insecure hours are also more likely to be fearful about dismissal, unfair treatment and terms of their job being downgraded. Where "bad" work leads to poorer health outcomes these costs are ultimately borne by the taxpayer, for example through welfare* [benefits] *when people become economically inactive or through NHS treatment costs in the case of ill health.* (UK Government 2024, para 61)

*The Health and Safety Executive estimates that stress, depression or anxiety accounted for 17.1 million working days lost in 2022/23* (Health and Safety Executive, 2024), *equivalent to a loss of £5.2 billion in output per year* (ONS 2024). *There is also evidence this is concentrated in some of the sectors impacted by the Bill, for example human health and social work and education. A reduction in lost working days due to reduced anxiety over income instability, better terms and conditions, increased flexible working,*

*or better enforcement of rights would be a significant benefit to both employees and employers*. (UK Government 2024, para 66a)

## Calculation

The target metric here is **the number of working days lost due to stress or anxiety.** Table 4.1 shows how the estimate of the economic benefit per percentage point of reduction in the number of working days lost to stress or anxiety is calculated. The sources used are taken from paragraph 66a of the Economic Assessment. The total economic benefit per percentage point reduction in days lost to stress or anxiety is estimated at just under £49 million per year.

**Table 4.1. Estimating the benefit per percentage point reduction in days lost to stress or anxiety**

| Element | Value | Source |
|---|---|---|
| Total number of days lost to stress, depression or anxiety | 17,100,000 | HSE (2024) |
| Output per hour worked | £44.64 | ONS (2024a) |
| Average hours worked per week | 31.9 | ONS (2024b) |
| Average hours worked per day | 6.4 | Average hours worked per week, divided by 5 |
| Total value of number of days lost to stress, depression or anxiety (£m) | 4,870 | Number of days lost to stress/depression/anxiety x output per hour worked x average hours worked per day |
| **Value per percentage point reduction in days lost (£m)** | **48.7** | **Total value / 100** |

## 4.2 Benefit (b): improvements in wellbeing for workers affected by enhanced employment rights

### Rationale

The EA states:

*Where greater worker wellbeing increases productivity, this will offset some of the direct costs imposed on employers… Wellbeing improvements can be valued using wellbeing-adjusted life years (WELLBYs)* (HM Treasury, 2021). *This* [methodology] *values a one unit increase in subjective wellbeing on a ten-point scale at £15,500, based on the relationship between changes in income and wellbeing. International evidence suggests that being in a secure job is worth one tenth of a WELLBY* (Helliwell *et al*, 2017). *Using these values, and the assumption that the Bill may increase the security of work and therefore wellbeing for [approximately] 2 million workers (as per paragraph 61), the package could have wellbeing benefits of over £3 billion a year* (UK Government 2024, para 66b)

### Estimate

The target metric here is the **number of insecure (employee) jobs in the UK labour market.** Table 4.2 shows how the estimate of the economic benefit per percentage point of reduction in the number of insecure jobs is calculated.

The sources used are taken from paragraph 66b of the Economic Assessment except for the current number of people in insecure work, where I use an estimate from the TUC (2024) which is more up-to-date than the estimate from Felstead et al (2018) used in the EA (although the two estimates are very similar). The total economic benefit from wellbeing improvements per percentage point reduction in insecure jobs is estimated at £31 million per year.

**Table 4.2. Estimating the benefit from wellbeing improvements per percentage point reduction in insecure jobs**

| Element | Value | Source |
|---|---|---|
| Value per wellbeing adjusted life year (WELLBY) | £15,500 | HM Treasury (2021) |
| Impact of being in a secure job (number of WELLBYs) | 0.1 | Helliwell et al (2017) |
| Current number of people in insecure work | 2,000,000 | TUC (2024)* |
| Total wellbeing increase if all insecure work were eliminated (£m) | 3,100 | Impact of being in a secure job x current number of people in insecure work |
| **Value per percentage point reduction in insecure jobs (£m)** | **31.0** | **Total value / 100** |

Note: * TUC estimate excludes insecure self-employed workers as most of the provisions in the ERB apply to employees only.

## 4.3 Benefit (c): improvements in labour market compliance

### Rationale

*By establishing the Fair Work Agency the Government will create a strong, recognisable single brand so individuals know where to go for help and there is a more effective use of resources. The FWA will take a balanced approach to upholding workers' rights, with better support for the majority of employers who want to comply with the law, and tough action against the minority who deliberately flout it* (UK Government 2024, para 64)

*There is a significant amount of non-compliance in the labour market. For example, ONS data suggests that around 20% of workers paid at or around the wage floor were underpaid the minimum wage* (Low Pay Commission, 2024), *1.8 million workers report not receiving a payslip* (Resolution Foundation, 2023) *and many low-paid migrant workers have trouble in finding information on and getting access to minimum employment rights under the current system* (Modern Slavery and Human Rights Policy and Evidence Centre, 2024). *Even reducing this by a small amount would deliver significant benefits to workers and create a fairer business environment for employers*. (UK Government 2024, para 66c)

## Estimate

The target metric here is the **number of employees in the UK paid market paid less per hour than the National Minimum Wage** in their age group. Note that this is only one aspect of labour market compliance, but it is difficult to measure other aspects of compliance in a way that can be incorporated in this analysis. Therefore, the estimate of the economic benefit of improved labour market compliance in this section should be viewed as a conservative estimate.

Table 4.3 shows how the estimate of the economic benefit per percentage point of reduction in the number of employees paid less than the National Minimum Wage is calculated. The sources used are taken from paragraph 66c of the Economic Assessment except for the figures for average shortfall in hourly pay rate for workers paid below the National Minimum Wage and the average number of hours worked by workers paid below the minimum wage, which are taken from my own analysis of Labour Force Survey data for 2024. The total economic benefit per percentage point reduction in labour market compliance is estimated at £31 million per year.

**Table 4.3. Estimating the benefit per percentage point reduction in labour market non-compliance**

| Element | Value | Source |
|---|---|---|
| Number of workers paid at or around the NMW floor who are not paid the minimum wage | 365,000 | Low Pay Commission (2024) |
| Average shortfall in hourly rate for workers paid below NMW | £0.92 | Own calculation |
| Average number of hours worked by workers paid below minimum wage | 24 | Own calculation |
| Total loss in earnings from non-compliance with NMW (£m) | 419 | Number of workers paid below NMW x average shortfall in hourly rate x average number of hours worked by workers not paid minimum wage |
| **Gain in earnings per 1% reduction in non-compliance** | **4.2** | **Total value / 100** |

## 4.4 Benefit (d): reductions in strike action

### Rationale

*The impact of strike action in public services has significant costs on the economy. For example, the Centre for Business and Economic Research estimated the direct cost of all strikes, and the indirect cost of worker absence due to rail strikes, to be at least £1.7 billion over the eight-month period to January 2023, or 0.1% of expected GDP over this period* (Centre for Economics and Business Research, 2022). *If more cooperative industrial relations between employers and unionised workers could reduce working days lost through strike action, this would be a significant benefit*. (para 66d)

### Estimate

The target metric is the **incidence of strike action in the UK economy.** Table 4.4 shows how the estimate of the economic benefit per percentage point of reduction in the quantity of strikes in the UK economy is calculated. The source used here for the cost of strike action (CEBR 2022) is taken from paragraph 66d of the Economic Assessment. However, because the CEBR estimate of the costs of strike action comes from (eight months of) 2022, which was a year with a particularly high incidence of industrial action, we have adjusted the estimate downwards based on the ten-year average of working days lost to strike action, using data from the ONS's Labour Market Statistics time series (LMS) (ONS, 2025). The average number of working days lost over the years 2013 to 2024 (excluding the two years 2020 and 2021, when statistics were not published due to the Covid-19 pandemic) was 842,000 compared to 2,514,000 in 2022.

The total economic benefit per percentage point reduction in the incidence of strike action is estimated at £8.5 million per year.

**Table 4.4 Estimating the benefit per percentage point reduction in the incidence of strikes in the economy**

| Element | Value | Source |
|---|---|---|
| Cost of strike action (8 month period June 2022 - Jan 2023), £m | 1700 | CEBR (2022) |
| Annualised cost of strike action | 2550 | Multiplying 8-month estimate by 1.5 |
| Adjustment factor (ten year average for days lost to industrial action as a proportion of 2022 figure) | 0.334 | ONS (2025) |
| **Gain from a 1% reduction in strike action, £m** | **8.4** | **Total value / 100** |

## 4.5 Benefit (e): Reductions in workplace conflict (other than strike action)

### Rationale

*ACAS estimate that the annual cost of workplace conflict for UK employers is almost £30 billion a year* (ACAS, 2021)*, equivalent to around £20,000 per employer* [calculated by dividing the cost of workplace conflict by the number of private sector employers in the UK, using Department for Business and Trade *Business Population Estimates* (DBT, 2024). *If improving worker representation, by giving trade unions greater freedom to organise, represent and negotiate on behalf of their workers, reduces conflict by even a small amount then this will represent a significant benefit to employees and employers.* (UK Government 2024, para 66e)

## Estimate

The target metric is the **total amount of workplace conflict in the UK economy** (excluding strike action, which is covered in 2.5 above). Table 4.5 shows how the estimate of the economic benefit per percentage point reduction in workplace conflict in the economy is calculated. The source used here for the cost of workplace conflict is ACAS (2021), as specified in the Economic Assessment (paragraph 66e). I have modified the ACAS estimate by subtracting the cost of stress, anxiety and depression to avoid double counting, as these aspects of workplace conflict are already covered in Section 4.1 above.

The total economic benefit per percentage point reduction in workplace conflict in the economy is estimated at just over £270 million per year.

**Table 4.5. Estimating the benefit per percentage point reduction in workplace conflict in the economy**

| Element | Value | Source |
|---|---|---|
| Cost of workplace conflict (annual), £m | 28500 | ACAS (2021) |
| Subtracting estimated cost of stress, anxiety and depression (to avoid double counting with section a) | 1450 | own calculation |
| Cost of workplace conflict net of stress, anxiety and depression | 27050 | own calculation |
| | | |
| **Gain per 1% reduction in workplace conflict (£m)** | **270.5** | **Total value / 100** |

## 4.6 Benefit (f): increased employment for people who currently would like to enter paid employment but are unable to due to home or family commitments

### Rationale

*There are around 360,000 people who give 'looking after family or their home' as their main reason for being economically inactive but want a job* (ONS, 2024c). *If making flexible working the default or boosting job quality more generally supported even a small percentage of these workers to return to the labour market, the economic benefits would be large. i.e. for each 1% of these workers finding a part-time job [there] would be a boost to economic output (GVA) of around £135m each year* (ONS, 2024c). (UK Government 2024, para 66f)

### Estimate

The target metric here is the **number of people who would like to enter paid employment but are unable to do so, due to home or family commitments.** Table 4.6 shows how the estimate of the total increase in economic output if all of these people entered work is calculated, and the gain per percentage point of people in this category entering work. The calculation in Table 4.6 starts with the estimated 363,000 non-working people in this category (ONS 2024c) and assumes that if they were to enter work, they would be part-time workers (working average part-time hours as measured in the Labour Force Survey).

I estimate the output per hour worked for part-time workers in the economy by using output per hour across the whole economy from ONS (2024a) and then scale this by a factor equal to the average hourly wage for part-time employees divided by the average hourly wage across all employees (taken from ASHE Table 1). This provides an estimate of output per hour worked for part-time workers, which can be used to estimate the total increase in economic output if everyone in this category were to enter work. As with the Economic Assessment, I assume that there are vacancies for these workers to fill, and they do not displace other workers who would otherwise fill the role. As the EA suggests, "given that there are persistent shortages in the labour market, we believe this a reasonable assumption for this illustrative analysis" (UK Government 2024, footnote 46).

The total economic benefit per percentage point reduction in the number of people who would like to enter paid employment but are unable to due to home or family commitments is estimated at just over £133 million per year.

**Table 4.6. Estimating the benefit per percentage point of people who would like to enter paid employment but are unable to due to home or family commitments entering work**

| Element | Value | Source |
|---|---|---|
| Number of people who give 'looking after family or their home' as main reason for being economically inactive but would like a job | 363,000 | ONS (2024c) |
| Number of hours worked (assume part-time) | 20 | Own calculation (average part-time hours in Labour Force Survey) |
| Output per hour worked (overall) | £44.64 | ONS (2024a) |
| average hourly wage (all employees) | £21.65 | Own calculation: ASHE data (Table 1) |
| average hourly wage (part-time employees) | £17.10 | Own Calculation: ASHE data (Table 1) |
| Output per hour worked (part-time workers) | £35.26 | Output per hour worked (overall) x (average hourly wage for part-time employees) / (average hourly wage for all employees) |
| Total boost to output if everyone in this category went into work (£m) | 13,311 | Number of people in category x Number of hours worked x Output per hour worked |
| **Boost to output if 1% of people in this category went into work** | **133.1** | **Total value / 100** |

# 5 Assumptions about the effectiveness of the Employment Rights Bill in relation to wider economic benefits

Section 4 shows my estimate of the economic benefit *per percentage point* decrease in each of the six metrics. To derive an overall economic benefit of the ERB, I need to make assumptions about the effectiveness of the bill (in percentage terms) across each of these six metrics. Specifically as a result of the ERB (using the labels a through f as specified in the introduction):

a) What will be the percentage reduction in the number of days lost to stress or anxiety?
b) What will be the percentage reduction in insecure jobs (and hence increase in wellbeing?)

c) What will be the percentage reduction in non-compliance in the labour market (with workers going from being paid below the NMW to being paid at NMW hourly rates?)
d) What will be the percentage reduction in strike action?
e) What will be the percentage reduction in workplace conflict (other than strike action)?
f) What percentage of people who would like to enter employment but are unable to do so due to home or family commitments will enter work?

For each of these categories it is necessary to make an assumption about the percentage reduction in the relevant cost category (and therefore the size of the benefit) on a midpoint "best guess" scenario for the size of the effects, as well as lower and upper bounds (corresponding to pessimistic and optimistic assumptions regarding the size of the effects. Table 5.1 shows my assumptions regarding the size of the effects.

**Table 5.1. Assumptions regarding effectiveness of the Employment Rights Bill**

| Description | Lower bound | Midpoint estimate | Upper bound |
|---|---|---|---|
| a. Reduction in days lost to stress, depression or anxiety | 10% | 20% | 30% |
| b. Improvement in wellbeing | 10% | 30% | 50% |
| c. Improved compliance (going from being paid below NMW to being paid at NMW) | 10% | 40% | 70% |
| d. Reduced incidence of strikes | 10% | 20% | 30% |
| e. Reduced workplace conflict | 10% | 20% | 30% |
| f. Increased employment for people currently looking after family or home | 10% | 20% | 30% |

The default assumption is a 20% cost reduction as the midpoint estimate with 10% as the lower bound and 30% as the upper bound. I use this for categories a, d, e and f.

For category b (wellbeing) I use a more optimistic estimate of 30% midpoint and adjust the upper bound to 50%. This is because the Government's Economic Assessment suggested that improvements in wellbeing could affect a large proportion (possibly all) of the employees currently in insecure work.

For category c I assume a midpoint estimate of 40% and an upper bound of 70%. This is because improved labour market enforcement is one of the key measures that the Bill is designed to facilitate.

# 6 Overall Results

## 6.1 New estimates of wider economic benefits of the ERB

Table 6.1 below shows the overall results for the estimated wider economic benefit of the Employment Rights Bill. The estimated benefits range from a lower bound estimate of around £4.9 billion to an upper bound estimate of around £15.7 billion, with a midpoint estimate of just over £10.3 billion. The largest single aspect of economic benefit is the reduced incidence of workplace conflict, followed by increased employment for people currently not in work because they looking after family or home. The smallest aspect of economic benefit is improved compliance (based on the estimated number of workers whose pay would be raised to National Minimum Wage rates). However, as explained earlier, there are many other aspects of improved compliance which are harder to model, so this aspect of the results is probably an underestimate.

**Table 6.1. Estimated economic benefit of the Employment Rights Bill**

| | Estimated benefit (£m) | | |
|---|---|---|---|
| | **Lower bound** | **Midpoint estimate** | **Upper bound** |
| Reduction in days lost to stress, depression or anxiety | 487 | 974 | 1,461 |
| Improvement in wellbeing | 310 | 930 | 1,550 |
| Improved compliance (going from being paid below NMW to being paid at NMW) | 42 | 168 | 293 |
| Reduced incidence of strikes | 85 | 170 | 256 |
| Reduced workplace conflict | 2,705 | 5,410 | 8,115 |
| Increased employment for people currently looking after family or home | 1,331 | 2,662 | 3,993 |
| **TOTAL** | **4,960** | **10,314** | **15,668** |

## 6.2 Comparison with estimated costs and benefits of ERB from the Economic Assessment

These results for the economic benefit of the ERB should be set against the estimated net costs of the ERB from Annex 11 of the Economic Assessment. As outlined in Section 2 of this report, these are estimated to be around £280 million per year. Even at the lower bound of estimates in Table 6.1, the the estimated benefits offset the net costs in Annex 11 by a factor of almost 18. At the midpoint estimate, benefits exceed net costs by a factor of almost 37.

The upper bound estimate of benefits from the ERB is around £15.7 billion, which is more than three times the size of the the upper bound estimate for the net costs of the ERB from Annex 11 (£5 billion).

# 7 Distributional impacts of selected measures in the Employment Rights Bill

The section summarises the potential distributional impacts of selected measures in the Employment Rights Bill. In this section we only discuss measures where the distributional impacts can be at least approximately assigned to households. There are four particular measures in the ERB where the distributional impacts can be identified with some accuracy:

i) **Collective bargaining in the adult social care sector (Table 2.1, line 1).** Analysis of the 2023/24 Family Resources Survey suggests that employees in the social care sector are spread fairly evenly across the household income distribution, with a slight concentration in the middle of the income distribution (deciles 5 and 6). Therefore, to the extent that the establishment of a collective bargaining framework for social care improves earnings for social care workers, this is likely to have the largest impact in the middle of the income distribution.

ii) **Improving access to Statutory Sick Pay by removing the lower earnings limit and waiting period (Table 2.1, line 3):** Analysis of the 2023/24 Family Resources Survey suggests that employees with earnings below the lower earnings limit for SSP eligibility are mostly located in the lower half of the household net income distribution. Therefore, improved access to SSP is likely to have a progressive distributional impact.

iii) **Improved compliance for employees currently paid under the National Minimum Wage level (Section 4.3):** research by the Institute for Fiscal Studies (Cribb *et al*, 2021) finds that the gains to increases in the National

Minimum Wage (which at its introduction in 2016 was paid to employees aged 25 and over) were mainly located in the middle reaches of the income distribution. The gains from improved compliance would result in increases in gross earnings for employees currently paid *below* the National Living Wage level (or below the lower National Minimum Wage rates for employees aged under 21). These employees are likely to be located in the lower-to-middle parts of the household income distribution.

iv) **Increased employment for people who would like to enter paid employment but are unable to due to home or family commitments (Section 4.6):** analysis of the 2023/24 Family Resources Survey suggests that working-age adults who are not working due to family commitments are mainly located in the bottom half of the household income distribution, with almost half of them in the lowest two household income deciles. Therefore, increased employment for this group is likely to have a progressive distributional impact.

Overall, based on the four measures covered here, the distributional impacts of the ERB are likely to be progressive.

# 8 Conclusion

This paper estimates the economic benefits the Employment Rights Bill, summarising the calculations contained in Annexes 10 and 11 of the Economic Assessment and then extending these calculations using the six categories of wider economic benefits as identified in paragraph 66 of the Economic Assessment accompanying the bill. The estimates show that the economic benefits of the ERB more than offset the costs even using the least generous "lower bound" assumptions about the effectiveness of the Bill. The wider economic benefits of the ERB exceed the net costs as calculated in the Economic Assessment by a factor of between 3 and 37, according to the assumptions used about the effectiveness of the Bill in improving the operation of the labour market and the wider economy. Based on this analysis, the Employment Rights Bill delivers clear net economic benefits to employees and to the economy as a whole.

# References


ACAS (2021), *Estimating the costs of workplace conflict*. https://www.acas.org.uk/research-and-commentary/estimating-the-costs-of-workplace-conflict/report

Barnard, C *et al* (2024), *Low-paid EU migrant workers*. https://bristoluniversitypressdigital.com/monobook-oa/book/9781529229592/9781529229592.xml

Centre for Economics and Business Research (2022), "Eight months of strike action to have cost the UK economy at least £1.7bn, adding to existing recessionary pressures". https://cebr.com/blogs/eight-months-of-strike-action-to-have-cost-the-uk-economy-at-least-1-7bn-adding-to-existing-recessionary-pressures/

Department for Business and Trade (2024), "Business Population Estimates". https://www.gov.uk/government/collections/business-population-estimates

Felstead, A *et al* (2018), *Insecurity at Work in Britain: First Findings from the Skills and Employment Survey 2017*. https://www.cardiff.ac.uk/__data/assets/pdf_file/0011/1309457/6_Insecurity_Minireport_Final.pdf

Health and Safety Executive (2024), *Working Days Lost in Great Britain*. https://www.hse.gov.uk/statistics/dayslost.htm

Helliwell, J *et al* (2017), *World Happiness Report 2017*. https://s3.amazonaws.com/happiness-report/2017/HR17.pdf

HM Treasury (2021), *Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance*. https://assets.publishing.service.gov.uk/media/60fa9169d3bf7f0448719daf/Wellbeing_guidance_for_appraisal_-_supplementary_Green_Book_guidance.pdf

Low Pay Commission (2024), *National Minimum Wage – Low Pay Commission Report 2023*. https://assets.publishing.service.gov.uk/media/65e0b1f93f6945001103601d/E03071356_NMW_LPC_Report_2023_Accessible.pdf

Modern Slavery and Human Rights Policy and Evidence Centre (2024), *UK agriculture and care visas: worker exploitation and obstacles to redress*. https://www.modernslaverypec.org/resources/uk-agriculture-care-visas-vulnerability-exploitation

Office for National Statistics (2024a), "Output per hour worked, UK". https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk

Office for National Statistics (2024b), “HOUR01 SA: Actual weekly hours worked (seasonally adjusted). https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/actualweeklyhoursworkedseasonallyadjustedhour01sa

Office for National Statistics (2024c), “INAC01 SA: Economic inactivity by reason (seasonally adjusted)”. https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/datasets/economicinactivitybyreasonseasonallyadjustedinac01sa (Accessed November 2024)

Office for National Statistics (2025), “Labour disputes: working days lost to strike action; UK (thousands)”, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/bbfw/lms (Accessed May 2025)

Resolution Foundation (2023), *Enforce for Good*. https://www.resolutionfoundation.org/publications/enforce-for-good/