

Employment Rights: Impact on Businesses

Volume 772: debated on Tuesday 16 September 2025

See the full transcript [here](#)

Introduction and Context

This Westminster Hall debate, led by **Lincoln Jopp (Con, Spelthorne)**, focused on how the Employment Rights Bill will affect businesses. Jopp began by stressing his constituency's mix of 4,500 small businesses and large employers like BP and Shepperton Studios. He argued that the Bill comes on top of what he called a "triple whammy" of higher employer national insurance, minimum wage increases, and business rates, all of which have left firms "smarting, struggling and, in some cases, closing." His central claim was that the costs of the Bill are being "significantly underestimated," warning that the legislation will be a "further sea anchor on growth and employment."

Criticism of the Government's Impact Assessment

Jopp cited the Government's own estimate that the Bill could cost businesses **up to £5 billion annually**, but insisted this was a serious underestimate. Quoting the Institute of Economic Affairs, he argued that the impact assessment "almost entirely relates to increased administrative burdens," without calculating the effect on hiring or the potential for increased strike action after the removal of thresholds.

The **Regulatory Policy Committee (RPC)** judged the impact assessment "not fit for purpose," highlighting missing analysis of day-one unfair dismissal, union reforms, flexible working and third-party harassment. Jopp warned that the lack of detailed scrutiny risked "compound impacts" across sectors, insisting that "when these measures kick in, we could see the law of unintended consequences playing out."

He also referenced employer surveys, including the Chartered Institute of Personnel and Development's April 2025 report, which found **eight in 10 employers expected higher costs** and around half believed the measures would "negatively affect employment." According to the survey, up to a fifth of employers said they would reduce staff or rely more on temporary workers, while others anticipated cutting overtime, training budgets, or bonuses.

Business Concerns: Hiring, Redundancy and Risk

Jopp emphasised that reforms to unfair dismissal and the statutory probation period would have the largest impact on recruitment. He predicted employers would avoid "risk candidates" people who think differently, or those from groups who might need adjustments. His warning was: "My great fear is that... fewer diverse candidates will be employed, because people won't want to take the risk. Far fewer women are going to be employed."

Arguments for Stronger Rights and Economic Partnership

Rachael Maskell (Ind, York Central) responded with a contrasting vision. Drawing on the legacy of Rowntree’s worker welfare initiatives, she argued that strong rights “spark productivity, reduce sickness, and improve prosperity.” She said that good industrial relations between unions and employers were a “sweet spot” for economic success, rejecting claims that the Bill is anti-business: “Good industrial relations are important for business, because when employers are in touch with their workers, business can boom.”

Maskell celebrated the Bill for day-one rights, stronger sick pay, bans on exploitative zero-hours contracts, and action on fire-and-rehire. She cited evidence that 87% of employers paying the living wage reported reputational benefits, and two-thirds improved recruitment. Quoting economists, she insisted: “The emerging consensus is that labour laws do not, on the whole, have negative economic consequences, and may well have positive ones.”

She further pushed for **sectoral bargaining**, a single worker status, and legislation on bullying at work. Bullying, she said, costs £18 billion and 17 million lost working days annually, and she called for a legal definition and tribunal routes.

Small Business Pressures

Jim Shannon (DUP, Strangford) highlighted the precarious position of micro-businesses, which make up almost 90% of Northern Irish firms. He warned that many cannot afford occupational health referrals or to cover sick leave. “Employees deserve rights, but small businesses need support. We cannot have one without the other,” he said, pressing the Government to help small firms cope with rising costs, national insurance increases, and energy bills.

Liberal Democrat Concerns: Detail and Certainty

Sarah Olney (LD, Richmond Park) welcomed stronger rights on sick pay, whistleblowers, and carers, but argued that businesses are left “in limbo” because so much is deferred to secondary legislation. She criticised Ministers for rejecting Lib Dem amendments on defining short notice for shift cancellations and extending unfair dismissal claim periods.

Olney pressed for reforms to **business rates, the apprenticeship levy, and energy costs**, insisting that many small firms, especially in hospitality, face “a disproportionately large blow” from the NIC rise. She called for scrapping what she termed a “failed tax” and urged support for youth mobility schemes and energy reforms to ease pressures.

Conservative Criticism: Jobs and Strikes

Dame Harriett Baldwin (Con, West Worcestershire) echoed Jopp’s concerns, pointing to ONS data showing **payroll employment had fallen by 142,000**. She branded the Bill “the unemployment rights Bill” and accused Labour of prioritising trade union demands: “Over 200

Labour MPs have taken millions from the unions, and the Bill appears to prioritise union access and strike powers over the much-desired economic growth.”

She warned of sector-specific risks: the NFU said the Bill ignored seasonal farming, the UK Cinema Association feared viability risks, and Mitie warned unfair dismissal reforms would “cripple smaller organisations.” Baldwin concluded: “These are the voices of employers... united in their message that this legislation will make it harder to hire, harder for the country to grow and harder to serve the public.”

Ministerial Defence of the Bill

Kate Dearden (Lab, Parliamentary Under-Secretary of State for Business and Trade), making her first appearance at the Despatch Box, defended the Bill as **“the single biggest upgrade of workers’ rights in a generation.”** She argued that “stronger rights are an investment in people, in stability and in long-term growth,” not just a cost.

Dearden highlighted that **15 million workers will benefit**, including 9 million gaining day-one unfair dismissal protection and nearly 1 million more receiving bereavement leave. She stressed that insecure practices like zero-hours and fire-and-rehire “breed insecurity, and insecurity stifles productivity.”

On costs, she clarified that the £5 billion figure is a high-end estimate, with the central estimate closer to £1 billion less than 0.4% of the wage bill. She noted that 75% of businesses, including 7 in 10 small firms, support the Bill’s measures according to IPPR research.

Dearden also addressed small business concerns, promising phased implementation, guidance, and consultation. She insisted: “Fairness can drive growth. Businesses that treat their workers well can innovate more and grow faster.” On social care, raised by Steve Barclay, she promised to return with clarity on funding implications.

Conclusion

The debate crystallised two opposing narratives. Conservatives warned of underestimated costs, higher unemployment, and fewer opportunities for riskier hires, with some branding the Bill a union-driven agenda. Labour and independents argued it will boost productivity, fairness, and long-term economic health. Small businesses’ fragility and the uncertainty caused by deferred regulations emerged as common concerns.

Dearden closed by framing the Bill as central to Labour’s growth mission: “This Employment Rights Bill is a positive step forward for workers, for employers and for the economy.”