



‘Make Work Pay’: What are the next steps

Since coming into power, the Labour government has made its Make Work Pay plan a centrepiece of their policies. As a result, we have already seen a number of changes being proposed and implemented. This includes the new Employment Rights Bill which is currently making its way through Parliamentary processes.

The government’s Make Work Pay policy paper makes interesting reading on what it intends to do.

The paper outlines how the UK has seen a productivity slowdown in recent years that is more pronounced than other advanced economies. They attribute much of this to issues with the labour market, both in workers feeling insecure and businesses struggling to find the right staff when they need them.

The Plan to Make Work Pay is therefore designed to modernise the UK labour market and address the challenges the economy is facing.

Principally the plan aims to make work more flexible, more secure and more family-friendly. This will help to support more people to stay in work.

Employment Rights Bill

This key legislation is the first phase of delivering the government’s Plan. The changes it will bring about, including ‘day 1 rights’ of employment, banning exploitative zero-hours contracts and increasing worker protections, have been widely discussed in the press.

Consultations are planned to take place in 2025, with the majority of reforms taking effect no earlier than 2026.

Employment rights and industrial relations are reserved in relation to Scotland and Wales and transferred to Northern Ireland. The UK government intends to work closely with the devolved governments on delivering and implementing their plan so that rights for people across the entire country are strengthened.

Family friendly rights

The government is looking at how to support workers in working while balancing the essential responsibilities of their wider life, including raising children, improving their own wellbeing or looking after a loved one with a long-term health condition.

Some immediate changes are being made to support this. Flexible working will essentially become the default, a new right to bereavement leave is being introduced, paternity and parental leave will become a day 1 right, and protections for pregnant women as well as new mothers returning to work are being strengthened.

The government also intends to review the current parental leave system and the implementation of carer's leave.

Fair pay

We have already seen an adjustment in how minimum wage rates are set, with the cost of living now factored in.

The government's intention is to remove the separate wage rates for different age bands. Instead, there will be one single rate regardless of the worker's age.

Statutory Sick Pay is also to be strengthened. The lower earnings limit and the waiting period will be removed.

A consultation on how a Fair Pay Agreement process for the adult social care sector should work is also planned.

Ending 'one-sided flexibility'

Where workers have a zero-hours contract or a 'low' number of guaranteed hours but regularly work more than these hours, they will gain the ability to move to guaranteed hours contracts.

Protections from unfair dismissal, which currently have a 2-year qualifying period, will be changed to apply from day 1.

Employers will still be able to assess whether someone is right for the job via probationary periods. Currently the government is suggesting a 9 month statutory probationary period where the worker will have certain day 1 rights, but there will be a lighter-touch process that employers can follow to dismiss an employee who is not right for the job.

There is concern amongst businesses that the proposed changes will expose them to increased legal liability and a greater number of unfair dismissal claims. The government is proposing to identify ways to signpost and support employees that will make clear where bringing claims might be unsuccessful.

They have also said that they will consult on limiting compensation awards for successful claims of unfair dismissal during a probationary period.

In addition, there is a commitment that changes to the unfair dismissal rules will not come into effect any sooner than autumn 2026.

Equality at work

The plan includes measures that will help to ensure greater equality in the workplace, including:

- ensuring that outsourcing of services can no longer be used to avoid paying equal pay.
- a regulatory and enforcement unit for equal pay will be implemented.
- larger companies will be required to publish information on their ethnicity and disability pay gaps.
- specialist initiatives to join up employment and health systems to help support disabled people and people with health conditions thrive at work.
- making it unlawful to dismiss a pregnant worker within 6 months of their return to work other than in specific circumstances.
- establishing the Fair Work Agency to bring together existing enforcement functions and introduce the enforcement of holiday pay policy.

The government also intends to consult on the legal framework around trade unions and modernise it to reduce conflicts but provide workers with a voice.

Many of these changes will be enacted when the government publishes its Equality (Race and Disability) Bill later in this parliamentary session.

Anything else?

Further reforms are also briefly discussed in the plan that will take place over the longer term.

These include consulting on having a single 'worker' status that differentiates between workers and the genuinely self-employed. This would include strengthening protections for the self-employed through a right to a written contract. Health and safety guidance and regulations will also be modernised.

Conclusion

The government's plan could largely be summed up as 'a happy worker is a productive worker'. Therefore, the aim of the changes seems to be to make workers feel more secure and give them more flexibility over their working hours. If more workers remain more productive, this should make businesses more productive and the economy will grow as a result.

Of course, this will have to be reconciled with businesses dealing with additional costs and compliance. And you may have a question mark about whether the government's plan will help you to grow your own business, particularly after a Budget that increased employment costs for many businesses.

While many of the proposals still need to be consulted on before they become law and there is time before the Employment Rights Bill will come into force, it is clear that we all need to be ready for changes over the next few years.