Institute for Public Policy Research

RAISING THE BAR

STRENGTHENING LIVING STANDARDS BY BANNING EXPLOITATIVE ZERO-HOURS CONTRACTS

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INTRODUCTION

Labour's manifesto committed to banning exploitative zero-hours contracts as part of sweeping upgrades to workers' rights (Labour Party 2024). Exploitative zero-hours contracts provide employers with one-sided flexibility while offering workers no guaranteed income from one week to the next. The government has set out plans to ban these contracts through new rights to guaranteed hours and predictable shifts (DBT 2026). More than three-quarters of the public support the government's plans (TUC 2026).

A central, unresolved question for the new administration to navigate is how widely the right to guaranteed hours should apply – specifically, where ministers should set the 'low-hours threshold'. That threshold will determine which workers are covered by the new right: anyone with contracted hours that exceed the threshold will be excluded, even if they consistently work beyond their contracted hours.[1]

The government outlined ambitions to establish a threshold of between eight and 20 hours per week (DBT 2026). Our recommendation is that ministers should raise their ambitions by setting a threshold of 30 hours. Anything lower would exclude workers who suffer most from income insecurity, undermining the policy's central aim to improve living standards for people working on contracts with unpredictable hours.

Getting this decision right will determine whether the policy meaningfully boosts workers' living standards. If ministers apply a 30-hour threshold to the policy, they can credibly say it will create the 'breathing space' that the prime minister wants for households struggling with the cost of living (Seddon 2026). It also provides the government with an opportunity to put forward the principled, moral case for workers' rights, which resonates with voters (Elgot 2025). This briefing sets out evidence around a 30-hour threshold.

A LOW THRESHOLD WOULD MEAN THE POLICY FAILS TO PROVIDE INCOME SECURITY TO WORKERS WHO NEED IT MOST

The employment rights act introduces a new obligation on employers to offer workers a contract which reflects their regular hours (DBT 2024).[2] Under the new law, anyone working on a contract with no minimum guaranteed hours – a zero-hours contract – must be offered one which reflects their usual working hours. The policy will also automatically apply to agency workers and anyone whose contracted hours do not exceed a 'low-hours threshold'.

There is a wide range of views on where the threshold should be set. Businesses have called on the government to set a low threshold of eight hours, whereas some trade unions are arguing against a threshold altogether, meaning all workers who regularly work above their contracted hours would be covered (Strauss 2026,

1 For example, if the low hours threshold is set at 16 hours, someone who is contracted to work for 20 hours a week in a pub would be excluded. They would not be covered by this new guarantee at all, even though they might struggle with income insecurity because their employer changes their hours from week to week.

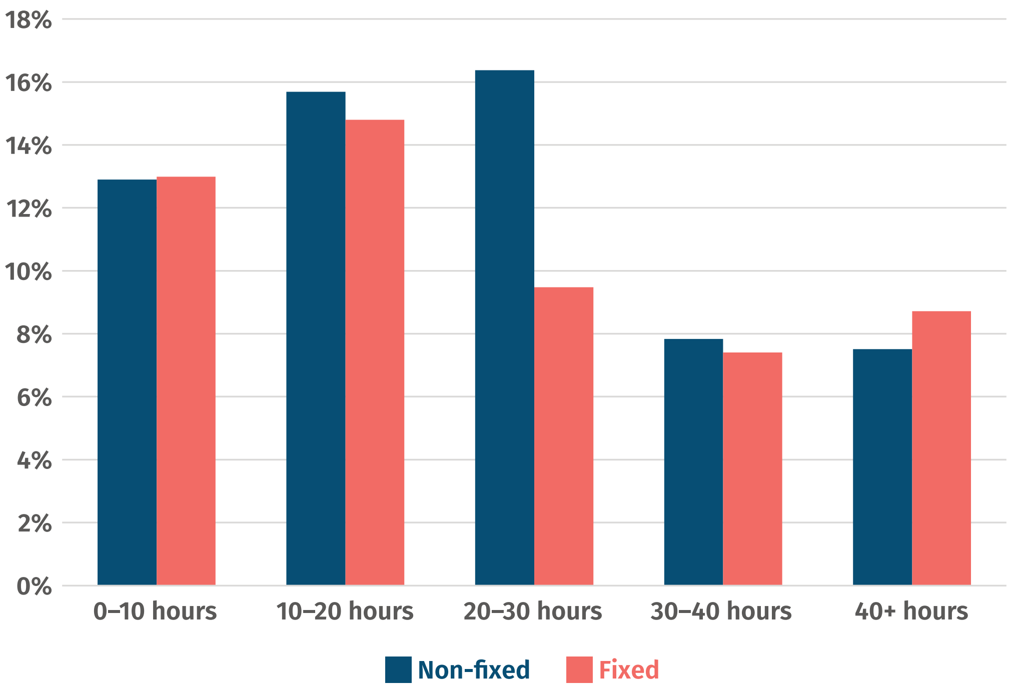
2 The definition of 'regular hours' is still to be determined and will be informed by public consultation.

Labour Unions 2026). The government's consultation stated a preference to set the threshold between eight and 20 hours (DBT 2026).

Setting the threshold between eight and 20 hours would mean the policy fails to deliver on its core aim: strengthening workers' living standards. Figure 1 demonstrates that workers with non-fixed hours who work between 20 and 30 hours per week are 73 per cent more likely to struggle to pay their bills than workers with similar but fixed hours. Strikingly, this pattern does not hold for other categories of regular weekly hours, suggesting that working just below 'full-time hours' is much more strongly associated with experiencing income insecurity. Based on this evidence, the risk of setting the threshold between eight and 20 hours is that the policy doesn't provide income security to the people who need it most.

FIGURE 1: WORKERS WITHOUT FIXED HOURS ARE MORE LIKELY TO STRUGGLE TO PAY THEIR BILLS THAN WORKERS ON FIXED HOURS IF THEY WORK 20-30 HOURS A WEEK

Percentage of workers with non-fixed hours who are behind on bills, by regular weekly hours bracket

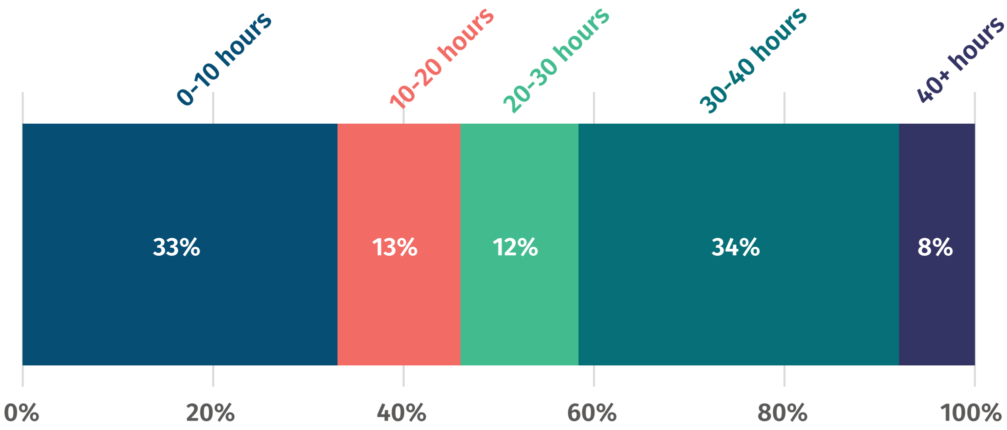


Source: IPPR analysis of Understanding Society

We recommend that the government sets the threshold at 30 hours to ensure that the policy delivers on its central aim: tackling income insecurity and supporting stronger living standards. Setting this higher threshold would mean that the policy covers around six in 10 workers with non-fixed hours (see figure 2). Compared to a 20-hour threshold, which would cover just under half of workers without fixed hours, this would mean the policy covers an additional 12 per cent of workers with non-fixed hours. As table 1 shows, as a share of overall employment, this would mean an additional 3 per cent of employees would be covered by the policy.

FIGURE 2: IF MINISTERS SET A LOW THRESHOLD ON THE RIGHT TO GUARANTEED HOURS, THEY WILL EXCLUDE MANY WORKERS WHO DO NOT HAVE FIXED HOURS

Hours distribution of workers with non-fixed hours covered, by different regular weekly hours band



Source: IPPR analysis of Understanding Society

Note: Workers on zero-hours contracts are assumed to have weekly hours of zero.

TABLE 1: WHEREVER THE THRESHOLD IS SET, THE POLICY WILL IMPACT A SMALL MINORITY OF EMPLOYEES[3]

Workers with non-fixed hours covered by different threshold levels, as a share of the overall employed workforce

	Threshold				
	10 hours	20 hours	30 hours	40 hours	No threshold
Share of employees	7%	10%	13%	20%	21%

Source: IPPR analysis of Understanding Society

Note: Workers on zero-hours contracts are assumed to have weekly hours of zero.

The low hours threshold is just one of several important design decisions that will determine the impact of the guaranteed hours policy. This briefing does not consider, for example, the 'regularity' test for triggering the right to a new contract, which will also determine whether the policy meaningfully tackles income insecurity.[4] Instead, the rest of this briefing unpacks what a 30-hour threshold would mean for businesses, workers and the government's wider policy priorities.

3 To estimate the number of workers without fixed hours as a proportion of employees, we use the 'zerohour' variable in Understanding Society to exclude employees who have fixed hours. In doing so, we assume that all workers who *could* have variable weekly hours are in scope for the guaranteed hours policy (even if their hours do not actually change substantially from week to week). This includes salaried workers. When salaried workers are excluded, people working 20-30 hours a week are 64 per cent more likely to struggle to pay their bills than people working similar but fixed hours; similar to figure 1 in this briefing, this pattern does not hold for workers in other hours brackets. IPPR agrees with the TUC that the government should consider excluding salaried workers from the policy (Sharp, Pfefer and Wieltschnig 2026).

4 Resolution Foundation recommended that the 'regularity' test should be set at eight in 12 weeks – meaning that someone who works above their contracted hours in eight weeks of the 12-week reference period would be entitled to a contract which reflects these additional hours (Cominetti and McCurdy 2025).

A 30-HOUR THRESHOLD WILL IMPACT RETAIL BUSINESSES, PUBLIC SECTOR EMPLOYERS AND YOUNGER WORKERS

One of the government's other considerations when implementing the policy is the potential impact on hiring and employment. The guaranteed hours policy amounts to a significant change in the UK's regulation of contractual hours, so it is important for the government to understand the kind of businesses and workers who would be affected by a higher threshold.[5]

Retail businesses and public sector employers will be most affected by a 30-hour threshold. Table 2 shows that workers with non-fixed hours and usual weekly hours of less than 30 are concentrated in these sectors. By contrast, hospitality businesses would be most affected by a lower threshold of 10 hours.[6]

TABLE 2: PUBLIC EMPLOYERS AND RETAIL BUSINESSES HAVE THE HIGHEST SHARE OF PEOPLE WORKING WITHOUT FIXED HOURS AND AVERAGING 20-30 HOURS A WEEK

Percentage of workers without fixed hours across sectors, by regular weekly hours bracket

		Weekly hours					
		All	0–10	10–20	20–30	30–40	40+
Sector	Public services	28%	24%	23%	31%*	35%	20%
	Wholesale and retail	20%	18%	36%	32%	14%	10%*
	Hospitality	16%	28%	19%	13%*	5%	9%*
	Primary, industrial, utilities, construction and logistics	15%	12%	10%	7%	18%	32%
	IT, finance, real estate and business services	15%	10%	6%	11%	22%	25%
	Other services	6%	8%	6%*	6%*	5%	5%*
	Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: IPPR analysis of Understanding Society

Note: An asterisk indicates that the sample size is below 30. Workers who did not list their sector have been excluded.

Wherever the government sets the low hours threshold, it is younger workers whose contracts are most likely to be in scope. Consistent with this trend, younger workers will be most impacted by a threshold set anywhere below 30 hours: 46 per cent of people with non-fixed hours who work 30 hours or less a week are under the age of 26.

5 This briefing does not attempt to comprehensively model the potential impact on businesses and households, as government officials are now attempting.

6 The government has announced support for some hospitality businesses by cutting business rates for pubs, clubs and music venues (Zeffman and Mitchell 2026).

TABLE 3: YOUNGER WORKERS WILL BENEFIT MOST FROM SETTING A THRESHOLD OF 20-30 HOURS

Percentage of workers without fixed hours across age groups, by regular weekly hours bracket

		Weekly hours					
		All	0–10	10–20	20–30	30–40	40+
Age	16-25	36%	59%	41%	36%	17%	12%*
	25-35	17%	11%	16%	15%	21%	25%
	35-45	16%	9%	14%	17%	23%	19%
	45-55	17%	9%	10%	15%	25%	26%
	55-65	15%	12%	19%	17%	15%	18%
	Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: IPPR analysis of Understanding Society

Note: An asterisk indicates that the sample size is below 30. Workers aged 65+ were removed due to insufficient underlying sample sizes.

This evidence outlines the trade-offs that the government must navigate when designing the policy. Rising youth unemployment is an urgent policy challenge (DWP 2026). Any threshold set below 30 hours will have a greater impact on younger workers. Our recommendation is that ministers should accept this trade-off and remain guided by the policy's overarching priority – to tackle income insecurity and boost living standards – while pulling a wider set of policy levers to support young NEETs into work (Parkes and Harris 2026).

ASSESSING THE RISK OF RAISING UNEMPLOYMENT

Wherever the threshold is set, the policy will restrict employers' ability to flexibly meet demand. Businesses have warned that the policy could hurt hiring (Strauss 2026). This is a trade-off with the aim of the policy, as set out in Labour's 2024 manifesto, to remove exploitative zero-hours contracts from the labour market.

However, we expect that setting a higher threshold is unlikely to significantly change the policy's impact on the headline unemployment rate. Firstly, in most cases the policy should merely formalise hours which staff are already working. It may encourage some businesses to plan better for demand fluctuations, which could translate into better labour productivity if employers offer more consistent shift patterns (Evans 2025). A 30-hour threshold would still leave businesses with flexibility to offer workers overtime beyond the threshold, without having to formalise these hours in workers' contracts.

Second, international evidence suggests that the policy can be implemented without raising unemployment. The UK is not alone in seeking to regulate employment contracts to address the insecurity of variable hours: other OECD countries, including the Netherlands, Ireland, and Norway, have all legislated to give workers the right to a contract which reflects their usual weekly hours (Netherlands Enterprise Agency 2026, Irish Statute Book 2018, Altinn 2025). There is no evidence that the policy caused a reduction in macro-level labour demand in any of these three countries, though there has been no attempt to isolate the micro-level consequences of these policy changes.

In the Netherlands, where employers must offer a fixed-hours contract based on a 12-month reference period, the policy change was part of a wider package which resulted in a substantial reduction in the number of temporary contracts and a rise in the number of permanent workers (Patra et al 2025). If this trend was replicated in the UK, it could reverse the recent rise in temporary hiring and encourage business to offer workers more secure, permanent contracts (REC 2026). The Netherlands example also demonstrates that the guaranteed hours policy needn't exacerbate the NEETs crisis, since the country currently has the lowest NEET rate in Europe.

CONCLUSION

The government should keep in mind the potential to boost workers' living standards through the guaranteed hours policy. If ministers set the threshold in line with evidence around income insecurity, they can credibly say that they are tackling income insecurity by guaranteeing workers' hours. The evidence presented in this briefing suggests that a threshold of 30 hours would provide much-needed 'breathing space' to workers who struggle to pay their bills.

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