

Title: Replacing Zero Hours Contracts with contracts that provide flexibility and protect workers' rights	Regulatory Impact Assessment (RIA)	
	Date: June 2024	
	Type of measure: Primary Legislation	
Lead department or agency: Department for the Economy	Stage: Initial	
	Source of intervention: Domestic NI	
Other departments or agencies:	Contact details: goodjobsconsultation@economy-ni.gov.uk	

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary? (7 lines maximum) Research has indicated that many workers on zero hours contracts may be in precarious employment. Some workers on these contracts report that they face financial uncertainty and instability, an inability to plan both work and personal life commitments and a perceived requirement to always be available even when work might not be offered. There are circumstances which mean many workers on these contracts do not have employment which guarantees a reasonable standard of living. However, while inappropriate practices relating to zero hours contracts rightly attract criticism, many businesses legitimately use employment contracts of this nature to permit operational flexibility and workers who need flexibility can benefit from not being obligated to work. We need to introduce measures to prevent misuse of zero hours contracts.	
What are the policy objectives and the intended effects? (7 lines maximum) The policy objective is to find solutions that addresses where there is an improper imbalance in the benefits that zero hours contracts provide. This imbalance occurs, where the employer/business has the benefit of a readily available workforce without any reciprocal commitment to pay for workers' availability, while workers have no guarantee of work and feel pressured to be available with no guarantee of any payment. This should be achieved while preserving the ability to permit genuine and mutually beneficial arrangements between workers and businesses to continue, when these benefit both the worker and the employer/business.	
What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum) The consultation will invite views on a number of legislative options: a ban on zero hours contracts; the right to move to a banded hours contracts which more accurately reflects hours worked; the right to request a more stable contract; the right to reasonable notice of work schedules (e.g. a worker should get notice of their working hours a set number of days prior); the provision of compensation for shifts cancelled at short notice; and/or a ban on exclusivity clauses in zero hours contracts. At this stage, the Department does not have a preferred option and a number of the options being considered require considerable policy refinement and decisions before it is possible to accurately reflect potential costs. This impact assessment therefore focuses on two aspects which are sufficiently defined to allow a reasonable estimate of costs to be provided. The details of these and any other policy options brought forward will be refined post-consultation in a Final-stage Impact Assessment.	
Will the policy be reviewed? It will be reviewed	If applicable, set review date: Month/Year

Cost of Preferred (or more likely) Option				
Total outlay cost for business £m	Total net cost to business per year £m		Annual cost for implementation by Regulator £m	
Does Implementation go beyond minimum EU requirements?			YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Is this measure likely to impact on trade and investment?			YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Are any of these organisations in scope?	Micro Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Small Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Medium Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Large Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by:

Date:

Description:

ECONOMIC ASSESSMENT (Option)

Costs (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Low	Not quantified		Not quantified Optional	Not quantified
High	Not quantified		Not quantified Optional	Not quantified
Best Estimate	Not quantified		Not quantified	Not quantified

Description and scale of key monetised costs by ‘main affected groups’ Maximum 5 lines
 As stated above the Department does not have a preferred option at this time. The key costs that are likely to materialise irrespective of the option selected after consultation are familiarisation costs and administration costs for businesses.

Other key non-monetised costs by ‘main affected groups’ Maximum 5 lines
 Businesses may incur additional (un-monetised) costs from accepting a request. These costs could include: amending existing terms and conditions; other transitional costs, e.g. reorganising work schedules, adjusting IT systems, or any fees charged by an employment agency to cover the loss of revenue from losing an agency worker; and some loss of flexibility for the business, e.g. where new terms and conditions leads to reduced ability to meet variable customer demand.

Benefits (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Low	Not quantified		Not quantified Optional	Not quantified
High	Not quantified		Not quantified Optional	Not quantified
Best Estimate	Not quantified		Not quantified	Not quantified

Description and scale of key monetised benefits by ‘main affected groups’ Maximum 5 lines
 None Quantified currently

Other key non-monetised benefits by ‘main affected groups’ Maximum 5 lines
 Increased wellbeing of workers by providing a clear framework for discussions on the predictability of work to occur. In cases where requests are accepted, workers will have more predictable terms and conditions that better suit their individual needs, leading to higher job satisfaction. There may also be benefits to employers and the wider economy as there is a presumed positive link between wellbeing, engagement at work, firm performance and productivity.

Key Assumptions, Sensitivities, Risks Maximum 5 lines
 That the estimates of number of zero hours contracts in the north of Ireland are reasonable.
 That estimates of the likely uptake of the described options are realistic,

BUSINESS ASSESSMENT (Option)

Direct Impact on business (Equivalent Annual) £m				
Costs:	Benefits:	Net:		

Cross Border Issues (Option)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) In Britain, under the Workers (Predictable Terms and Conditions) Act if a worker’s existing work pattern lacks certainty in specified circumstances, they will be able to make a formal application to change their working pattern to make it more predictable. In the south of Ireland, there is a right for employees, whose contracts do not reflect the reality of the hours worked, to be placed into an appropriate specified band of weekly working hours.

Evidence Base

Problem under consideration

1. A key objective of the Economic Vision is to increase the proportion of working-age people in Good Jobs because it is not acceptable that being in work does not guarantee a reasonable standard of living.
2. A zero hours contract is one type of current employment contract arrangement which does not always deliver on the security of tenure and work in the right quantities aspects of a good jobs. Many workers on zero hours contracts struggle with one-sided flexibility where, for example, workers must be available to their employer with no guarantee of work. It found that employers can schedule or cancel shifts with little notice, leading to insecurity of hours and income for workers.
3. The term “zero hours contracts” can be used to cover a wide range of employment contracts. Concerns arise where the benefit of the contract is weighted too heavily in favour of the employer, and where the individual does not understand the consequences when agreeing to its terms of no guaranteed work. This can leave workers in a position where they have no certainty of income and may find it more difficult to plan their lives outside of work.
4. In other circumstances zero hours contracts can be legitimate forms of employment contract drawn up between the employer and individual, where both parties are fully informed, freely agree to them and the flexibility on offer is mutually beneficial. They may provide a labour market opportunity for those who want to balance work with other priorities, such as study or caring responsibilities.
5. The Office for National Statistics publishes data on the use of zero hours contracts as part of its Labour Force Survey. As of March 2024, some 16,000 people in employment in NI were working on a zero hours contract. This equates to 1.8% of people in employment on a zero hours contract. For comparison purposes, across the UK, some 1,033,000 people or 3.1 % of people in employment were on a zero hours contract. Of workers across the UK, 3.4% (545,000) of women in employment are on a zero hours contract, compared to 2.9% (487,000) of men in employment on a zero hours contract.
6. This impact assessment relies, in large part, on the detailed impact assessment undertaken by the UK Government in relation to the ‘Right to request a more predictable working pattern’¹. The costs and benefits below reflect certain assumptions made in that assessment, if the provisions described below were to be introduced in the north of Ireland.

Rationale for intervention

7. As stated above, a zero hours contract is a type of current employment contract arrangement which does not always deliver on the security of tenure and work in the right quantities aspects of a good jobs. We want to address those zero hours contracts arrangements where there is an unfair imbalance between the employer and the worker in some working relationships. We want to identify approaches that will address this imbalance.
8. To make our economy thrive we need people to be properly rewarded and protected when they are in work. Where employment practices do not attract or support working people, we should consider what changes could be made to the employment law framework. In achieving good jobs for all, we must support, encourage and grow the number of good employers who already provide these good jobs. Good employers recognise and value the contribution of their workers. Less conscientious employers must not have an advantage because they do not treat workers fairly. We need to

¹ [Impact Assessment \(parliament.uk\)](https://www.parliament.uk)

ensure that we create a level playing field for those employers that already do the right thing by their workers. Inappropriate or potentially exploitative use of zero hours contracts, in circumstances where there is no clear business need for their use, can leave workers in a financially precarious position.

9. It is noted that the term “zero hours contract” is generally a non-legal one and is used to describe many different types of casual agreements between an employer and an individual. This makes comparisons with other jurisdictions difficult as the specific regulation of such contracts is part of a wider framework of rights that is not always directly comparable.
10. The two jurisdictions that most broadly align with the north of Ireland, in terms of the employment rights frameworks and the economy, are the south of Ireland and Britain. Both have legislated to address some of the issues related to the use of zero hours, non-guaranteed or unpredictable working patterns.
11. In 2018, the south of Ireland made legislation that prohibited zero hours contracts except where the work is of a genuinely casual, emergency, or short-term relief nature. Legislation also introduced a right for employees, whose contracts do not reflect the reality of the hours worked, to be placed into an appropriate specified band of weekly working hours. The employer must determine the appropriate band on the basis of the average number of weekly hours worked over a 12 month reference period. This essentially guarantees the employee a minimum number of weekly hours. There are eight different bands ranging from a minimum 3-6 hours, with the top band being 36 hours and above.
12. Where an employer fails to place an employee on the appropriate band, the Workplace Relations Commission (WRC) can require the employer to reallocate the band. There is no scope to award compensation to an employee.
13. The legislation also introduced a minimum payment in certain limited circumstances for employees. Employees who are expected to be available for work during a particular period and are not called to work, or where they are called to work but do not complete work for the expected period, will be entitled to a minimum payment, amounting to 25% of their contract hours or 15 hours, whichever is less, and calculated at three times the national minimum hourly rate.
14. In Britain, the Workers (Predictable Terms and Conditions) Act is expected to come into force in Autumn 2024. Under this legislation, if a worker’s existing pattern lacks certainty in terms of the hours they work, the times they work or if it is a fixed term contract for less than twelve months, they will be able to make a formal application to change their working pattern to make it more predictable. Once a worker has made their request, their employer will be required to notify them of their decision within one month. Agency workers are also able to make a request under this legislation to be taken on permanently by the hirer. This new right to make a statutory request for a more stable contract is expected to mirror the framework for the statutory right to make a flexible working request.
15. In Britain the use of exclusivity clauses (i.e. a clause which means a worker cannot take up employment with another employer) is banned in a zero hours contract. They also banned the use of exclusivity clauses for all workers whose income is less than the lower earnings limit threshold.
16. Britain also consulted on other measures to address potentially exploitative practices associated with precarious work – such as proposals to introduce a right to reasonable notice of shifts and a right to compensation if shifts are cancelled at short notice. However, ultimately the British Government has not legislated in these areas. Some challenges associated with such an approach could be related to the difficulty in defining what is considered to be a reasonable notice period and an appropriate level of compensation. There would also be a requirement to balance the needs of workers to plan their working lives with the need for businesses to adapt to fluctuating demand.

Policy objectives

17. In our rationale for intervention, we have highlighted the imbalance between the employer and the worker in some zero hours contracts working relationships. We want to identify approaches that will address this imbalance and ensure that people are properly rewarded and protected when they are in work.
18. Where a worker has terms and conditions that does not truly reflect the hours they work or expects them to be available to the employer every day of the week, and this is not acceptable to the worker, we want to seek views on how to change this.

Description of options considered (including do nothing), with reference to the evidence base to support the option selection;

Option 0 – do nothing

This option would mean it would remain the case that there is no statutory basis for workers on atypical contracts to improve their working arrangements. The Minister is committed to improving the position of workers on insecure contracts. This option does not support the delivery of this commitment and is therefore discounted.

Option 1 - Introduce a right to request a more stable contract

This option would introduce a right to request more predictable terms and conditions of work for workers. A request could be made if a worker’s existing work pattern lacks certainty: in the hours they work; the times they work; or if it is a fixed term contract for less than twelve months. An agency worker who meets certain qualifying criteria will also be able to apply to a temporary work agency or the hirer in a work placement, to be taken on directly by that hirer. There will be circumstances in which employers may decline a request on specified business grounds, similar to those contained in the equivalent GB legislation.

Option 2 – Introduce a right to banded hour contracts

This would introduce a right for workers that meet set eligibility criteria to move to a banded hours contract that better reflects the hours they actually work. Workers would make a request in writing to be placed in a band of hours that better reflects the number of hours they have worked over a specified period. There would be eight different bands ranging from a minimum of three-six hours to a top band being 36 hours and above. This would effectively guarantee the worker a minimum number of weekly hours.

At this stage, while the Department has discounted the ‘do nothing’ option it does not have a preferred option between options 1 and 2. This position will be reviewed following the consultation.

Risks and Assumptions

Modelling risk and assumptions

The analysis within the Impact Assessment is dependent on a number of key assumptions. We have identified areas where the existing evidence base supporting these assumptions is very limited in places and outline the key risks to the model and estimated costs below:

Assumption Log		
Assumption	Detail	Discussion
Eligible population – employment characteristics	Eligible population figures detail the numbers of eligible	The eligible population is determined using comparative

and take up rate	workers and projects the likely take up rate of the enhanced rights.	GB data on workers and contracts type. In the absence of NI specific data, a factor of 2.66% ² has been applied to comparable GB estimates.
Familiarisation costs	Familiarisation costs are captured all firms which employ 1 or more workers.	Our estimate for familiarisation costs assumes that all employing businesses will familiarise themselves with the change in legislation. This is likely to be an overestimate.
Administrative costs	These are the costs to business of processing a statutory right to request a more stable contract.	Our estimates assume that all businesses will take a similar amount of time to process a request. It is likely this will vary across businesses.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

Option 1 - The right to request a more stable contract - Legislate to create a right to request a more predictable working pattern for all workers and employees.

The estimated direct cost to business for this proposed reform can be split into two categories:

- Familiarisation– the costs incurred by businesses to understand any new requirements associated with the policy, and to create a process by which they handle requests. These are one-off costs that occur if the policy starts.
- Procedural costs – the costs incurred by businesses to go through the process of receiving a new request. This includes the cost of reviewing or considering requests.

We note that businesses may incur additional (un-monetised) costs from accepting a request (e.g. producing new terms and conditions, reorganising work schedules or adjusting IT systems). Given there will be grounds on which businesses can turn down requests, we expect that these costs will be lower than the corresponding benefits to the business, i.e. accepting a request would be a net benefit to business.

The process to request a more stable working pattern is expected to operate in a broadly similar way in procedural terms to the right to request flexible working.

One-off familiarisation costs

We have no evidence at this stage to estimate the proportion of businesses or type/size of business that use insecure working arrangements including zero hours contracts temporary contracts, fixed term contracts, and agency work in Northern Ireland. As such, our estimate for familiarisation costs assumes that all employing businesses will familiarise themselves with the change in legislation. This is likely to be an overestimate.

For the purposes of this Impact Assessment, we assume that familiarisation would consist of the relevant employee(s) in the business reading and understanding the new requirements and any accompanying guidance, considering the implications on the business, and, if necessary, consulting

² The method for calculating the proportion of NI workers with in each group is based on dividing the number in employment NI (877,000) from Feb to April 2024 by the number in employment in the UK (32,967,000) during the same time period (see Table 22: Regional Labour Force Survey Summary (thousands, seasonally adjusted))

with other relevant employees (e.g. line managers) and creating a process by which businesses handle requests. For example, this may include producing a template form for workers to use when making a request or producing a policy to follow when responding to requests. This new right is anticipated to operate in a broadly similar way to other 'rights to request', helping to mitigate the familiarisation costs for some businesses. In practice, we expect these costs to vary business-by-business.

How the legislation operates will be somewhat similar to that of existing statutory flexible working entitlements. Therefore we would expect that the familiarisation process could be straightforward for many businesses. Some of the familiarisation could include understanding how employer's own policies interact with the statutory requirements and updating their internal guidance accordingly. How far employers go beyond understanding the statutory requirements, updating systems and raising awareness of the entitlement would be at their own discretion and therefore estimates do not account for this.

Calculation

Annual Survey of Hours and Earnings (ASHE) data for 2023 gives the average hourly pay of a Manager/Director/Senior Official' as £24.98 (which is uplifted by 17.95% for non-labour costs which equals £30.49. According to data from Business Population Estimates (BPE) there were around 39205 private sector employers with one or more employees in Northern Ireland.

For the purpose of this impact assessment, it is suggested that it will take each employer 1 hour to familiarise themselves with the new process³. This is likely to be a cautious approach as we do not have robust data on the number of businesses that specifically use these groups of workers and who it is anticipated will seek to use this right. It is assumed that businesses that do not currently employ these workers would still take time to understand the changes as it may affect future hiring decisions.

The one-off familiarisation cost to private sector businesses are therefore calculated as follows:

Total number of private sector employers with 1 employee or more	1 hour of Manager/Director/Senior Official' time (uplifted by 17.95 % for non-wage labour costs)	Total cost (£)
39205	30.49	£1,195,360

This gives us a total estimated cost of familiarisation for private sector employing businesses of £1,195,360⁴.

Administrative Costs

The cost of processing requests for the right to request a more stable contract will involve estimating the number of individuals who may be take up the entitlement and then estimating the cost of processing each request for the employer.

As stated above, we have no evidence at this stage to estimate the proportion of businesses or type/size of business that use insecure working arrangements including zero hours contracts temporary contracts, fixed term contracts, and agency work. While information is available the number of people

³ In practice, the amount of time spent by employers familiarising themselves with the changes will vary. The type of employee that would conduct the task of familiarisation will also vary depending on the size of the business. For small employers, they are less likely to have dedicated HR staff, so it would be the general manager that would familiarise themselves, whereas, for a larger employer, it could be a payroll or HR manager that conducts this task.

⁴ To offset the possible over-estimate of familiarisation costs, we have not separately provided an additional estimate for costs that businesses may incur as a set-up cost if they have to create a process by which they handle requests but instead incorporated this into the familiarisation cost. This would include tasks such as producing a template form for workers to use when making a request or producing a policy for HR to follow when responding to requests.

in Northern Ireland employed on zero hours contracts, Labour Force Survey data is not broken down at a regional level for those on temporary or fixed term, or agency work contracts. There is also no detailed data for those who have variable working patterns in the LFS and working patterns can vary on both hours and days worked.

As such, to estimate how many workers are likely to avail of this right in the north of Ireland this impact assessment relies on data and assumptions contained within a related GB Impact Assessment on 'Right to request a more predictable working pattern'⁵ to estimate the number of eligible workers in scope that may make a request. That is, as per that impact assessment, it is assumed that not all workers in scope will avail of the right to make a request. The breakdown of the potential number of requests for a stable contract are set out in the table below.

Group	GB Number of requests	Take-up rate (% of eligible population)	NI equivalent (2.66%) ⁶
Zero hours	42,000 – 109,000 (central: 75,000)	5 – 14% (central: 10%)	1117 – 2899 (central:1995)
Agency workers	32,000 – 119,000 (central: 75,000)	6 – 21% (central: 13%)	851 – 3165 (central: 1995)
Temporary workers	33,000 – 78,000 (central: 55,000)	3 – 8% (central: 6%)	878 – 2075 (central: 1463)
Workers with highly variable work patterns	15,000 – 30,000 (central: 23,000)	2 – 4% (central: 3%)	399 – 798 (central: 612)
Total	122,000 – 336,000 (central: 229,000)	4 –11% (central: 8%)	3245-8938 (Central: 6091)

The methodology to estimate the cost of considering requests uses the formula set out in the same GB Impact Assessment and is as follows:

$$\text{Cost of considering requests} = R \times [(I \times UCI) + (F \times UCF)]$$

Where:

R is the number of first requests

I is the share of requests that are processed informally by businesses (assumed to be between 40% and 90% (central: 65%))

F is the share of requests that are processed formally (assumed to be between 10% and 60% (central: 35%))

UCI is the unit cost of informally processing a request (assumed to be 1 hour for a Manager/Director/Senior Official' as £24.98 (which is uplifted by 17.95% for non-labour costs which equals £30.49)

UCF is the unit cost of formally processing a request (assumed to be 2 hours for a Manager/Director/Senior Official' as £24.98 (which is uplifted by 17.95% for non-labour costs which equals £30.49).

⁵ [Impact Assessment \(parliament.uk\)](https://www.parliament.uk)

⁶ The method for calculating the proportion of NI workers with in each group is based on dividing the number in employment NI (877,000) from Feb to April 2024 by the number in employment in the UK (32,967,000) during the same time period (see Table 22: Regional Labour Force Survey Summary (thousands, seasonally adjusted))

Applying this formula to the low, central and high bands identified above the range of costs of considering a request for a more stable contract are as set out below:

Cost of considering a request		
Low	Central	High
$3245 \times [(0.9 \times 30.49) + (0.1 \times 60.98)]$	$6091 \times [(0.65 \times 30.49) + (0.35 \times 60.98)]$	$8938 \times [(0.4 \times 30.49) + (0.6 \times 60.98)]$
$3245 \times [27.44 + 6.10]$ = £108,831	$6091 \times [19.8 + 21.34]$ =£250,584	$8938 \times [12.20 + 36.59]$ =£436,067

The ongoing cost of considering requests is therefore estimated to be between **£108,831 and £436,067 (central: £250,584)**

Summary

The table below summarises all the monetised costs and benefits presented within the Impact Assessment for the right to request a stable contract.

	Low Estimate (£)	Best Estimate (£)	High Estimate (£)
One-off (familiarisation costs)	£1,195,360	£1,195,360	£1,195,360
Administrative Costs	£108,831	£250,584	£436,067
Total	£1,304,191	£1,445,944	£1,631,427

Non-Monetised Costs

As mentioned previously, we note that businesses may incur additional (un-monetised) costs from accepting a request. These costs could include:

- Amending existing terms and conditions;
- Other transitional costs, e.g. reorganising work schedules, adjusting IT systems or any fees charged by an employment agency to cover the loss of revenue from losing an agency worker;
- Loss of flexibility for the business, e.g. where new terms and conditions leads to reduced ability to meet variable customer demand.

Non-Monetised Benefits

The policy is expected to increase the wellbeing of workers by providing a clear framework for discussions on the predictability of work to occur. In cases where requests are accepted, workers will have more predictable terms and conditions that better suit their individual, leading to higher job satisfaction.

Beyond the benefits to workers themselves, this could also lead to benefits to employers and the wider economy. The wider literature indicates a positive link between wellbeing, engagement at work, firm performance and productivity⁷

We have assumed that workers making a request for a more predictable working pattern are doing so as they are unhappy with their current terms of employment. Without the capacity to change their terms of employment, they are more likely to consider alternative employers who can offer them the desired

⁷ For example, see <https://whatworkswellbeing.org/blog/the-economics-of-wellbeing-workplace-mental-health-and-productivity/> ; <https://cepr.org/voxeu/columns/employee-wellbeing-productivity-and-firm-performance-evidence-18-million-employees>

predictability. It may be that the policy could help to mitigate the associated recruitment costs through greater retention of workers.

Option 2: the right to a banded hours contract

Like with the right to request a more stable on contract, the estimated direct cost to business for this the introduction can be split into two categories:

- Familiarisation– the costs incurred by businesses to understand any new requirements associated with the policy, and to create a process by which they handle requests. These are one-off costs that occur if the policy starts.
- Procedural costs – the costs incurred by businesses to go through the process of receiving a new request. This includes the cost of considering the requests.

As before we note that businesses may incur additional (un-monetised) costs from accepting a request (e.g. producing new terms and conditions or reorganising work schedules). However it is assumed that businesses will accept requests when a worker is effectively working these hours in reality, and they do not have good reason to think that this is likely to change.

The process to exercise a right to banded hours is expected to operate in a broadly similar way in procedural terms to the right to request a more stable contract as outlined above. As such, a similar methodology but slight varied methodology to estimating costs has been adopted here.

Familiarisation costs

The one-off familiarisation cost to private sector businesses are estimated to be the same as for the right to request a more stable contract.

Total number of private sector employers with 1 employee or more	1 hour of Manager/Director/Senior Official' time (uplifted by 17.95 % for non-wage labour costs)	Total cost (£)
39205	30.49	£1,195,360

This gives us a total estimated cost of familiarisation for private sector employing businesses of £1,195,360.

Administrative Costs

As with the right to request a more stable contract, the cost of processing requests for the right to a banded hours contract will involve estimating the number of individuals who may be take up the entitlement.

For the purposes of this impact assessment, we again assume that requests will come from those working on zero hours contracts temporary contracts andfixed term contracts

Relying on the data and assumptions, set out above for the right to request a more stable contract, the estimated range of requests for low, central and high are detailed in the table below.

Low	Central	High
2934	4096	5773

In contrast to the right to request a more stable contract, for the purposes of this impact assessment it is presumed that the right to banded hours will not be considered informally and instead each request

will have to be processed formally. This is because this proposal would entitle workers whose contracts do not reflect the reality of the hours worked, to ask their employer to change the contract terms. As this is an entitlement rather than a right to request, it is suggested that it could only be dealt with formally. The formula for considering is, therefore, amended, as follows:

$$\text{Cost of reviewing requests} = RB \times UCFB$$

Where: RB is the number of requests for banded hours
 UCFB is the unit cost of formally processing a request for banded hours (assumed to be 2 hours for a Manager/Director/Senior Official' as £24.98 (which is uplifted by 17.95% for non-labour costs which equals £30.49).

Cost of reviewing a request for banded hours		
Low	Central	High
2934 x 60.98	4096x 60.98	5773x 60.98
=£178,915	=£249,774	=£352,038

The ongoing cost of considering requests for banded hours is therefore estimated to be between **£197,880 and £545,039 (central: £371,429)**

Summary

The table below summarises all the monetised costs and benefits presented within the Impact Assessment for the proposed policy.

	Low Estimate (£)	Best Estimate (£)	High Estimate (£)
One-off (familiarisation costs)	£1,195,360	£1,195,360	£1,195,360
Administrative Costs	£178,915	£249,774	£352,038
Total	£1,374,275	£1,445,134	£5,547,398

Non-Monetised Costs

As with the right to request a more stable contract, we note that businesses may incur additional (un-monetised) costs from accepting a request. These costs in relation to the right to a banded hours contract could include:

- Amending existing terms and conditions;
- Loss of flexibility for the business, e.g. where there is an unexpected downturn there will not be the capacity to offer less than the band of hours to which the worker has been assigned.

Non-Monetised Benefits

As with the right to request a more stable contract, the right to banded hours contract is expected to increase the wellbeing of workers by providing a clear framework to move to a predictability pattern of work. Where the correct band can be identified, workers will have more predictable terms and conditions that better suit their individual circumstances, leading to higher job satisfaction.

As before, beyond the benefits to workers themselves, this could also lead to benefits to employers and the wider economy, given the previously cited positive link between wellbeing, engagement at work, firm performance and productivity.

It is assumed that workers seeking to move to a banded hours contract are doing so as they are unhappy with their current terms of employment. Without the capacity to change their terms of employment, they are more likely to consider alternative employers who can offer them the desired predictability. It may be that the policy could help to mitigate the associated recruitment costs through greater retention of workers.

Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach)

There are a significant number of issues which make accurately forecasting the potential uptake of either option 1 or 2 difficult. It is recognised that there is limited information on the exact number of workers on zero hours contracts, temporary contracts, fixed term contracts, and agency work in the north of Ireland. In developing this impact assessment, the Department has relied on deriving estimates each category of affected worker from GB equivalent data and making assumptions that the prevalence of each category will be proportionately similar. Given the relatively low anticipated costs associated with these potential policy options, at this time, the approach adopted in this impact assessment is considered proportionate.

Further analysis will be undertaken upon completion of the consultation exercise in order to reflect any additional evidence submitted by consultees. An updated and final regulatory impact will be produced alongside any subsequent legislation.

Risks and assumptions

Direct costs and benefits to business

If required, further detailed analysis of direct costs and benefits to business will be undertaken upon completion of the consultation exercise and prior to further evaluation of policy options.

Small Firms Impact Test

At this stage there is no evidence to suggest that small and micro businesses will be disproportionately impacted by the proposals.

Currently, we do not have evidence to suggest that small and micro businesses are more likely to use zero hours contracts. We will seek evidence on this during consultation. The lack of information currently available on the types of business that use zero hours contracts makes it difficult to develop a robust small firms impact test at this stage. We will seek further information on businesses likely to be affected by the proposals during the consultation.