



Make Work Pay: Consultation on modernising the Agency Work Regulatory Framework

Submission to the Department for Business and Trade



About the CIPD

The CIPD is the professional body for HR and people development. Our organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years.

It has 160,000 members across all sectors and sizes of organisation and provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers. It also seeks to promote and improve best practice in people management and development and to represent the interests of our members.



Modernising the Agency Work Regulatory Framework

Setting the context: a challenging labour market

The CIPD's quarterly [Labour Market Outlook](#) is one of the most authoritative employment indicators in the UK and provides forward-looking labour market data and analysis on employers' recruitment, redundancy and pay intentions.

Our latest LMO with a sample of 2,000+ employers, published in February 2026, finds that employer confidence remains subdued, with hiring intentions at historically low levels outside the pandemic. The net employment balance stands at +7 this quarter, while employment intentions in the public sector have fallen further to -11, meaning more employers expect staff numbers to decrease than increase over the next three months.

Weak hiring intentions mean recruitment pressures remain limited. Just 15% of employers anticipate significant difficulties filling vacancies in the next six months. Meanwhile, the median expected basic pay increase remains steady at 3% across all sectors.

Concerns over rising employment costs from Employment Rights Act

Employers are also increasingly concerned about rising employment costs, with three-quarters expecting the Employment Rights Act to increase their costs, adding to pressures on recruitment and workforce planning. Overall, 17% of employers believe their costs will increase to a large extent; this rises to 31% in social care and 28% in hospitality.

Two in five employers also expect to hire fewer permanent workers due to some of the key reforms.

Our data is also at odds with the expectation of the government about the impact of trade union reforms. The government's latest economic analysis on the likely impact of the act assesses that improving worker representation, by giving trade unions greater freedom to organise, represent and negotiate on behalf of their workers, could reduce workplace conflict. We find that almost a third of employers expect these reforms to increase workplace conflict, with just 4% expecting it to decrease.

A third of employers also report that the substantial changes to the unfair dismissal qualification period and the day one right to statutory sick pay are likely to increase workplace conflict.

Now is *not* the time for further regulatory changes

With the current challenging labour market and employer anticipated impact of all the existing Employment Rights Act 2025 provisions, we do not believe this is the time for further regulatory changes to the Agency Work Framework which could further restrict labour market flexibility.

If the Government's true aim is to 'seek to minimise red tape and support a flexible and responsive business landscape' now is not the time to bring in further complex regulatory change and further to this, as discussed below, we believe the government should also exempt agency workers from zero-hour contract changes and minimum guaranteed hours.



While some of the proposed regulation changes around umbrella companies and overall efficiencies could be helpful further down the line, these should be simplified and thoroughly consulted on after employers have had chance to respond to and properly embed the current Employment Rights Act 2025 changes.

In the meantime, the Government could consider producing good practice guidance with clear definitions of the activities of employment agencies and employment businesses and how these differ from one another. This guidance could also cover some of the more common business models including emerging and technical solutions.

Government should exempt agency workers from proposals to give zero hours and low hours workers a right to guaranteed hours

To a large degree, the proposals in this consultation are overshadowed by the Government's intention to apply a new right to guaranteed hours for zero hours and low hours workers to agency staff.

We're pleased that the government has allowed more time to try to find a workable solution to the challenge of applying the proposed new right for zero hours contracts and low hours workers to have a guaranteed minimum hours contract, to agency workers.

However, in CIPD's view there is no way of extending these rights to agency staff without causing significant disruption to recruitment businesses and employers and undermining the valuable flexibility that agency workers provide for many organisations across the economy.

If the government truly wants to 'minimise red tape and support a flexible and responsive business landscape' then we would recommend exempting agency workers from the zero-hour contract changes and minimum guaranteed hours.

Agency workers play a crucial role in the UK's temporary flexible workforce, which helps employers manage peaks and troughs in demand and bring in specialist skills. Agency work also provides valuable flexibility for individuals and can be a route into permanent employment.

If no effective approach can be developed that works for recruiters, employers and agency staff, we believe the government should exempt agency workers from the bill's provisions.