

FACTSHEET 3

ZERO HOURS WORKERS

WHAT'S CHANGING?

If you employ people on zero-hours or very low guaranteed hours (common in retail, hospitality, care, gig roles), the Employment Rights Act ('ERA 2025') is about to make significant changes. These arrangements have long been criticised as favouring the employer – with the worker taking on all the uncertainty. ERA 2025 doesn't ban zero-hours contracts outright, but it introduces a set of new rights to make them fairer and less one-sided.

Here's what's coming:

1. RIGHT TO A CONTRACT WITH GUARANTEED HOURS

If a worker regularly works the same hours over time, they'll gain the right to request a contract that reflects those actual hours.

- A reference period (likely 12 weeks) will be used to assess this.
- So, if someone consistently works 20 hours per week over 3 months, you must offer them a 20-hour contract.
- They can choose to decline and remain on zero-hours – but the key point is **the choice is theirs, not yours**.

2. RIGHT TO REASONABLE NOTICE OF SHIFTS

Employers will be legally required to give "reasonable" advance notice of shifts or work schedules.

- What counts as "reasonable" will be clarified in regulations (a 7-day notice period is likely to be the default).

- If you give less notice than the standard, the shift may be considered unreasonably scheduled.
- Workers can refuse these last-minute shifts – and possibly seek a remedy through a tribunal.
- This will put real pressure on employers to plan ahead and avoid late rostering.

3. RIGHT TO COMPENSATION FOR LAST-MINUTE CANCELLATIONS

If you cancel or cut short a shift on short notice, you'll owe the worker compensation.

- Details will be set in regulations, but expect penalties such as partial pay for cancelled shifts.
- For example, cancelling an 8-hour shift with only an hour's notice could mean you still have to pay half that shift's wages.
- The idea is simple: the cost of late changes should no longer fall entirely on the worker.

These rights will also cover agency workers, and ERA 2025 closes loopholes around agency work. The same protections apply to temporary and agency staff:

- If an agency worker regularly works the same hours for a client, that client must offer them a guaranteed hours contract.
- Agencies must also give reasonable shift notice and pay for short-notice cancellations.
- Responsibility may be shared between agency and client, but neither can sidestep the rules by using temps.

Zero-hours contracts aren't banned – but they now come with conditions. Employers must either offer genuine flexibility (with proper

notice and compensation), or provide real security (guaranteed hours) where patterns emerge. The power dynamic is shifting: zero-hours contracts will no longer mean zero responsibility.

HR IMPACT – WHAT TO DO NOW:

Many employers will need to rethink how they manage zero-hours and variable-hours workers. These new rights won't eliminate flexibility, but they will rebalance it – giving workers more stability and protection. Here's how HR should prepare:

- **Audit your workforce**

Start by identifying who's on zero-hours or very low-hour contracts (e.g. a 4-hour contract but they typically work 20). Don't forget casuals, freelancers or agency workers who may legally qualify as "workers." Check their average hours over the last 12+ weeks – anyone with a consistent pattern may soon be entitled to a contract that reflects it. Consider offering guaranteed hours proactively. It shows trust, improves morale, and puts you ahead of the law. Some employers already allow staff to request stable hours – soon, you'll be required to offer them.

- **Review scheduling practices**

Look at how far in advance you issue rotas. If staff are getting their schedules only a day or two before, that won't be acceptable under the new rules. Begin moving towards longer planning cycles – perhaps a week or even a month ahead. Use strategies like availability windows, rolling rotas or shift bids to increase predictability. Start preparing operations teams for this now. You may need new systems or processes – worthwhile investments to stay compliant and improve staff engagement.

- **Set a protocol for cancellations**

Under the new law, cancelling a shift at short notice will trigger a duty to pay compensation. Create internal rules now – for example, if we cancel with less than 48 hours' notice, we pay X. Ensure payroll can handle one-off payments like this. Keep records of when and why shifts are cancelled, and train managers to understand when compensation applies. You might also explore standby arrangements, but these still need to be handled carefully under the new protections.

- **Communicate with managers and scheduling staff**

Correct common misunderstandings early. You don't have to stop using zero-hours contracts, but you do have to treat those workers more fairly. Train managers to understand that flexibility is still possible – but it now comes with responsibilities. Make clear that even if a worker declines guaranteed hours, they're still entitled to proper notice and cancellation pay. And always document any offers and responses to avoid future disputes.

- **Adjust budgeting and workforce planning**

These changes may increase your staffing costs. Paying people for cancelled shifts or moving workers to guaranteed contracts could change your labour model. Start modelling what that looks like – for example, a smaller group of core part-time staff with regular hours, plus a smaller pool of genuine casuals. The shift may actually drive efficiency and reduce turnover, but you'll need to prepare financially and operationally.

- **Plan for mass contract changes**

You'll probably need to issue new contracts to many workers once the relevant provisions of ERA 2025 (and accompanying regulations) take effect. Set clear internal policies – for example, any zero-hours worker with 12+ weeks of service and an average of X hours/week will receive a formal contract offer.

Build alerts into your HR system to flag when someone reaches the threshold. Prepare templates, comms plans, and a method for tracking offers and responses.

- **Engage with agency vendors**

Agency workers are covered by these rules too. If they've been working regular hours for you, you'll likely be the one responsible for offering guaranteed hours. Speak to your agency partners now – ask how they plan to track hours, manage contracts, and pass on any cancellation costs. Expect new contract terms or higher fees to reflect these changes. Sorting this early will help avoid confusion and liability later.

ANTICIPATED QUESTIONS FROM HR AND MANAGERS – AND HOW TO RESPOND

“Will it still be possible to use zero-hours contracts at all? They work well for some of our workforce.”

Yes, zero-hours contracts will still be lawful where both sides genuinely want flexibility. The government has said it doesn't intend to ban them entirely – students, carers, or people with portfolio careers often prefer this model. The key change is that if a worker's hours become regular over time, you'll be required to offer them a contract reflecting that pattern. And even where someone chooses to stay on a zero-hours basis, you still owe them reasonable notice of shifts – or compensation if you cancel late. Casual staffing for unpredictable needs remains possible, but now carries clearer obligations.

“What counts as regular hours for the guaranteed contract offer?”

We're awaiting final regulations, but ERA 2025 suggests a 12-week reference period will be used. If someone has consistently worked similar hours – say, 30 hours most weeks over that period – you'll likely need to

offer a 30-hour contract. There may be some flexibility where hours vary slightly, but where a pattern exists, it will trigger a duty to offer. A possible hours threshold may be included to exclude truly sporadic work. Best practice: track hours, and if you're unsure, make the offer anyway. If the worker declines, you've complied – but you're protected against future claims.

“We sometimes hire seasonal zero-hours staff for a 3-month rush – will we have to make them permanent?”

Probably not, if their work ends before or around the 12-week mark. The right to a guaranteed contract arises based on regular work over a reference period and continued employment beyond that. If your seasonal staff leave at or near that point, you're unlikely to trigger the obligation. However, if you extend their assignment or rehire them regularly, you may need to start treating them as permanent. For truly short-term engagements, consider using fixed-term contracts to avoid ambiguity.

“If we give someone a 20-hour contract as required, but later our needs drop and we don't have 20 hours for them, what then?”

Once you issue a guaranteed hours contract, it's like any other employment agreement. You must honour those hours unless you renegotiate by consent. If work drops off, you may need to cut overtime, reduce additional shifts, or consider formal contract variation or redundancy – all subject to usual employment protections. So be cautious not to over-commit. Base the offer on a realistic assessment of average hours. The point is to shift risk from individuals to employers – not to give away hours, but to offer security that reflects reality.

“We rely on last-minute shifts (e.g., sickness cover). How do we handle that if short notice becomes a problem?”

You'll need to adapt your model. One option is a pool of relief staff who agree in advance to be “on standby” for short-notice needs – with a

retainer or premium pay built in. Alternatively, use existing staff who volunteer for short-notice overtime. The law doesn't ban last-minute shifts – it just says if you cancel one late, you'll need to compensate. You could, for example, pay an on-call bonus or minimum number of hours even if the person isn't ultimately used. Many organisations already use these tools – formalising them will now help you comply.

CONCLUSION

This legislation marks the end of zero-hours as a one-way street. Employers will still be able to access flexibility, but only by sharing some of the risk and providing security where regular work patterns emerge. HR should start managing casual staff more like core team members – plan ahead, communicate shifts in advance, and offer stability where it's warranted.

Acting early has benefits: offering contracts to long-serving casuals and improving notice practices won't just keep you compliant – it will likely improve engagement, reduce turnover, and enhance your employer brand. Being able to say “we've already moved past zero-hours practices” will matter publicly and internally.

The zero hours provisions in ERA 2025 provide an outline of the new law only. Regulations will be needed to flesh-out key issues such as the length of the reference period and what is meant by ‘short notice’. The government's ‘road map’ to implementing these changes anticipates that they will not become law until 2027 at the earliest (and likely the Autumn of that year).