# Labour’s Employment Bill faces stiff opposition amid rising economic and industry concerns



Labour’s Employment Bill is set to return to Parliament next week amid intense controversy and mounting economic uncertainty. This legislation, closely associated with former Deputy Labour leader Angela Rayner, was expected by many to be scrapped following her resignation. However, Keir Starmer has chosen to press ahead with the Bill despite widespread opposition from the business community and warnings about its potential negative impacts. Notably, no mainstream business organisation currently supports the Bill in its present form. Instead of seizing the moment to rebuild relations with industry, Labour appears committed to pushing through the legislation, including rejecting all positive amendments made by the House of Lords that sought to ease the burdens the Bill would place on employers.

Among the most contentious provisions of the Bill are significant restrictions on employers' ability to dismiss underperforming new staff and requirements to pay employees for cancelled shifts—even when cancellations are not the business’s fault and ample notice is given. Moreover, Labour intends to oppose a crucial amendment aimed at preventing strike ballots from being dominated by militant minorities. This stance comes at a time when London faces crippling strikes, such as those by highly paid Tube drivers demanding fewer working hours, causing severe disruption. Labour’s strategy appears aligned with union interests, reinforcing concerns that the party is beholden to its paymasters to the detriment of wider economic stability. Critics warn this could normalise crippling industrial action nationwide, with escalating strike activity likely to drive inflation higher as businesses pass on increased costs to consumers.

This hostile environment is taking a tangible toll on investment in the UK economy. The pharmaceutical industry has recently highlighted the country’s deteriorating competitiveness, with major firms scaling back or outright cancelling planned investments. US pharmaceutical giant Merck has scrapped a £1 billion drug research centre in London, citing an unfavourable business climate and insufficient government backing for life sciences innovation. This move affects around 125 jobs and sees Merck redirect its research activities mainly to the United States. Merck criticised the UK government for undervaluing innovative medicines and underinvesting in the sector, a sentiment echoed by other industry players. Likewise, AstraZeneca has paused a planned £270 million investment in Cambridge, following its earlier cancellation of a £450 million vaccine plant project due to reduced support. These reversals underscore a broader decline in the UK’s attractiveness for foreign direct investment, particularly in the pharmaceutical sector, which has slipped from second to seventh place in global rankings for FDI.

The UK government faces mounting pressure to address the underlying issues contributing to this investment exodus. Debates are intensifying over pharmaceutical pricing, with UK health officials now pushing to restart negotiations following Merck’s departure. The industry contends that low drug prices, insufficient government co-investment, and delays in clinical trials are compounding challenges, while Treasury officials maintain they have offered generous terms. The controversy has sparked wider concerns about the country’s short-term fiscal approach and its long-term impact on innovation, jobs, and economic growth. The stakes are high, as failure to foster a competitive environment risks further economic decline and job losses in a sector deemed crucial for the UK’s future prosperity.

Labour’s insistence on advancing the Employment Bill despite clear opposition from both business and some union factions adds to the political and economic volatility. While trade unions vocally support the Bill, seeing it as the most significant employment rights overhaul in decades, some union leaders worry key protections have already been diluted, calling parts of the Bill a “paper tiger.” The government faces calls to deliver the Bill in full as promised in the manifesto, yet concerns persist about whether the legislation will genuinely strengthen workers’ rights or hamper business confidence and investment further.

At the same time, the country’s economic outlook is clouded by Labour’s recent tax hikes, including a planned rise in employer National Insurance Contributions to 15 per cent in 2024, and growing government borrowing. Critics argue these measures, combined with the Bill’s provisions and Labour’s perceived closeness to union interests, threaten to exacerbate inflation, reduce business investment, and stall economic recovery. With companies like Merck and AstraZeneca retreating from previous commitments, the urgent question remains whether Starmer’s administration will recalibrate its approach to balance workers’ rights with a business-friendly environment that encourages growth and investment.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/news/article-15096193/Andrew-Griffith-economy-mess-tax-rises-misery-road-Starmer-bin-Labours-disastrous-Employment-Bill-late.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.ft.com/content/34869ca5-0f76-4172-960e-87d1c639547c)
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* Paragraph 4 – [[4]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[6]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8), [[5]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/)
* Paragraph 5 – [[7]](https://www.ft.com/content/34869ca5-0f76-4172-960e-87d1c639547c)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/news/article-15096193/Andrew-Griffith-economy-mess-tax-rises-misery-road-Starmer-bin-Labours-disastrous-Employment-Bill-late.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[5]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/)

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## Bibliography

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2. <https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/> - Merck has announced the cancellation of its £1 billion drug research centre in London, citing the UK's unfavourable business climate and insufficient government support for life sciences. The decision affects approximately 125 staff members, with research activities being relocated primarily to the United States. Merck criticised the UK government for undervaluing innovative medicines and lacking investment in the sector. This move aligns with Merck's broader U.S. investment strategy, which includes several major projects. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/?utm_source=openai))
3. <https://www.reuters.com/business/healthcare-pharmaceuticals/astrazeneca-pauses-270-million-investment-britain-2025-09-12/> - AstraZeneca has paused a planned £200 million investment in its Cambridge research site, originally announced in March 2024, which was expected to create 1,000 jobs. This follows its earlier cancellation of a £450 million investment in a vaccine facility in northern England due to reduced UK government support. The company cited ongoing reassessment of investment needs for the decision. This mirrors U.S. pharmaceutical firm Merck & Co’s recent withdrawal from a planned research center in London, blaming the UK’s difficult business climate. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/astrazeneca-pauses-270-million-investment-britain-2025-09-12/?utm_source=openai))
4. <https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a> - U.S. pharmaceutical giant Merck (known as MSD in Europe) has cancelled plans for a £1 billion research center in London’s King’s Cross, resulting in the layoff of 125 scientific and support staff. The decision is a significant setback for the UK government, which has prioritized life sciences as a key sector for economic growth. Merck cited the UK’s lack of international competitiveness as a major factor and stated its decision was unrelated to recent failed drug-pricing negotiations with the National Health Service (NHS). However, tensions between the UK health secretary and the pharmaceutical sector remain high, particularly following a surge in the NHS clawback tax on drug sales. ([ft.com](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a?utm_source=openai))
5. <https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/> - Britain has come under scrutiny for its investment environment in the life sciences sector after U.S. pharmaceutical giant Merck (known as MSD in Europe) announced it is abandoning plans to open a new research center in London. The company cited ongoing challenges, including insufficient government support and the undervaluation of innovative medicines, as reasons for pulling out. This follows a similar move by AstraZeneca, which shelved plans for a £450 million vaccine plant due to reduced government backing. The Association of the British Pharmaceutical Industry noted a drop in the UK's foreign direct investment (FDI) ranking in the pharmaceutical sector—from second in 2017 to seventh in 2023—highlighting concerns that the country is being overlooked for major investments. The decision may also have been influenced by U.S. President Donald Trump's push for increased domestic pharmaceutical production and the threat of new tariffs. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/?utm_source=openai))
6. <https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8> - UK health officials are pushing to restart negotiations on pharmaceutical pricing following Merck's unexpected decision to cancel a £1 billion research center in London, citing the UK’s uncompetitive environment and low drug prices. The U.S.-based pharmaceutical giant plans to relocate its research to the U.S., sparking debate within the UK government and concerns over declining foreign investment in British life sciences. The Department of Health has blamed the Treasury's short-term fiscal approach, while other officials suggest the pharmaceutical sector is using the episode to pressure for better pricing terms. Although Health Secretary Wes Streeting previously ended talks after industry groups rejected a final offer, he is now reportedly seeking renewed discussions. The cancellation affects 125 jobs and comes amidst fears that UK pharmaceutical competitiveness is waning, with industry complaints over low drug funding, insufficient government co-investment, and clinical trial delays. The situation is further complicated by U.S. pressure to raise drug prices in Europe. Other companies like Eli Lilly and AstraZeneca have also shelved UK investments, adding to concerns. The Treasury maintains it presented a generous deal, while critics argue a broader policy rethink is necessary to retain pharmaceutical investment. ([ft.com](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8?utm_source=openai))
7. <https://www.ft.com/content/34869ca5-0f76-4172-960e-87d1c639547c> - Trade unions have warned UK Prime Minister Keir Starmer against weakening Labour’s planned employment rights legislation, viewed as the most significant overhaul in a generation. Concerns arose following the resignation of Angela Rayner—previously the bill’s strongest advocate—and the dismissal of Justin Madders, the minister overseeing the legislation. Union leaders are alarmed that key protections, such as banning controversial 'fire and rehire' practices, have already been weakened. Unite's Sharon Graham criticized the bill’s current form as a 'paper tiger,' accusing the government of backtracking. Other union leaders argue that the reforms fail to properly strengthen collective bargaining or tackle issues like fake self-employment. Although Labour leadership, including Defence Secretary John Healey, reaffirmed commitment to the bill, unions fear its effectiveness may be watered down further through secondary legislation. The TUC has called on the government to deliver the bill in full, warning against abandoning popular manifesto pledges. Meanwhile, both union and business leaders believe any further legislative changes may significantly alter the bill's impact. ([ft.com](https://www.ft.com/content/34869ca5-0f76-4172-960e-87d1c639547c?utm_source=openai))