# Businesses voice concern over Labour's proposed employment rights bill



Businesses across the UK are growing increasingly alarmed at the prospect of Labour's proposed Employment Rights Bill, which has been aptly labelled a "jobs-killing" measure. The business community is rightfully demanding transparency on the funding of this initiative as the Office for Budget Responsibility (OBR) prepares to assess its economic implications in its forthcoming autumn forecast.

The chilling forecast from the OBR suggests that the bill, championed by Labour’s deputy leader, could saddle the economy with an annual cost of approximately £5 billion. This eye-watering figure is causing significant worry among government ministers, particularly the Chancellor, who is desperately trying to navigate the nation’s budget amidst surging fiscal pressures.

On Monday, the Federation of Small Businesses (FSB) issued a clarion call to Rachel Reeves, Labour's shadow chancellor, urging her to explain how they will finance this considerable expenditure. FSB policy chair Tina McKenzie pointed out the very real threat of increased tax burdens at a time when taxpayers are already grappling with an onerous financial load. In statements to the Daily Mail, McKenzie warned, "The OBR has now added the spectre of higher taxes or more cuts to pay for this jobs-killing Bill. The public needs honesty from ministers about who will shoulder the financial burden of a soaring benefits bill and diminishing wages."

Compounding these concerns, McKenzie highlighted that government projections regarding the financial impact of the bill fail to account for some of its more severe provisions, such as empowering job seekers to take legal action against employers from their first day in the workforce. This type of regulatory overreach could push countless individuals out of employment—ultimately burdening taxpayers with even greater social security costs.

The financial calculations put forth by the FSB suggest that generating the necessary £5 billion could require drastic tax hikes or modifications, including an additional increase of 1 percentage point on national insurance contributions per employee, or upping the higher rate of income tax by 3.5 percentage points. Potential legislative measures could also include dismantling the tax-free personal allowance or slashing child benefit payments.

As these discussions continue, it has emerged that the Chancellor is contemplating altering Ms Rayner’s proposals in response to financial forecasts and mounting pressure from our beleaguered business sector. However, with the OBR’s comprehensive evaluation expected to take six perilous months, both taxpayers and businesses are left in a state of uncertainty regarding the broader economic fallout of this detrimental legislation.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.lewissilkin.com/en/insights/2025/03/13/whats-in-the-employment-rights-bill> - This URL provides detailed insights into the Employment Rights Bill, including its reforms and impact on employment law, which is relevant to understanding the structural changes and concerns discussed in the article.
* <https://assets.publishing.service.gov.uk/media/67dad3011a60f79643028457/employment-rights-bill-overview.pdf> - This PDF offers an overview of the Employment Rights Bill, highlighting measures like improved family-friendly rights, enhanced protections against sexual harassment, and changes to employment tribunals, which are crucial to assessing the bill's potential economic impact.
* <https://www.skadden.com/insights/publications/2024/10/the-uk-employment-rights-bill> - This article discusses the wide-ranging changes proposed by the Employment Rights Bill, including sick pay, parental leave, and gender equality reporting, which informs the debate about its financial implications.
* <https://www.gov.uk/guidance/employment-rights-bill-impact-assessments> - The government's impact assessments for the Employment Rights Bill can be found here, providing critical information on the estimated costs and benefits, which are central to the OBR's economic evaluation and concerns raised by the FSB.
* <https://www.fsb.org.uk/> - This is the official website of the Federation of Small Businesses, where statements and positions on the Employment Rights Bill by Tina McKenzie and others can be found, reflecting concerns about funding and potential tax increases.