Employee benefits briefing, Q3 2026
Employment Rights Act – Part 2
What zero-hours reforms could mean for employee benefits?

In December 2025, the Employment Rights Act 2025 (ERA) received Royal Assent and is being implemented throughout 2026 and 2027.

In this second briefing on the ERA, we look at the proposed changes affecting zero-hour and similar contracts and what they could mean for employers' group protection and healthcare arrangements.

The Government has set out its intention to reform zero-hour and similar contracts, with the aim of reducing one-sided flexibility and making sure that all jobs provide *a baseline of security and predictability*.

The proposed changes are currently subject to consultation, which closed on 25 August 2026, and are expected to come into force during 2027, although the implementation date has yet to be confirmed.

Under the proposed legislation, qualifying individuals on zero-hour or similar contracts would have:

- ✓ The right to guaranteed hours that reflect the hours they typically work over a 12-week reference period
- ✓ The right to reasonable notice of shifts, together with the ability to bring a tribunal claim where notice provided is not considered reasonable
- ✓ The right to compensation where shifts are cancelled, curtailed or moved at short notice.

Employers would be required to make a formal offer of guaranteed hours, which individuals could choose to accept or decline.

Further legislation and guidance are expected following the consultation period and ahead of these rights being introduced. In the meantime, employers may wish to consider how these developments could affect both workforce planning and employee benefits strategy.

Impact on employee benefits

Some employers currently exclude zero-hour contractors from employee benefit arrangements, while others take a more inclusive approach and extend benefits to this group.

Individuals on zero-hour contracts can legally be classed as either a **worker** or an **employee**. Their status depends on the nature of the working relationship and how it operates in practice.

- Eligibility for cover
  Depending on whether an individual is classified as a worker or an employee, some insurers may or may not make cover available. Employers should consult their adviser who can review the relevant insurer terms and conditions.
- Benefit design and policy terms
  Where cover is available, a detailed review should be undertaken to ensure that the intended population can be covered at the desired benefit levels. Earnings definitions, eligibility requirements and benefit restrictions may all apply. Terms and conditions will vary by both benefit type and insurer.
- Potential premium implications
  Adding zero-hour contractors to existing arrangements may significantly increase membership levels and/or insured benefits. In some cases, this could trigger a review of premium rates by the insurer.
- Benefits administration and record-keeping
  Accurate workforce records will be essential. As insured populations are often updated annually, maintaining up-to-date records can help ensure cover remains appropriate and prevent employers from paying for unnecessary insurance.

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- Workplace pensions
  Employers should also consider the impact on workplace pension arrangements. Changes to guaranteed hours and earnings could affect pension contributions and, depending on an individual's circumstances, automatic enrolment. Employers should review how variable-hours workers are treated under their pension scheme and ensure payroll and pension records remain aligned as contractual arrangements change.

Next steps for employers

While further clarity is awaited on how the legislation will operate in practice, employers considering extending benefits to zero-hour workers may wish to:

- Review the workforce to identify where zero-hours contracts are currently used and assess the likelihood of workers becoming eligible for guaranteed hours
- Review existing employee benefit policies to understand how zero-hour contractors are currently treated and assess whether a wider market review may be beneficial
- Engage with advisers and insurers at an early stage to understand any implications for benefit design, eligibility rules, and insurance costs
- Strengthen workforce record-keeping to ensure working hours, shift changes and eligibility data can be accurately tracked and evidenced
- Monitor legislative developments, and be prepared to update policies, procedures and communications once the Government publishes the final regulations and implementation timetable.

While the final shape of the legislation remains subject to consultation, early planning can help employers minimise disruption, control costs and ensure they are well positioned to comply with the new requirements when they come into force.

Finally… Equality Act considerations

As benefit eligibility is reviewed, employers should consider whether the proposed rules could have a disproportionate impact on individuals with protected characteristics under the Equality Act 2010. For example, women, disabled employees and those with caring responsibilities may be more likely to work reduced or variable hours. Regular reviews of eligibility criteria and consistent application of policy rules can help employers support inclusion objectives while managing legal risk.

Get in touch

If you would like to understand how the proposed changes could affect your existing employee benefit arrangements, get in touch with our specialist team. We can review your current eligibility rules and insurer terms and help you prepare for the changes.

Find out more about our group protection and healthcare services.