

Government to consult on crackdown on unfair employment clauses in a boost for low paid workers

- Proposed crackdown on restrictive employment contracts will ensure up to 1.8 million low paid workers across the UK can pick up extra work if they want to
- other reforms will remove unfair barriers that prevent workers in technology, legal and other sectors from starting up or joining competing businesses
- plans will give workers more freedom over where and when they work – helping millions boost their incomes during this difficult time

New proposed measures to allow workers' greater freedom to find new or additional work have been unveiled by Business Secretary Alok Sharma today (4 December 2020).

In a major win for the UK's lowest paid workers, the government will consult on banning the use of exclusivity clauses in contracts, which prevent workers from taking on additional work with other employers, This would apply to a worker's who's guaranteed weekly income is below the Lower Earnings Limit, currently £120 a week.

This change will put more power into the hands of an estimated 1.8 million low paid workers across the UK to top-up their income with additional work if they want to – ending an unfair penalty on hardworking Britons who want the freedom and flexibility to make a living and support their families.

It will also greatly expand the pool of talent available for businesses who rely on part-time and flexible workers, as those already in low-paid part-time employment will no longer be bound by restrictive contracts.

Today's plans also look to reform the use of non-compete clauses, which can prevent individuals from starting up or joining competing businesses after they leave a position. The move will ensure talented individuals have the freedom to apply their skills in another role if they wish while unleashing a wave of new start-ups across the country.

Business Secretary Alok Sharma said:

We want to ensure every worker has the freedom and flexibility to work in the way they want, where they want – whether that's topping up their pay packet by taking on additional work, or being able to start their own business with the skills they've gained throughout their career.

Today's reforms are another step on our path to making sure the UK

is the best place in the world to work, start and grow a business as we build back better from the pandemic.

Plans involve introducing a mandatory compensation requirement for any employer that wishes to use non-compete clauses, ensuring that workers receive a fair settlement if they are restricted from joining or starting a business within their field of expertise. This aims to discourage the unnecessary and widespread use of non-compete clauses by employers.

The government is also seeking views on whether it is necessary to go further and ban non-compete clauses all together.

Exclusivity clauses were banned for workers on zero hours contracts, where employers are not obliged to provide any minimum working hours and the worker is not obliged to accept any work offered, in 2015.

Andy Chamberlain, Director of Policy at IPSE said:

It is a welcome step in the right direction that the government is consulting on ways to crack down on restrictive contracts.

Paring back restrictive contract features such as exclusivity and non-compete clauses should, we hope, help open up opportunities for the self-employed and support them in adapting to these challenging times.

The 2 proposed reforms form part of the government's plans to build back better, ensuring the UK's recovery from COVID-19 creates new jobs, increases competition and maximises opportunities for the most talented innovators, job creators and entrepreneurs in the UK.

View the 2 consultations:

Other countries have also restricted exclusivity clauses in order to stimulate innovation, including Germany and France.

In Germany, exclusivity clauses are not used in employment contracts, and taking on an additional job (as long as it is not in competition to your first employer) is never prohibited.

Germany have also created mini-jobs, to promote higher employment rates through income tax-free marginal employment, with workers making at most €450 a month in part-time jobs (under the limit for social security contributions and exempt from income tax). All German industries are allowed to offer mini job contracts, but the most common types of mini jobs are in the fields of catering, retail, and domestic work.