

At-a-Glance Summary of the Employment Rights Reform

The Government has committed to continue consultations on its programme of employment rights reforms, set out in the Employment Rights Bill as it progresses through Parliament.

The government have committed to consulting on many of the most impactful proposals in the bill and amending it accordingly as it progresses through parliament. Some of the reforms will require a change in law, and others will not. Government have already consulted on some of the reforms, which have already closed, seeking views on several areas of reform in order to inform their next steps.

Government will continue to consult on these reforms in 2025, and will seek significant input from all stakeholders, meaning that the majority of reforms will take effect no earlier than April 2026. Reforms of unfair dismissal will take effect during 2027.

This summary guidance has been updated to include links to the latest consultations launched by the government in October 2025, and can be found on pages 4 and 5 below. All updates are highlighted in this way to help you keep track of the changes.

While the Northern Ireland government is considering similar legislation, the ERB itself is limited to England, Scotland, and Wales. The Department for the Economy in Northern Ireland is consulting on proposals for a major overhaul of employment law, but this is a separate process from the ERB. Therefore, while Northern Ireland may see similar changes in the future, the ERB as it currently stands does not apply there.

We will continue to update this guidance as and when plans progress, designed to help you assess the impact of the proposed reforms on your businesses. For each reform listed, we provide:

1. An explanation of the proposed reforms: a brief description of what the change entails.
2. A high-level overview of what will be required to change: an overview of what businesses will need to adjust or implement.
3. A suggestion of the potential business risks: key risks which businesses might face due to the changes.
4. Details of any consultations that have been launched /closed and the relevant links.

In addition to the Employment Rights Bill, the Make Work Pay plan involves other non-regulatory consultations, which are also included in this guidance for your information.

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Proposed change	Possible impact on our members	Potential Timeline* & Consultation details	Likely considerations	Potential Risks
<p><u>Day-One Rights</u></p> <p>Unfair Dismissal –</p> <p>Removal of the 2-year qualifying period to claim unfair dismissal.</p> <p>Government U-turn – this has now be amended from a day one right to six months.</p> <p>Statutory Sick Pay -</p> <p>Removal of 3 waiting days and the lower earnings limit (LEL). Make statutory sick pay (SSP) available for all workers on day one of being sick.</p>	<p>Employees will have employment rights from six months of employment. Government plan to introduce a statutory code governing a fair and transparent process for managing Probation periods. Potential increase in number of Tribunal claims.</p> <p>Potential increase in sickness absence levels with resulting cost to the business. Currently, 1.5m people earn below the lower earnings limit (£123 per week).</p> <p>Statutory payment is expected to be paid at 80% of earnings for those who earn below the prevailing rate of SSP.</p>	<p>During 2027 *</p> <p>Consultation planned for Autumn 2025</p> <p>April 2026</p> <p>Consultation closed: Making Work Pay: Strengthening Statutory Sick Pay - GOV.UK</p>	<p>Likely changes to Contracts of employment, Company Policies & management practices.</p> <p>Likely changes to Contracts of employment, Company Policies & management practices.</p>	<p>Employees will be able to claim for unfair dismissal from six months (rather than from 2 years' employment), opening employers to negative publicity and employment tribunal claims.</p> <p>Employers face higher costs and risk tribunal claims if they pay staff incorrectly.</p> <p>More workers will qualify for SSP, placing more financial strain on business owners.</p>
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<p><u>Fire & Rehire</u></p> <p>End Fire and rehire practices, replace the previous statutory code, which it describes as "inadequate".</p> <p>Under the latest proposals the ban on fire and rehire will be limited to "restricted variations". Restricted variations include changes in relation to pay, hours, holidays, pensions and any other variation specified in regulations. This means that any variation which does not fall within this new definition will not be prohibited.</p>	<p>Where employees are dismissed for failing to agree to a change in their contract of employment, those dismissals will be treated as automatically unfair unless the employer can show evidence of financial difficulties and demonstrate that the need to make the change in contractual terms was unavoidable. Potential increase to consultation time and stronger penalties.</p>	<p>October 2026*</p> <p>Further consultation expected Autumn 2025</p> <p><u>Making Work Pay: collective redundancy and fire and rehire - GOV.UK</u></p>	<p>Likely changes to Contracts of employment, Company Policies & management practices specifically related to consultation requirements.</p>	<p>Risk of financial penalties and increased tribunals if using Fire and re-hire as a means of enforcing changes to terms, unless the company can evidence financial difficulties justify the change.</p>
<p><u>Contracts – Zero Hours</u></p> <p>A requirement for employers to offer qualifying workers guaranteed hours reflecting the hours they worked during the reference period. Fair notice of shift changes and compensation for shift cancellations or loss of work. Will apply to Agency workers also.</p> <p>The government has said that the detail will be set out in regulations, which will be subject to further consultation.</p>	<p>Qualifying workers and employees will have greater rights not to be exploited and offered working hours that reflect those worked in practice over a set period of time. Potentially reducing flexibility of manpower within the business.</p> <p>If a shift is cancelled, there may be cost implications, due to compensation being paid for cancelling shift.</p> <p>Arrangements with Agencies supplying agency/temporary staff will also be affected.</p>	<p>During 2027*</p> <p>Consultation seeking views on the application of measures to tackle one-sided flexibility in zero hours contracts to agency workers.</p> <p>Further consultation will take place Autumn 2025</p> <p><u>Making Work Pay: the application of zero hours contracts measures to agency workers - GOV.UK</u></p>	<p>Review current contracts and the make-up of the workforce to assess use of casual workers. Re-evaluate use of Zero hours Contracts.</p> <p>Agencies will also be in scope of this reform, allowing for fines to be reclaimed from the end user where appropriate.</p>	<p>Employers face compensating employees for cancelled or changed shifts. Higher risk of tribunal claims if not managed correctly in the day-to-day running of the business after implementation.</p> <p>NB: If you have a lot of zero-hour contracts in place, you need to evaluate their use to ensure they are fit for purpose and accurately reflect hours being regularly worked.</p>
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<p><u>Trade Unions</u></p> <p>Remove "unnecessary restrictions" on trade union activity, including:</p> <ul style="list-style-type: none"> - Repeal of the Strikes (Minimum Service Levels) Act 2023. - Repeal of the great majority of the Trade Union Act 2016 - Removing the 10-year ballot requirement for trade union political funds. - Simplifying industrial action notices and industrial action ballot notices. - Protections against dismissal for taking industrial action. 	<p>Impact on union and non-unionised sites.</p> <p>Changing the rules and relevant thresholds on strike action and protection for union reps and members increased.</p> <p>Statutory recognition is likely to made easier.</p> <p>Allow unions right of access to the workforce.</p>	<p>Will take effect at Royal Assent or soon afterwards – October 2026</p> <p>Consultation launched seeking views on:</p> <p>- Duty to inform workers of their right to join a trade union: CLICK HERE</p> <p>- Right of Trade Unions to Access Workplaces: CLICK HERE</p>	<p>Review your employee engagement strategies, assess exposure to statutory recognition. Prepare for greater union involvement especially if not currently unionised.</p> <p>All new employees recruited from a given date (not yet known) will need a clause in their Statement of Main Terms (SMT) informing them of their right to join a union. Other changes likely to Company Policies & management practices</p>	<p>Increased operational challenges and legal risks due to reduced information and notice provisions for strike action. Penalty fines for non-compliance.</p>
<p><u>Sexual Harassment</u></p> <p>Extend current protection in place from 26th October 2024, against any harassment including sexual harassment to third parties.</p> <p>Require employers to take ALL reasonable steps to prevent sexual harassment.</p>	<p>Huge implications for companies dealing with customers, clients and general members of the public - greater obligation to proactively prevent sexual harassment.</p>	<p>October 2026*</p>	<p>Review risks and take action to update policies, handbook and train staff. Likely changes to Contracts of employment, Company Policies & management practices.</p>	<p>Greater obligation for employers to take proactive steps to prevent harassment both within the business and by a 3rd party. The shift to “all” reasonable steps significantly increases the risk of tribunal claims.</p>
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<p><u>Family-Friendly Rights</u></p> <p>Flexible Working - Flexible working to be the default position for all workers from day one.</p> <p>Statutory Bereavement Leave Statutory entitlement to leave allowing all employees who lose a family member to take unpaid leave from work. Updated to include those suffering pregnancy loss and miscarriage before 24 weeks.</p> <p>Pregnant / New Mothers - Strengthen protection from unfair dismissal for pregnant/new mothers.</p> <p>Paternity Leave Remove qualifying period, with rights to leave and pay from day one.</p> <p>Unpaid Parental Leave Remove qualifying period, with rights to leave from day one.</p>	<p>The valid business reasons for refusing flexible working requests will remain but refusal must be reasonable - increasing burden on employers to manage remote workers.</p> <p>Providing for statutory unpaid leave entitlement of at least 1 week. Most companies would already allow for compassionate leave.</p> <p>Making it unlawful to dismiss a woman who has had a baby for six months after her return to work, except in limited circumstances.</p> <p>Cost implications of pay for parental or other family leave, currently Parental leave requires 26 weeks service.</p> <p>Newly recruiting staff will qualify from day one.</p>	<p>During 2027 * Further consultation planned for Winter 2025 or early 2026</p> <p>During 2027 * Consultation launched seeking views: CLICK HERE</p> <p>During 2027 * Consultation launched seeking views: CLICK HERE</p> <p>During 2027 *</p> <p>During 2027 *</p>	<p>Likely changes to Contracts of employment, Company Policies & management practices.</p> <p>Likely changes to Contracts of employment, Company Policies & management practices.</p> <p>Likely changes to Contracts of employment, Company Policies & management practices.</p> <p>Likely changes to Contracts of employment, Company Policies & management practices.</p>	<p>Risk of tribunal claims from raised grievances for not having the policies and processes in place to support the new family-friendly rights.</p> <p>Plus, potential increases to the volume of claims that can be made against a business due to all workers qualifying for rights.</p> <p>Proposed changes require employers to have the systems as well as processes in place for workers to apply the flexible working arrangements immediately.</p> <p>Higher risk for tribunal claims if not managed correctly in the day-to-day running of the business after implementation. This is proposed to be a day one right versus a right attained after the first year, which increases the likelihood of tribunal claim with all workers.</p>
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<p><u>Redundancy</u></p> <p>Reference to the number of redundancies 'at one establishment' will remain – with an alternative collective consultation trigger that will apply for redundancies across the whole business.</p>	<p>Likely to impact larger organisations and group companies, with an alternative trigger related to number of redundancies across the wider company, not just a single establishment/place of work, yet to be agreed.</p>	<p>During 2027*</p> <p>Further consultation required 2025/early 2026</p>	<p>Likely changes to Contracts of employment, Company Policies & management practices.</p>	<p>Obligations to collectively consult, may be triggered sooner depending on company structure and number of redundancies required.</p>
<p>Increase the maximum protected award where employer has failed to comply with obligations, from 90 days to 180 days.</p>	<p>Increased costs associated with failure to comply.</p>	<p>April 2026</p>		<p>Additional costs if companies fail in their duty to collectively consult.</p>
<p>Replacement of employees with people who are not employees</p>	<p>A new right has been inserted into the Bill stating that an employee is unfairly dismissed if the reason for the dismissal is to enable the employer to replace the employee with an individual who is not an employee of the employer.</p>	<p>Yet to be confirmed</p>	<p>Such a dismissal will be automatically unfair providing the individual is carrying out the same or substantially the same activities as the employee and the employee's dismissal is not wholly or mainly attributable to the fact that the requirements of the employer's business have ceased or diminished or are expected to cease or diminish.</p>	<p>Additional costs if companies fail in their duty to follow process.</p>
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<u>Single Enforcement Body</u> Plan for a single enforcement body – The Fair Work Agency. With powers to enforce under payments and bring tribunal claims in place of workers.	The Fair Work Agency will monitor the enforcement of workplace rights and offer a single place where workers and employees can seek help. possibly meaning greater scrutiny than current arrangements.	April 2026 Consultation Summer/Autumn 2025	Actions to be considered at the relevant time if applicable.	Could potentially open businesses up to greater financial risk for non-compliance of employment legislation. Damaged reputation, risk of union formation and strikes.
<u>Equality Action Plan</u> Requirement to take proactive action to address gender pay gaps and to better support employees through the menopause.	Only for 250+ employees – Requirement to have an action plan in place to address gender pay gaps and to detail what proactive action and support they will provide/ or measures will be put in place to support women.	During 2027* Voluntary basis from April 2026*	If in scope – New policy creation; employee handbooks; management procedures; training new starters; staff processes & procedures; system for tracking and implementation.	Higher risk of discrimination claims. While the change is proposed for businesses of 250+, it is expected guidance may apply to all businesses of all sizes, which could be an indicator that may in time apply to all businesses.
<u>Tribunal Time Limits</u> Increased time limit of 6 months for all claims.	Possible increase in claims and longer window of risk management for employers.	October 2026*	Ensure you take BPIF HR Advice to minimise your exposure to potential tribunal claims.	Employees will have a longer window to submit claims. Increases the potential volume of claims against any business.
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NEW PROPOSALS ADDED in the last amendments to the Employment Rights Bill published 5th March 2025

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<u>New Record Keeping Requirements</u> Record of compliance with annual leave obligations, including the requirement to give 5.6 weeks annual leave, correct holiday pay, and make payment in lieu of annual leave on termination of employment.	Records must be maintained for a six-year period. Failure to comply is an offence punishable by a fine. Further details awaited.	Yet to be confirmed*	Current method of record keeping will need to be reviewed and kept for the required time. Additional costs related to digital record keeping if not already in operation.	Risk of fines for non-compliance.
Non-Disclosure Agreements (NDA's)	NDAs used by employers against workers will be void if attempting to prevent the worker from making allegations or a disclosure of information relating to discrimination or harassment. This will include NDAs in settlement agreements.	Yet to be confirmed*	Ensure you take BPIF HR Advice to minimise your exposure to potential tribunal claims.	

Changes likely to be introduced under existing powers and non-legislative routes -

Paid Carers Leave - Amendment to Carers Leave act – to introduce statutory paid leave in line with other statutory rates of pay.	Paid in line with other statutory rates of pay to be confirmed.	Maybe longer term. Yet to be confirmed”	Likely changes to Contracts of employment, Company Policies & management practices	Increase in requests for time off work resulting in additional burden on workforce planning and increased costs.
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Changes being introduced under separate Legislation -

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<p><u>Introduce DRAFT Equality (Race and Disability) Bill</u></p> <p>An additional Bill designed to offer "the full right to equal pay for ethnic minorities and disabled people".</p> <p>Introduction of mandatory ethnicity and disability pay reporting, applicable to all of the UK, mirroring existing gender pay reporting and equal pay legislation.</p>	<p>Greater obligation on larger employers (250+ staff) to be transparent about their pay rates and to ensure equal pay for all workers, regardless of ethnicity or disability.</p>	<p>Maybe longer term.</p> <p>Government opened consultation, seeking views on how to introduce reporting.</p> <p>Consultation closed on 10th June 2025</p> <p>Click Here</p>	<p>If in scope – consider impact once further details are provided.</p>	<p>Reputational risk both by media reporting on non-compliant businesses or employees to potential candidates raising grievances on information not published and easily accessible.</p>

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