

The Employment Rights Act 2025 – Key Changes – At a Glance



Employment Rights

Topic	Current Position	What is Changing?	Anticipated Timeline for Implementation	Potential Implications for Employers
Unfair Dismissal	<p>As a general rule, employees must have at least two years' service to bring an unfair dismissal claim (exceptions apply).</p> <p>The cap on the compensatory award for "ordinary" unfair dismissal is the statutory limit (currently £118,223) or 52 weeks' pay, whichever is lower.</p>	<p>New six-month qualifying period of service for unfair dismissal claims.</p> <p>Unfair dismissal compensation cap will be removed.</p>	<p>Expected to come into force on 1 January 2027, with immediate effect.</p>	<p>Less straightforward than is currently the case to dismiss employees with six months to two years' service.</p> <p>Likely increase in the number of unfair dismissal claims.</p> <p>Increased obligation to monitor and act on the conduct, or performance of new employees.</p> <p>Significant impact on senior exits due to the removal of the compensation cap. Claims will become more numerous and harder to settle. Ironically, the principal beneficiaries of the change will be those with higher salaries and benefits, the same people who need it least.</p>
Dismissal and Re-engagement (or "Fire and Rehire")	<p>No statutory prohibition on dismissal and re-engagement.</p> <p>The statutory Code of Practice sets out the steps that employers should follow when the parties are unable to agree to changes to terms and conditions, and the employer goes down the dismissal and re-engagement route.</p>	<p>A change to the law on unfair dismissal so that dismissals for failure to agree to "restricted variations" (including any reduction in pay, changes to pensions or changes to hours of work) would be treated as automatically unfair, unless the employer can demonstrate financial difficulties such that the need to make the restricted variation in contractual terms was therefore unavoidable.</p> <p>A different test of fairness for unfair dismissal purposes would apply to dismissals for failure to agree to non-restricted variations.</p>	<p>Taking effect in October 2026.</p> <p>The government had indicated that it would be consulting on these proposals in autumn 2025, but this consultation has not yet been issued.</p>	<p>Very strict limitations on the ability of employers to change terms and conditions of employment in this manner.</p> <p>More pressure on employers to reach agreement with employees (or their representatives).</p> <p>Less incentive for employees to agree.</p>

Collective Redundancy Consultation	<p>Obligation to consult collectively if an employer is proposing to dismiss as redundant 20 or more employees “at one establishment” within a 90-day period.</p> <p>The current maximum penalty that can be awarded by an employment tribunal is 90 days’ actual pay per affected employee.</p>	<p>The duty to consult collectively will be widened. It will be triggered where the employer proposes to dismiss as redundant 20 or more employees at one establishment within a period of 90 days or less (as is the case now), AND (new bit) where the number of proposed redundancies across a number of establishments hits a certain threshold, which has not yet been determined.</p> <p>The current maximum penalty that can be awarded by an employment tribunal will be doubled, i.e. 180 days’ actual pay per affected employee.</p> <p>The government has also indicated that it will consult on doubling the minimum consultation period from 45 to 90 days, where an employer is proposing to dismiss as redundant 100 or more employees.</p>	<p>The government will be consulting on the “collective redundancy” proposals in early 2026.</p> <p>The changes to the threshold for collective consultation will take effect in 2027.</p> <p>The changes to the maximum amount of the protective award will take effect in April 2026.</p>	<p>Multi-site employers will be significantly affected.</p> <p>Collective consultation will be triggered more frequently.</p> <p>Higher penalties for employers if found by an employment tribunal to have breached these obligations.</p> <p>Requirement for multi-site employers to have centralised systems in place to identify proposed redundancies and when the new duty is triggered. Likely removal of site autonomy to make redundancies.</p> <p>The new rules apply per employer rather than across a corporate group. Greater use of site-specific subsidiaries may follow.</p>
Zero Hours Workers and Certain Other Workers on Low Minimum Hours	No current statutory right to guaranteed hours.	<p>Right to guaranteed hours if eligible workers regularly work more hours over a reference period (likely to be 12 weeks).</p> <p>These provisions will also be extended to agency workers.</p>	<p>Taking effect in 2027.</p> <p>The government had indicated it would be consulting on these proposals in autumn 2025, but the consultation has not yet been issued.</p>	Increased administrative burden on companies and likely also their financial costs.
“One-sided Flexibility” for Zero Hours Workers and Certain Other Workers on Low Minimum Hours	No current statutory protection for cancelled shifts, etc.	<p>New obligations on employers to give notice of shifts, as well as reasonable notice of, and payments for, cancelled or delayed shifts.</p> <p>These provisions will also be extended to agency workers.</p>	<p>Taking effect in 2027.</p> <p>The government had indicated it would be consulting on these proposals in autumn 2025, but the consultation has not yet been issued.</p>	Increased administrative burden on companies, and likely also their financial costs.
Statutory Sick Pay (SSP)	<p>Three-day waiting period.</p> <p>Lower Earnings Limit to be eligible.</p>	<p>No three-day waiting period.</p> <p>No Lower Earnings Limit – meaning all eligible employees, regardless of earnings, will be entitled to SSP.</p> <p>Employees will receive the flat rate of SSP or 80% of their normal weekly earnings, whichever is lower.</p>	Taking effect in April 2026.	Potentially greater financial costs but note no obligation to pay normal salary for that waiting period.
Tips and Gratuities	Affected employers must have a tipping policy in place.	Obligation to consult with workers when developing or revising their tipping policies.	Taking effect in October 2026.	Additional step to be aware of when developing or revising tipping policies.



Trade Union Rights

Topic	Current Position	What is Changing?	Anticipated Timeline for Implementation	Potential Implications for Employers
Trade Union Rights	<p>High ballot thresholds for industrial action, e.g. at least 50% of trade union members who are entitled to vote in the ballot must do so.</p> <p>Detailed information requirements, e.g. on the voting paper.</p> <p>Detailed notice requirements.</p> <p>High statutory recognition thresholds.</p>	<p>Repeal of many of the provisions in the Trade Union Act 2016, which will mean:</p> <ul style="list-style-type: none">• Lower ballot thresholds for industrial action• Simpler information requirements• Shorter notice requirements <p>Repeal of the Strikes (Minimum Service Levels) Act 2023.</p> <p>Various new rights and protections for trade unions, including electronic balloting.</p> <p>Obligation on employers to inform their workers of their right to join a trade union.</p> <p>New right for unions to access workplaces, including digital access.</p>	<p>Some of the trade union changes, including the repeal of the great majority of the provisions in the Trade Union Act 2016 will come into force in February 2026. The repeal of the Strikes (Minimum Service Levels) Act 2023 took place on 18 December 2025.</p> <p>Other changes will be introduced over the period April 2026 to 2027.</p>	<p>It is not just businesses with a trade union presence that will be affected by these changes. Even those businesses that do not may be affected, as some of the changes might mean that trade unions seek to recruit, etc. in your workplace.</p> <p>Trade unions will have greater freedom to organise, represent and negotiate on behalf of workers.</p> <p>We have prepared a separate briefing note setting out the trade union changes in more detail.</p>



Family-Friendly Rights

Topic	Current Position	What is Changing?	Anticipated Timeline for Implementation	Potential Implications for Employers
Flexible Working	<p>Employees have the right to request flexible working from day one.</p> <p>Employers may reject requests for one of the eight business grounds for refusal.</p>	<p>Employers may only refuse requests if they consider that one of the existing eight business grounds for refusal apply, and it is reasonable for them to refuse the application on that basis.</p> <p>If an employer refuses a flexible working request, it will then be required to set out its grounds for refusing the application and an explanation as to why it considers it is reasonable to refuse the application on that basis.</p>	<p>Taking effect in 2027.</p> <p>The government will be consulting on the proposals in early 2026.</p>	<p>Employment tribunals are likely to interrogate employers' decisions more closely.</p> <p>Employers will need to be careful to be able to explain their decisions.</p>

Enhanced Dismissal Protections for Pregnant Women and New Mothers	Women have additional protection from redundancy during pregnancy, when on maternity leave and for a protected period after maternity leave. Similar protection for adopters, those taking shared parental leave and neo-natal leave.	Additional protection from dismissal (i.e. not just in redundancy situations), while pregnant, on maternity leave and for a protected period after returning to work. Additional protection for those returning from other types of leave including adoption leave and shared parental leave.	Taking effect in 2027. The government has issued a consultation document on these proposals – see our previous alert .	Potentially significantly restricting the ability of employers to dismiss pregnant women and new mothers and others taking certain forms of family-friendly leave.
Statutory Paternity Leave	To be eligible, employees must have completed 26 weeks' continuous service.	A day one right, i.e. no qualifying period. The Act also removes the restriction that prohibits employees from taking statutory paternity leave if they have already taken shared parental leave.	Taking effect in April 2026.	More employees eligible for statutory paternity leave.
Statutory Parental Leave	To be eligible, employees must have completed a year of continuous service.	A day one right, i.e. no qualifying period.	Taking effect in April 2026.	More employees eligible for statutory parental leave.
Statutory Bereavement Leave	Parental bereavement leave is currently available to eligible employees who lose a child under 18 years old or have a still birth after 24 weeks of pregnancy.	Bereavement leave will be extended to other employees who have experienced a bereavement (to be defined in regulations).	Taking effect in 2027. The government has issued a consultation on these proposals. See our previous alert .	More employees eligible for statutory bereavement leave. Such leave will, however, be unpaid, unless the employer opts to operate a more generous scheme.



Equality at Work

Topic	Current Position	What is Changing?	Anticipated Timeline for Implementation	Potential Implications for Employers
Protection from Sexual Harassment	The new mandatory duty to take reasonable steps to prevent sexual harassment in the workplace came into force on 26 October 2024. No express statutory provisions dealing with harassment by third parties.	The new mandatory duty will be amended to require employers to take “all” reasonable steps to prevent sexual harassment in the workplace. Reintroduction of a new statutory obligation to take all reasonable steps to prevent harassment (whether related to sex or any other protected characteristic) of employees by third parties. Workers who report sexual harassment will qualify for whistleblowing protection.	The change to the mandatory duty and the reintroduction of third-party liability will take effect in October 2026. The changes to whistleblower protection will come into force in April 2026.	More onerous obligations on employers. Review of interactions between staff and third parties to assess level of risk. Likelihood of increased number of complaints and employment tribunal claims.

Non-disclosure Agreements	The Solicitors Regulation Authority (SRA's) Warning Notice on Non-Disclosure Agreements provides that confidentiality provisions (e.g. in settlement agreements) cannot be used to stop a worker blowing the whistle, reporting a criminal offence, reporting a serious breach of a regulatory requirement, etc.	New statutory restrictions on the ability of employers to preclude workers from making allegations or disclosures about work-related harassment or discrimination.	TBC	More careful drafting of confidentiality provisions required. Potentially reduced willingness of employers to settle claims if confidentiality cannot be guaranteed.
Equality Action Plans and Gender Pay Gap Reporting	Organisations with 250 or more employees are required to publish specific gender pay gap data annually. No statutory obligation to publish an action plan.	New statutory obligation to produce equality plans related to gender equality (including gender pay gap and menopause). Affected employers will also be required to publish details of those organisations which they receive outsourced work from.	The obligation to produce equality plans is anticipated to take effect in 2027 but will be introduced on a voluntary basis in April 2026.	More onerous reporting obligations on employers.



Miscellaneous

Topic	Current Position	What is Changing?	Anticipated Timeline for Implementation	Potential Implications for Employers
Enforcement	Various bodies currently have enforcement powers.	New Fair Work Agency will bring together existing enforcement bodies, including new right to enforce holiday pay. New powers to issue "notices of underpayment" where an employer has failed to pay a worker an amount due under certain legislation, e.g. SSP and holiday pay. New power to bring employment tribunal proceedings on behalf of workers.	The new Fair Work Agency will be established in April 2026. It will be led by Matthew Taylor, author of the Taylor Review on Modern Working Practices back in 2016 and advocate for a single enforcement agency.	Greater state enforcement and accordingly potentially greater risks for employers of non-compliance with, for example, holiday pay obligations, etc.
Employment Tribunal Time Limits	Time limit for most employment tribunal claims is currently three months.	Time limits for most claims to be extended from three to six months.	Taking effect in October 2026.	There will be an inevitable increase in claims.
Procurement – Two-tier Code	"Two-Tier" Code revoked in 2010. Replaced with Principles of Good Employment Practice.	Power for contracting authorities to include provisions in relevant outsourcing contracts governing terms and conditions of workers. A new statutory Code of Practice will be issued. Regulations to follow too.	Taking effect in October 2026.	Aim is to prevent a "two-tier" workforce. Relevant to private sector employers taking over public sector services.

Holidays and Holiday Pay	No statutory obligation to keep records.	New statutory obligation to keep “adequate” records to show compliance with obligations to provide statutory holiday and holiday pay to workers. Fair Work Agency will be able to enforce non-compliance.	TBC.	Potentially increased administrative burden on companies and new enforcement provisions for non-compliance.
Extension of Regulation of Umbrella Companies	Umbrella companies do not currently come within the remit of the Employment Agency Standards inspectorate.	Changes to the Employment Agencies Act 1973 to ensure regulation of umbrella companies is included. Aim is to tackle non-compliance with employment and tax obligations.	Taking effect in 2027.	Greater state enforcement and accordingly potentially greater risks for affected businesses of non-compliance.

This note sets out the position in England and Wales. Changes in Scotland and Northern Ireland may differ.

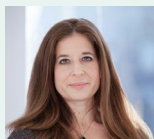


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