

Alert | Labor & Employment



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UK Employment Rights Act 2025: Key Reforms, Timeline, and Practical Considerations for Employers

The UK's Employment Rights Act 2025 (ERA), which received Royal Assent on 18 December 2025, introduces wide-ranging reforms to UK employment law. The Act spans a broad range of topics, including family-related rights, flexible working, trade union law, zero and low-hours arrangements, unfair dismissal, fire and rehire, collective redundancies, sexual harassment, and enforcement. Some measures require secondary legislation, and implementation will be phased over the next two years.

Overview of Key Changes

Zero Hours, Low Hours, and Agency Worker Contracts

The ERA addresses perceived one-sided flexibility in employment relationships by requiring employers to make a guaranteed hours offer after the end of each reference period (expected to be 12 weeks), provide reasonable notice of shifts, and compensate workers for short-notice cancellations. These rights extend to agency workers and are supported by anti-avoidance provisions and new remedies in the UK Employment Tribunal.

Family-Friendly and Sick Pay Reforms

Employees will have day-one rights to statutory sick pay (SSP), paternity leave, and unpaid parental leave, alongside a new entitlement to unpaid bereavement leave, including for pregnancy loss before 24 weeks.

SSP will no longer be subject to a lower earnings limit and will be payable from the first day of sickness absence, capped at the lower of the flat weekly SSP rate (currently £118.75) or 80% of normal weekly earnings.

Parents will be able to take paternity leave and pay after shared parental leave and pay. New protections will apply against dismissal for pregnant employees and mothers on maternity leave for at least six months after their return to work (except in specified circumstances).

The ERA also strengthens the existing day-one right to request flexible working by introducing a clearer process for employers when a request cannot be agreed. Employers will need to explain their reasons for refusing a request and ensure that any refusal is reasonable.

Enforcement and Compliance

The ERA establishes the Fair Work Agency (FWA), a new single enforcement body launching in April 2026. It will consolidate the enforcement of the national minimum wage, employment agency rules, gangmaster licensing, and action against serious labour exploitation, whilst also taking on additional functions such as enforcing holiday pay. The FWA will have powers to issue penalties, bring tribunal claims, and share information, supported by a governance framework including an advisory board with business, trade union and independent representation.

Employers will face new record-keeping duties relating to compliance with annual leave and pay for annual leave, which must be retained for six years. Failure to do so may result in fines for non-compliance.

Discrimination

Employers will be under a statutory duty to take all reasonable steps to prevent sexual harassment, including harassment by third parties. The ERA also provides a power for regulations to specify what constitutes “reasonable steps.”

The ERA seeks to strengthen whistleblowing protections by confirming that disclosures relating to sexual harassment qualify for whistleblowing protections against detriment and unfair dismissal. In addition, large employers will be required to publish action plans setting out how they are addressing gender pay gaps and supporting employees through menopause.

Any provision in a non-disclosure agreement that seeks to prevent workers from speaking out about harassment or discrimination will be void (for more detail on this forthcoming change, see our [previous GT Alert](#)).

Trade Unions and Industrial Relations

The ERA repeals the Strikes (Minimum Service Levels) Act 2023 and most provisions of the Trade Union Act 2016. It reduces the notice period for industrial action to 10 days, extends ballot mandate expiration date to 12 months, and simplifies the information required for industrial action notices.

A new framework would enable trade unions to negotiate workplace access, with the Central Arbitration Committee empowered to impose access where certain conditions are met. With a new framework, the ERA aims to simplify the trade union recognition process as well as introduce new rights and protections for trade union representatives. Employers will also be under a duty to inform workers of their right to

join a trade union, and the ERA strengthens protections against detriment and unfair dismissal for participating in industrial action.

Unfair Dismissal

The qualifying period for unfair dismissal claims will reduce to six months, and the current cap on compensatory awards will be removed. This is a significant change, which we discuss in further detail in our [recent GT Alert](#).

Other Measures

- **Fire and rehire:** Dismissals for failing to agree on certain core contractual changes will be automatically unfair, except where businesses face severe financial difficulty and have no alternative.
- **Collective redundancy:** Consultation and notification obligations will either apply when 20 or more redundancies are proposed at one establishment, or when a new threshold across the entire organisation is met (to be set in secondary legislation). In addition, the maximum protective award for failure to properly consult will double from 90 to 180 days' pay.
- **Employment tribunal time limits:** Employees will have six months (rather than three) to bring employment tribunal claims.
- **Time off for public duties:** A review will examine the circumstances in which employers are required to permit employees to take time off for public duties.
- **Tips and gratuities:** The Employment (Allocation of Tips) Act 2023 introduced obligations to ensure workers receive tips, gratuities, and service charges in full, allocated fairly and transparently. The ERA further strengthens these protections by requiring employers to consult recognised trade unions, workers' representatives, or workers themselves (where no such bodies exist) when creating or revising tipping policies, and to review these at least every three years.
- **Umbrella companies:** These will be brought within scope of the Employment Agencies Act 1973 for regulation and enforcement. The FWA will have powers to act against umbrella companies that fail to meet their legal obligations.

Implementation Timeline

- **18 December 2025:** Royal Assent; repeal of the Strikes (Minimum Service Levels) Act 2023.
- **By February 2026:** Industrial action reforms expected to take effect.
- **April 2026:** Establishment of the FWA; reforms to statutory sick pay and family leave; increase to redundancy protective awards; sexual harassment protected disclosures; electronic balloting; and statutory trade union recognition.
- **October 2026:** Measures on fire and rehire; extended tribunal limitation periods; duty to prevent sexual harassment (including third-party harassment); strengthened trade union rights (access to workplaces, facilities, equality representatives, and statements of rights); protection against detriment for industrial action; and tips and gratuities provisions.
- **2027:** Six-month qualifying period for unfair dismissal and removal of the compensation cap; reforms on zero and low-hours contracts (including guaranteed hours and shift notice); dismissal protections during and after family leave; flexible working; bereavement leave; further sexual harassment

measures (clarifying “reasonable steps”); collective redundancy consultation threshold changes; and regulation of umbrella companies.

Practical Considerations

Employers may wish to review policies on family leave, flexible working, and non-disclosure agreements, and consider the implications of enhanced dismissal protections. Workforce audits may help identify zero and low-hours arrangements and agency engagements, enabling planning for guaranteed hours offers and shift notice compliance. Employers should also consider updating record-keeping systems to meet new holiday pay obligations.

Training for HR and managers will be important to enhance compliance with new duties. Employers should also monitor consultations on guaranteed hours, shift notice, compensation, and electronic balloting, as these may shape the detail of future regulations.

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