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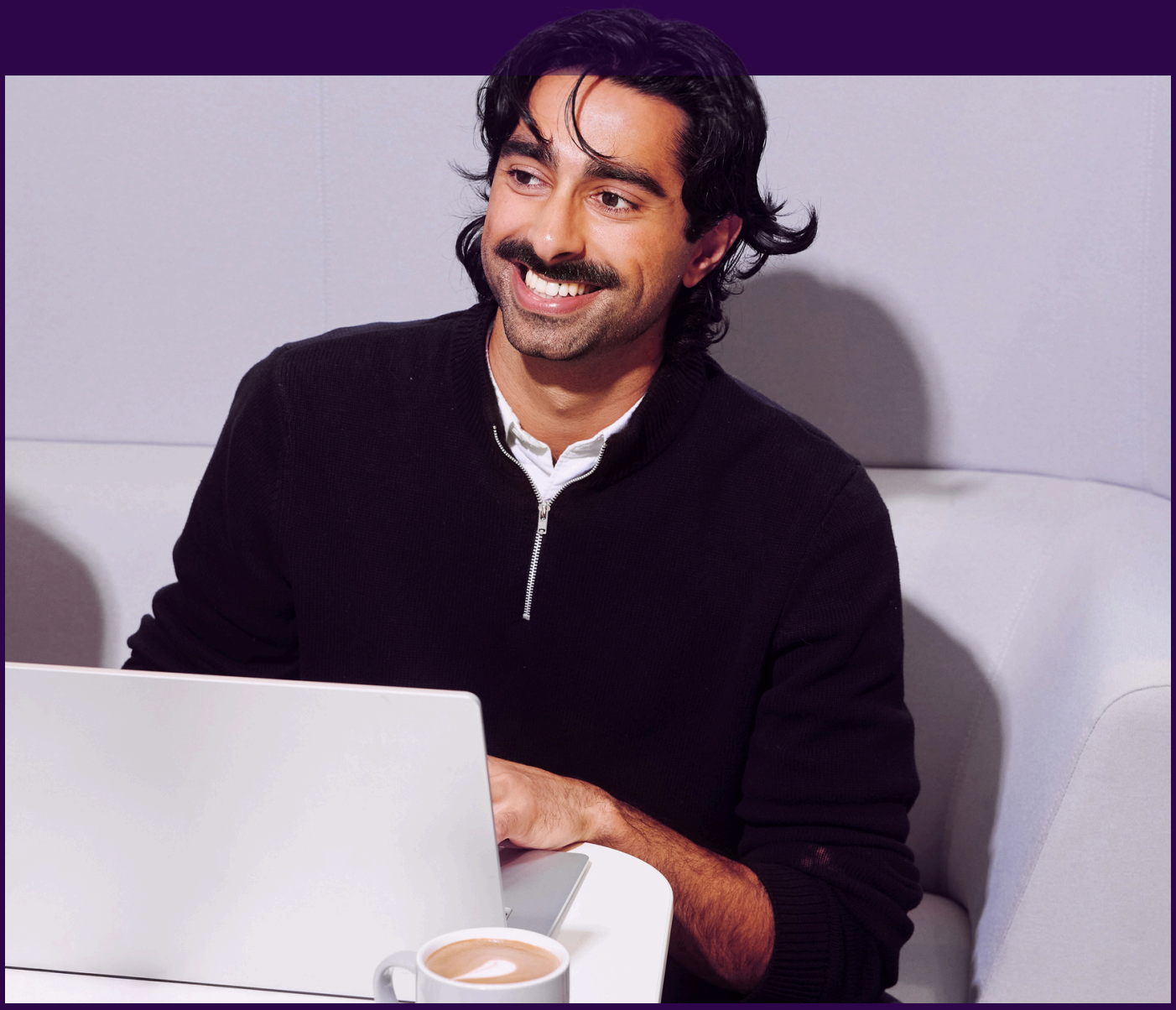


# EMPLOYMENT RIGHTS ACT 2025

## An In-Depth Employer Compliance Guide

## MEET THE EXPERT BEHIND THIS GUIDE

**Simon Obee**
*Head of HR Advisory, Employment Hero*

Navigating major changes to employment law requires more than a summary of legislation, it requires practical insight into how the law works in real workplaces.

This guide has been created and reviewed by Simon Obee, Head of HR Advisory at Employment Hero, who has over 20 years' experience as an employment lawyer supporting organisations of all shapes and sizes.

Today, Simon leads Employment Hero's HR Advisory team, working directly with employers to help them stay compliant, reduce risk and build confidence in their people processes.

# Foreword

**The Employment Rights Act 2025 marks** one of the most significant changes to UK employment law in a generation. For employers, the challenge is not just understanding what the law says, but knowing how those changes will play out in real workplaces and what needs to be done now to prepare. While many of the reforms will not take effect until 2026 and 2027, the decisions employers make today around policies, processes and manager capability will have a direct impact on future risk.

I've worked in employment law for over 20 years, both in private practice and in-house, including roles within the UK government. One consistent theme I see is that businesses get into difficulty not because they ignore the law, but because they underestimate how early preparation matters.

This guide has been created to help employers cut through complexity and focus on what really matters. It explains the key changes introduced by the Employment Rights Act 2025, when those changes are expected to take effect, and what employers should be doing now to put themselves in the strongest possible position.

Employment law will continue to evolve as further regulations are introduced. My team and I will continue to monitor developments closely and support employers as the detail becomes clearer.

I hope this guide gives you the clarity and confidence you need to prepare for what's ahead.

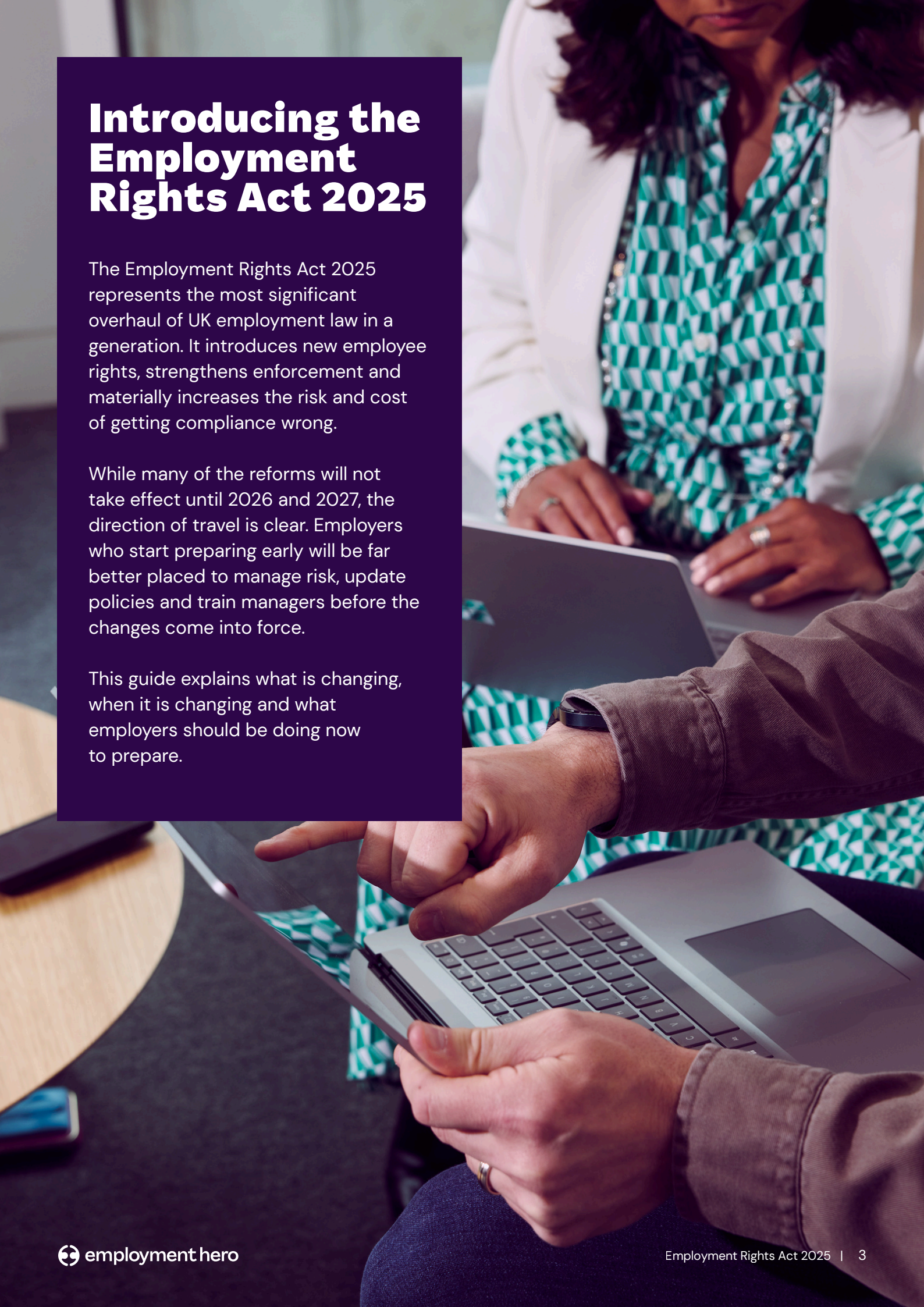
**Simon Obee**
**Head of HR Advisory, Employment Hero**

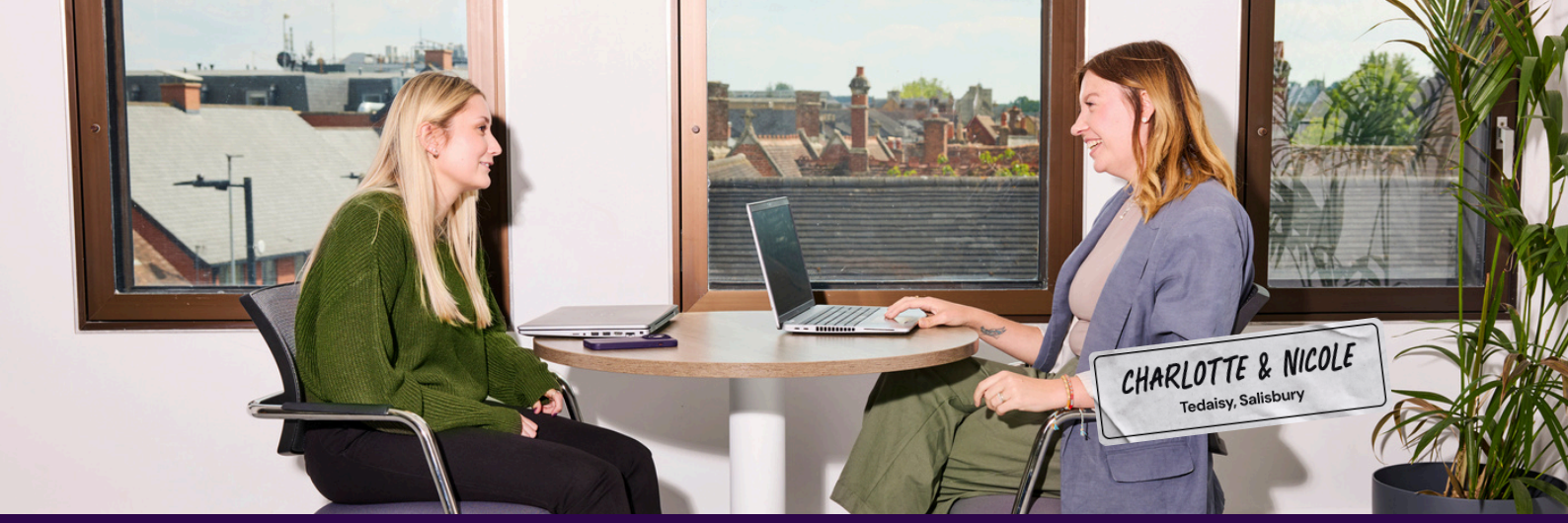
# Introducing the Employment Rights Act 2025

The Employment Rights Act 2025 represents the most significant overhaul of UK employment law in a generation. It introduces new employee rights, strengthens enforcement and materially increases the risk and cost of getting compliance wrong.

While many of the reforms will not take effect until 2026 and 2027, the direction of travel is clear. Employers who start preparing early will be far better placed to manage risk, update policies and train managers before the changes come into force.

This guide explains what is changing, when it is changing and what employers should be doing now to prepare.






# KEY *EMPLOYMENT* RIGHTS ACT 2025 CHANGES

## Statutory Sick Pay: Day-one right (From April 2026)

The Employment Rights Act 2025 will make statutory sick pay (SSP) payable from the first day of sickness absence, rather than from the fourth day as is currently the case. The Act will also remove the lower earnings limit for SSP eligibility. Instead of being excluded entirely, lower earners will be entitled to SSP at a lower rate based on their actual earnings. The government expects these changes to come into force in April 2026.

### What this means for employers

SSP, unlike some other statutory payments, is a cost that must be met entirely by the employer. Extending eligibility and removing the waiting period will therefore increase payroll costs, particularly in workforces with higher levels of sickness absence or lower-paid employees. The change also increases the importance of effective absence management, as short-term absences will now carry an immediate cost. Supporting your workforce to stay as fit and healthy as possible to reduce any instances of sick leave, can include wellness initiatives and investing in an **EAP service**.

### How employers can prepare

To prepare for the changes to SSP, employers should consider the following steps:

- **Budget for increased SSP costs,** reflecting earlier eligibility and wider coverage.
- **Review absence patterns** and assess how workload, stress and burnout are being managed across the business.
- **Support employee wellbeing** through initiatives such as wellness programmes or access to an Employee Assistance Programme (EAP).
- **Review and update SSP policies and procedures** so they are ready ahead of the new rules coming into force.

# Limits on fire and rehire (From 2027)

"Fire and rehire" is where an employer dismisses an employee and then re-engages them to do the same job but on different terms and conditions, often on less favourable terms.

This practice is usually a last resort when an employer needs to amend a term of an employee's employment contract, for example, about hours or pay, and the employee will not agree to this. Another version of this is "fire and replace" where an employee is dismissed and a different person is engaged to the same work but on different terms and conditions.

Under the Employment Rights Act, dismissing an employee because they refuse to agree to certain restricted variations to their contract will amount to automatic unfair dismissal, regardless of the employee's length of service. Restricted variations include changes relating to pay, working hours, holiday entitlement and clauses allowing unilateral variation of these matters.

The Act will also restrict "fire and replace", preventing employers from dismissing employees and engaging contractors or agency workers to perform the same role on inferior terms.

**These changes are planned to take effect from 2027.**

## What this means for employers

Once these provisions come into force, it will not be possible for an employer to insert a clause into an employee's contract entitling it to vary any of these restricted matters. However, there appears to be nothing to prevent any valid variation clause already in place from continuing to be valid after that time. Neither would the provisions prevent employers hiring new employees with variation clauses in their contracts.

There will be one exception where fire and rehire (or fire and replace) is still allowed, namely where it is necessary to fire and rehire/replace to prevent financial difficulties which are affecting the employer's ability to carry on their business and in all the circumstances, the employer could not have reasonably avoided the need to make the variation.

Overall, this represents a substantial tightening of the law around contract changes and increases the risk associated with poorly managed variation discussions.

## How employers can prepare

To reduce risk and prepare for the new restrictions, employers should:

- **Approach contract variation discussions carefully,** particularly where employees are resistant to change.
- **Avoid any suggestion that dismissal is being used as leverage** to secure agreement.
- **Review employment contracts and variation clauses** to understand where flexibility exists and where it does not.
- **Train managers** on how to handle contract change discussions in a fair, transparent and well-documented way.
- **Seek advice early** where changes to terms and conditions are being considered.

# Collective redundancies (From April 2026)

Currently, the law requires employers to collectively consult with trade unions or elected employee representatives where they propose to make 20 or more redundancies "at one establishment" within a 90-day period. This obligation sits alongside the requirement to consult affected employees individually.

"At one establishment" has generally been found to mean one physical workplace. So if an employer was making 19 employees redundant in its London office and 19 employees redundant in its Manchester office, the 20 employee threshold would not be met.

The Employment Rights Act 2025 retains the existing "one establishment" test but gives the government new powers to expand the circumstances in which collective consultation will be required through future regulations. For example, it might say that even if there are less than 20 redundancies at each establishment, the obligation to collectively consult will arise if there are more than X number of redundancies in the employer's business overall.

In addition, the Act will significantly increase the financial penalties for failing to comply with collective consultation obligations. The protective award will double from 90 days' pay to 180 days' pay per affected employee.

**This increase is expected to take effect in April 2026, with any wider changes to consultation thresholds likely to follow in 2027.**

## What this means for employers

The increased penalties substantially raise the cost of getting collective consultation wrong. Even relatively small redundancy exercises could carry significant financial exposure if consultation obligations are overlooked or misapplied.

The government's ability to extend consultation requirements beyond the "one establishment" test also increases uncertainty, particularly for employers operating across multiple locations. Employers may need to assume that collective consultation could be required in a wider range of scenarios than is currently the case.

As a result, redundancy planning will require more careful analysis and earlier consideration of consultation obligations.

## How employers can prepare

To reduce risk and prepare for the upcoming changes, employers should:

- **Review redundancy procedures** to ensure collective and individual consultation obligations are clearly understood.
- **Plan redundancies cautiously,** particularly where proposed reductions affect multiple sites or parts of the business.
- **Train managers** on when collective consultation may be triggered and the consequences of non-compliance.
- **Document decisions carefully,** including how consultation thresholds have been assessed.
- **Seek advice early** where headcount reductions are being considered, especially where the position is unclear.

# Sexual harassment and related protections (From April 2026 and October 2026)

The Employment Rights Act 2025 significantly strengthens employers' obligations in relation to sexual harassment and workplace conduct.

From October 2026, employers will be required to take "all reasonable steps" to prevent sexual harassment of their employees, replacing the current duty to take "reasonable steps". While the strengthened duty will apply from October 2026, the government's power to issue detailed regulations setting out what will (and will not) be considered reasonable steps is not expected to come into force until 2027.

The Act also introduces new protections and liabilities in relation to harassment more broadly:

- **Third-party harassment:** Employers will become liable where they have not taken all reasonable steps to prevent harassment of their staff by third parties, such as customers, clients or members of the public. This will apply across all protected characteristics under equality law and is expected to take effect from October 2026.
- **Whistleblowing protection:** Reporting sexual harassment will be added to the list of protected whistleblowing disclosures, meaning workers who raise concerns will be protected from detriment, including dismissal. This change is expected to take effect from April 2026.
- **Non-disclosure agreements (NDAs):** NDAs that seek to prevent discussion or allegations of harassment or discrimination will be unenforceable, subject to limited exceptions to be set out in future regulations. Existing agreements will not be affected retrospectively.

**The obligation to take all reasonable steps to prevent sexual harassment is planned to come into effect in October 2026, but the power to make regulations about the steps that are regarded as reasonable will not come into force until 2027, which could cause a period of confusion for employers.**

## What this means for employers

These changes significantly raise the bar for how employers are expected to prevent, identify and respond to sexual harassment in the workplace.

The shift from "reasonable steps" to "all reasonable steps" increases the expectation that employers take a proactive and structured approach to prevention, rather than responding only when issues arise. At the same time, new liability for third-party harassment means employers will need to consider risks beyond their own workforce, particularly in customer-facing environments.

The introduction of whistleblowing protection for reports of sexual harassment also increases the risk of claims where concerns are not handled appropriately, and limits the extent to which NDAs can be relied upon to resolve complaints.

## How employers can prepare

To prepare for the strengthened duties and increased enforcement risk, employers should:

- **Review and update harassment and dignity at work policies,** ensuring they are clear, accessible and up to date.
- **Carry out risk assessments** to identify where harassment risks are most likely to arise, including in customer-facing or lone-working roles.
- **Train managers and staff** on recognising, preventing and responding to harassment, including third-party harassment.
- **Review reporting and investigation procedures** to ensure complaints are handled promptly, fairly and consistently.
- **Review whistleblowing policies** to reflect that reporting sexual harassment will be a protected disclosure.
- **Exercise caution when using NDAs or settlement agreements,** particularly where allegations of harassment or discrimination are involved.

# Duty to prevent third-party harassment (From October 2026)

The Employment Rights Act 2025 introduces an employer's liability to take all reasonable steps to prevent harassment of their employees by third parties, such as customers, clients, service users, suppliers or members of the public.

This duty will apply to harassment related to all protected characteristics under equality law, not just sexual harassment. It represents a significant expansion of employer responsibility beyond the actions of employees alone.

**The government has stated that these provisions are expected to come into force in October 2026.**

## What this means for employers

Employers will be expected to proactively manage the risk of harassment from people outside their organisation. This is particularly relevant for businesses operating in customer-facing environments, such as retail, hospitality, healthcare and other public-facing services.

Where an employer has not taken all reasonable steps to prevent third-party harassment, they may be liable even where the harasser is not an employee. This increases the importance of being able to demonstrate that risks have been identified and addressed in advance.

## How employers can prepare

To prepare for the new duty and reduce compliance risk, employers should:

- **Review and update workplace policies** to clearly address third-party harassment and set expectations for acceptable behaviour from customers and other third parties.
- **Carry out regular risk assessments** to identify where third-party harassment is most likely to occur and who may be affected.
- **Implement appropriate control measures,** particularly in high-risk environments, such as lone-working arrangements, customer interaction protocols or the use of CCTV where appropriate.
- **Train managers and staff** on how to recognise third-party harassment and how to respond when it occurs.
- **Ensure reporting procedures are clear and accessible,** so employees feel supported in raising concerns.

# Tribunal claim time limits extended (From 2027)

The Employment Rights Act 2025 will extend the time limit for bringing most employment tribunal claims from three months to six months.

**The government has indicated that this change is expected to come into force in October 2027.**

## What this means for employers

Extending the time limit gives employees a longer window to bring claims, which is likely to result in an increase in the number of tribunal claims overall.

The longer time frame also means that decisions made by managers may be challenged many months after the event. This increases the risk that key details are forgotten or poorly evidenced, particularly where documentation is incomplete or inconsistent.

As a result, robust processes and accurate record-keeping will become even more important, especially in relation to disciplinaries, performance management, grievances and dismissals.

## How employers can prepare

To reduce risk and prepare for the extended time limits, employers should:

- **Strengthen record-keeping practices,** ensuring decisions, meetings and outcomes are clearly documented.
- **Review disciplinary, performance and grievance procedures** to ensure they are consistently applied.
- **Train managers** on the importance of documenting decisions and following fair processes.
- **Ensure HR systems can retain and retrieve records** easily over longer periods of time.

# Unfair dismissal rights after six months' service (From January 2027)

Under the Employment Rights Act 2025, the qualifying period for bringing a claim for unfair dismissal will be reduced from two years' service to six months' service.

While the legislation was originally drafted to make unfair dismissal a day-one right, the government has moved away from that position. However, reducing the qualifying period to six months still represents a significant change for employers.

In addition, the Act will remove the current cap on compensation for unfair dismissal. At present, compensatory awards are limited to the lower of a statutory maximum (£118,233 (at 2025-2026 figures)) or 52 weeks' pay. Once the new law takes effect, there will be no cap on the compensation a tribunal can award.

**The government has said these changes are planned to come into force in January 2027.**

## What this means for employers

Employers will need to follow fair and robust dismissal processes much earlier in the employment relationship. Decisions taken during or shortly after probation will now carry significantly more risk.

The removal of the compensation cap substantially increases potential financial exposure, particularly when combined with the extension of tribunal claim time limits to six months. Poorly handled dismissals may therefore have serious cost and reputational implications.

As a result, employers will need to place greater emphasis on fair process, consistency and documentation from an employee's first months of employment.

## How employers can prepare

To prepare for the changes to unfair dismissal rights, employers should:

- **Review disciplinary, performance management, redundancy and dismissal procedures** to ensure they are fit for earlier application.
- **Consider whether probation periods should be limited to six months** and ensure probation processes are meaningful and well managed.
- **Train managers** on fair dismissal processes, particularly in relation to early employment decisions.
- **Improve documentation and record-keeping,** as decisions may be challenged long after they are made.

# Zero-hours and low-hours workers: Guaranteed hours (From 2027)

The Employment Rights Act 2025 introduces a new duty on employers to offer guaranteed hours to workers and employees engaged on zero-hours contracts or contracts that guarantee only a low number of hours.

Under the new rules, employers will be required to offer guaranteed hours based on the actual hours worked over a reference period. While the length of the reference period will be set out in future regulations, the government has indicated that it is likely to be 12 weeks.

At the end of each reference period, employers must make an offer of guaranteed hours reflecting the hours worked during that period. This obligation will continue to apply until the worker's contract guarantees more than a minimum number of hours, which will also be set out in future regulations.

Workers will be free to accept or refuse an offer of guaranteed hours. Similar obligations will apply to agency workers, with responsibility shared between the hirer and the agency, subject to limited exceptions.

**These changes are planned to be implemented in 2027 and can only be opted out of through a collective agreement with a recognised trade union.**

## What this means for employers

The new guaranteed hours duty represents a significant shift for employers who rely on flexible staffing models, particularly in sectors such as hospitality, retail and seasonal businesses.

Employers will need to closely monitor working patterns over time, as hours worked, rather than contractual terms, will determine when guaranteed hours must be offered. This may reduce flexibility and increase ongoing employment costs where working patterns fluctuate.

The obligation to repeatedly offer guaranteed hours also introduces additional administrative complexity, particularly where hours vary across reference periods.

## How employers can prepare

To prepare for the introduction of guaranteed hours obligations, employers should:

- **Review the use of zero-hours and low-hours contracts** across the business and assess where patterns of regular work are emerging.
- **Monitor hours worked carefully,** particularly over rolling periods that may become the reference period under the regulations.
- **Consider workforce planning and scheduling practices,** especially in roles affected by seasonal demand.
- **Train managers** on how and when guaranteed hours offers must be made.
- **Stay alert to further regulations,** as key details including thresholds and reference periods, are still to be confirmed.

# Zero-hours and low-hours workers: Reasonable notice of shifts (From 2027)

The Employment Rights Act 2025 introduces a new right for certain workers to receive reasonable notice of work shifts, as well as reasonable notice where a shift is changed or cancelled.

This right will apply to workers and employees engaged on zero-hours contracts and to other categories of low-hours and low-paid workers who will be defined in future regulations. Similar obligations will also apply in relation to agency workers, with responsibility shared between the work-finding agency and the end hirer.

Employers will be required to provide reasonable notice of:

- The requirement or offer to work a shift, including the date, start and end time and number of hours and;
- Any changes to or cancellation of, a shift.

Where reasonable notice is not provided, employers will be required to pay compensation to affected workers. For agency workers, agencies will be responsible for paying compensation, although they may be able to recover these costs from the hirer in certain circumstances.

Guidance on what constitutes "reasonable notice" will be set out in future regulations. The government has indicated that in some situations, such as emergencies, reasonable notice may be relatively short.

**These changes are expected to come into force in 2027 and, like the guaranteed hours obligations, can only be opted out of through a collective agreement with a recognised trade union.**

## What this means for employers

The introduction of reasonable notice requirements will reduce the degree of flexibility many employers currently rely on when rostering staff.

Last-minute scheduling changes, short-notice cancellations and ad hoc shift allocations may give rise to compensation payments, increasing both cost and administrative burden. This is likely to have the greatest impact on employers with fluctuating demand and highly flexible staffing models.

Employers will also need to be confident they can evidence when notice was given and demonstrate that it was reasonable in the circumstances.

## How employers can prepare

To prepare for the new reasonable notice obligations, employers should:

- **Review rostering and scheduling practices,** particularly where shifts are allocated or changed at short notice.
- **Assess current levels of flexibility** and identify where changes may be needed to reduce reliance on last-minute arrangements.
- **Improve systems and record-keeping** so notice of shifts, changes and cancellations can be clearly evidenced.
- **Train managers** on the new requirements and the potential cost of non-compliance.
- **Monitor future regulations,** as key details around thresholds and notice periods are still to be confirmed.

# Flexible working – reasonableness test (From 2027)

Since April 2024, employees have had a day-one right to request flexible working. Employers may currently refuse a request where one or more of the prescribed statutory grounds applies, such as cost, impact on quality or performance or inability to reorganise work.

Under the Employment Rights Act 2025, the test for refusing a flexible working request will change. In addition to relying on one of the statutory grounds, employers will be required to show that the refusal is reasonable.

Employers will also be required to:

- Explain which statutory ground applies and;
- Explain why it is reasonable to refuse the request on that ground.

Tribunals will be able to assess the reasonableness of an employer's decision and impose a financial penalty where a refusal is found to be unreasonable. The maximum penalty will remain at eight weeks' pay.

The Act also gives the government power to introduce regulations setting out how employers must consult with employees about flexible working requests.

**These changes are expected to come into force in 2027.**

## What this means for employers

The introduction of a reasonableness test increases the risk associated with refusing flexible working requests. Decisions that are poorly explained, inconsistently applied or unsupported by evidence are more likely to be challenged.

Employers will need to move beyond simply citing a statutory ground for refusal and be able to clearly justify why the decision is reasonable in the circumstances. This is likely to place greater scrutiny on existing working arrangements, including hybrid and return-to-office policies.

Consistency across the business will be critical, as similar requests treated differently may undermine the reasonableness of decisions.

## How employers can prepare

To prepare for the new reasonableness test, employers should:

- **Review flexible working policies and refusal templates** to ensure they support reasoned decision-making.
- **Train managers** on how to assess requests objectively and explain decisions clearly.
- **Stress-test existing working arrangements,** including hybrid and office-based requirements, and ensure there are clear business reasons for them.
- **Improve documentation of consultation discussions** and decision-making processes.
- **Monitor future regulations** setting out consultation requirements, once published.

# Equality action plans (From 2027)

Employers with 250 or more employees are already required to publish gender pay gap information. The Employment Rights Act 2025 strengthens this obligation by introducing a new requirement for affected employers to develop and publish equality action plans.

These action plans will need to set out:

- The steps the employer is taking to address gender pay gaps and;
- The support provided to employees experiencing menopause.

The Act also gives the government power to introduce regulations requiring employers to publish information about service providers they use for outsourced workers. This is intended to encourage greater accountability for pay disparities that may exist within outsourced workforces.

**The government has stated that these changes are expected to come into force in 2027.**

## What this means for employers

For large employers, the focus will shift from reporting pay gaps to demonstrating meaningful action to address them. Equality action plans will need to show clear, measurable steps rather than broad commitments or intentions.

The potential requirement to publish information about outsourced service providers may also increase scrutiny of supply chain arrangements and reputational risk where pay gaps exist beyond the employer's direct workforce.

Failure to comply with publication requirements may result in enforcement action and reputational damage.

## How employers can prepare

To prepare for the introduction of equality action plans, employers should:

- **Review existing gender pay gap data** to understand underlying causes.
- **Assess current initiatives** to determine whether they are effective and measurable.
- **Develop or formalise menopause policies and support frameworks,** where these are not already in place.
- **Ensure HR teams can evidence actions taken**, not just policy statements.
- **Engage senior leadership**, as equality action plans will require visible ownership and accountability.

# Protection from dismissal during or after pregnancy (From 2027)

The Employment Rights Act 2025 strengthens protection from dismissal for employees who are pregnant, have recently given birth or who have taken statutory family leave.

While the detailed scope of these protections will be set out in future regulations, the government has previously indicated that it intends to make it automatically unfair to dismiss a pregnant employee or new parent until at least six months after they return to work, except in limited circumstances such as genuine redundancy.

**These enhanced protections are expected to come into force in 2027.**

## What this means for employers

Dismissal decisions involving pregnant employees or those returning from family leave will carry significantly higher legal risk.

Employers will need to assume that termination during pregnancy, maternity leave or the post-return protected period is likely to be automatically unfair unless a very clear and lawful reason applies. Even where a redundancy situation exists, employers will need to demonstrate that enhanced protections have been properly applied.

This change will also increase the risk associated with managing performance, attendance or restructuring where an employee falls within a protected period.

## How employers can prepare

To prepare for the strengthened dismissal protections, employers should:

- **Review dismissal and redundancy procedures** to ensure they properly account for pregnancy and post-leave protected periods.
- **Train managers** on the heightened risks and the need for HR involvement before any dismissal decisions are made.
- **Ensure HR systems clearly flag protected employees**, so risks are identified early.
- **Document decision-making carefully**, particularly where dismissal is being considered for business or redundancy reasons.
- **Monitor future regulations** closely, as the precise scope and duration of the protections will be confirmed in secondary legislation.

# Day-one rights to paternity and parental leave (From April 2026)

The Employment Rights Act 2025 will make unpaid paternity leave and unpaid parental leave day-one rights, removing the current service requirements.

At present, employees must have:

- 26 weeks' service to qualify for unpaid paternity leave and;
- 12 months' service to qualify for unpaid parental leave.

**These service requirements will be removed from April 2026. Eligibility for statutory paternity pay will remain subject to existing service and earnings thresholds.**

## What this means for employers

Employees will be entitled to take unpaid paternity or parental leave from the first day of employment, including during probation periods.

This increases the likelihood that new starters may take leave shortly after joining, which may affect resourcing, onboarding and workload planning. It also increases the importance of clear communication about the distinction between leave entitlements and pay entitlements.

## How employers can prepare

To prepare for the introduction of day-one rights, employers should:

- **Update paternity and parental leave policies** to remove service requirements for unpaid leave.
- **Train managers** on how day-one leave interacts with probation and onboarding.
- **Ensure HR and payroll teams understand** the difference between eligibility for leave and eligibility for pay.
- **Communicate entitlements clearly** to new starters to avoid confusion or disputes.

# Ban on non-disclosure agreements that deal with harassment and discrimination (From 2026–2027)

The Employment Rights Act 2025 introduces significant restrictions on the use of non-disclosure agreements (NDAs) in cases involving harassment or discrimination.

Under the new rules, any provision in an agreement between an employer and a worker, including employment contracts, settlement agreements or standalone NDAs, will be unenforceable to the extent that it seeks to prevent either party from discussing or making allegations about harassment or discrimination. This applies whether the individual is a victim, witness or otherwise involved.

The Act allows for limited exceptions through the concept of "excepted agreements", the details of which will be set out in future regulations. The government has indicated that this may include situations where an NDA has been requested by the employee, rather than imposed by the employer.

These changes will not apply retrospectively, meaning existing agreements will remain valid.

**The government has not yet confirmed the precise implementation date, but the provisions are expected to take effect across 2026 and 2027.**

## What this means for employers

Employers will no longer be able to rely on NDAs to prevent discussion of harassment or discrimination in most circumstances. This represents a shift away from confidentiality as a default approach to resolving such issues.

Settlement agreements will still be possible, but employers will need to accept that allegations of harassment or discrimination may be disclosed even after an agreement has been reached. This increases the importance of addressing complaints properly at an early stage and managing the broader reputational and cultural impact of issues when they arise.

Employers will also need to ensure that managers understand the limits of confidentiality and do not inadvertently make assurances that cannot be enforced.

## How employers can prepare

To prepare for the new restrictions on NDAs, employers should:

- **Review NDA and settlement agreement templates** to identify clauses that may become unenforceable.
- **Avoid over-reliance on confidentiality provisions** when resolving harassment or discrimination complaints.
- **Train managers and HR teams** on the new limits around NDAs and appropriate language to use in discussions.
- **Monitor future regulations** closely to understand when exceptions may apply and how "excepted agreements" will operate.
- **Focus on early, effective resolution** of complaints to reduce the need for formal agreements later.

# Extension of bereavement leave (From 2027)

The Employment Rights Act 2025 extends bereavement leave beyond the current parental bereavement framework, which is limited to the death of a child under 18 or a stillbirth after 24 weeks of pregnancy.

Under the new rules, bereavement leave will be extended to cover a wider range of family relationships, as well as pregnancy loss before 24 weeks. The precise scope of who will be covered, and how much leave may be taken, will be set out in future regulations.

Bereavement leave will remain a day-one right, meaning employees will be entitled to take leave regardless of length of service. Eligibility for statutory bereavement pay will continue to apply only in limited circumstances, subject to existing service and earnings thresholds.

**These changes are expected to come into force in 2027.**

## What this means for employers

The extension of bereavement leave recognises a broader range of personal loss and is likely to increase the number of situations in which employees may request time away from work.

While many employers already take a compassionate approach, the new framework creates clearer legal expectations around entitlement. Employers will need to balance consistency with sensitivity, particularly where requests fall outside traditional definitions of immediate family.

The fact that bereavement leave remains a day-one right means employers may also receive requests from new starters, including during probation periods.

## How employers can prepare

To prepare for the extension of bereavement leave, employers should:

- **Review bereavement and compassionate leave policies** to ensure they align with the expanded entitlement.
- **Train managers** on how to handle bereavement requests sensitively and consistently.
- **Ensure HR processes are flexible**, recognising that bereavement situations may vary widely.
- **Communicate entitlements clearly** so employees understand what support is available.
- **Monitor future regulations** to understand who will be covered and how leave should be administered in practice.

# Working time records: Annual leave (From 2026–2027)

The Employment Rights Act 2025 strengthens employers' obligations around record-keeping for working time and annual leave, building on recent case law and existing Working Time Regulations.

Under the Act, employers will be required to keep adequate and accessible records demonstrating that workers have been given the opportunity to take their statutory annual leave and have been properly informed of their leave entitlements. This is intended to support stronger enforcement of holiday rights and prevent situations where leave is lost due to poor processes or lack of information.

Further detail on the precise form and duration of records will be set out in future regulations.

**These changes are expected to be introduced alongside wider enforcement reforms from 2026 onwards.**

## What this means for employers

Employers will need to be able to evidence compliance, not just rely on policies or contractual wording.

In practice, this means being able to show that:

- Employees and workers know how much annual leave they are entitled to;
- They have been encouraged to take that leave and;
- They have not been prevented or discouraged from doing so.

Where employers cannot demonstrate this, there is an increased risk that untaken holiday will carry over or that claims may be brought for unpaid or underpaid holiday — potentially covering long periods of time.

The introduction of the Fair Work Agency and longer tribunal time limits further increases the importance of accurate, well-maintained records.

## How employers can prepare

To prepare for enhanced working time and annual leave record-keeping requirements, employers should:

- **Review how annual leave entitlement is communicated**, including contracts, policies and onboarding materials.
- **Ensure systems accurately record leave taken**, leave balances and carry-over.
- **Actively encourage employees to take their statutory leave**, particularly where leave remains untaken late in the leave year.
- **Improve record retention**, so evidence can be produced if challenged by an employee, tribunal or enforcement body.
- **Consider whether existing HR systems** are capable of supporting these requirements consistently across the workforce.

# Fair Work Agency (From April 2026)

The Employment Rights Act 2025 establishes a new Fair Work Agency (FWA) to enforce key employment rights on behalf of workers.

The Fair Work Agency will bring together enforcement functions currently carried out by different bodies and will have powers to proactively investigate non-compliance, rather than relying solely on individual workers bringing claims.

**The government has stated that the Fair Work Agency is expected to begin operating from April 2026, with further details about its remit and powers to be set out in regulations.**

## What this means for employers

The creation of the Fair Work Agency marks a shift towards more active and visible enforcement of employment law.

Employers may be subject to inspections or information requests even where no complaint has been raised by an employee. The Agency will have the ability to review records, require the production of documents and take enforcement action where breaches are identified.

This increases the importance of being able to demonstrate compliance across key areas such as pay, working time, holiday entitlement and employment status.

## How employers can prepare

To prepare for the introduction of the Fair Work Agency, employers should:

- **Audit HR and payroll processes** to identify and address compliance gaps.
- **Ensure employment records are accurate, up to date and accessible**, including pay, hours worked and annual leave.
- **Review policies and procedures** to ensure they reflect current legal requirements.
- **Train managers** on compliance-critical decisions and record-keeping expectations.
- **Consider whether existing systems** are capable of producing evidence quickly if requested by an enforcement body.

# Trade unions

We do not deal with the Employment Rights Act's changes in respect of trade unions in detail here, but a number of changes have been made to remove restrictions on striking, picketing and other industrial action. Trade unions will also have increased rights to enter workplaces.

## What this means for employers

The one change all employers do need to be aware of is the introduction of a duty on employers to provide workers with a statement of trade union rights. The details of what will have to be included in the statement will be set out in regulations, as will the date this new obligation will come into effect.

## How employers can prepare

Even if you don't have any union presence in your workplace, all employers will be required to provide employees with information about their right to join and be represented by a union.

Even before the final regulations land, employers should start preparing by:

- Planning where the "statement of trade union rights" will sit (e.g. contract pack, onboarding, handbook, intranet).
- Ensuring HR teams and managers understand that this applies even without a union presence.
- Reviewing employee comms and internal processes so information is accurate and consistent
- Stay in touch with the HR Advisory team for the final regulations confirming timing and required content.

# Employment Hero: Supporting UK businesses preparing for the Employment Rights Act 2025

The Employment Rights Act 2025 introduces wide-ranging changes that will affect every stage of the employee lifecycle, from onboarding and pay, to working patterns, leave, dismissal and record-keeping.

With reforms being phased in from 2026 through to 2027, compliance is no longer a one-off exercise. Employers will need the right systems, processes and support in place to keep up as the law continues to evolve.

That's where Employment Hero can help.

Employment Hero helps UK employers manage compliance with confidence by bringing together HR expertise, compliant processes and technology in one place.

## HR ADVISORY SUPPORT YOU CAN RELY ON

Our HR Advisory team works directly with employers to:

- Interpret new legislation and explain what it means in practice.
- Update policies and contracts in line with legal changes.
- Support complex situations such as dismissals, restructures and workplace issues.
- Help reduce risk through proactive, compliant decision-making.

## HR AND PAYROLL SYSTEMS BUILT FOR COMPLIANCE

Employment Hero's HR and payroll platform helps employers:

- Maintain accurate employee records.
- Manage leave, working time and pay consistently.
- Support fair and compliant people processes.
- Produce evidence quickly if required by a regulator or tribunal.

As enforcement increases and record-keeping becomes more critical, having the right systems in place is key.

# Everything you need to manage compliance with confidence, in one HR and payroll solution

Many of the changes introduced by the Employment Rights Act 2025 won't take effect immediately, but the preparation work needs to start now.

By reviewing policies, training managers and strengthening systems early, employers can reduce risk, avoid rushed changes and feel confident as new rules come into force.

**And Employment Hero supports employers at every stage of that journey.**

If you'd like help preparing for the Employment Rights Act 2025, or want to understand how Employment Hero can support your HR, payroll and compliance needs, our team is here to help.

**Find out more about Employment Hero's HR Advisory and HR and payroll solutions.**

**Book a demo**