Your Guide to the Employment Rights Act 2025

What Every Business Needs To Know & Do For April 2026

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The Employment Rights Act 2025 (previously called the Employment Rights Bill) represents one of the biggest changes to UK employment law in a generation.

It's not just a tweak nor a policy update to a few employment rules. It's a major shift in the employer-employee relationship changing how you hire, manage performance, schedule workers, handle sickness, and deal with employee rights.

If you run a business or lead people in the UK, don't get left behind. The first major changes, starting in April 2026, come with compliance risks and cost implications for employers who aren't prepared.

This guide covers everything you need to know from what day one employment rights mean in practice, and importantly, the key changes, the risks, and what you should be doing now to avoid being caught out.

What Is the Employment Rights Act 2025?

The Employment Rights Act 2025 represents the most significant reform of UK employment law in over three decades. It reflects the government's commitment to strengthening workers' rights in response to a labour market that has evolved rapidly in recent years.

Many policymakers believe that existing employment frameworks have struggled to keep pace with changing working patterns, including the growth of the gig economy and the rise of insecure and low-paid work.

At its core, the legislation is built around a central principle: that workers should benefit from stronger protections, greater predictability in their working arrangements, and increased security from the very start of their employment.

The reforms are wide-ranging, touching on areas such as unfair dismissal, probation periods, zero-hours contracts, flexible working, statutory sick pay, trade union rights, collective redundancy processes, equality protections, and more.

For employers, particularly smaller organisations without dedicated HR support, these changes introduce new layers of complexity, potential cost implications, and increased compliance risks that will require careful preparation and review of existing practices.

So why was it being introduced?

The Employment Rights Act 2025 seeks to address several structural issues that have developed within the UK labour market over recent years. It forms part of the government's wider "Make Work Pay" agenda, which aims to modernise employment protections and strengthen worker rights.

Over the past decade, the growth of the gig economy, zero-hours contracts, agency work and certain forms of self-employment has created a significant group of workers who fall outside the traditional protections of the UK's employment law framework.

Research from the Trades Union Congress (TUC) suggests that around one in eight workers in the UK are now in insecure work, including approximately one million people on zero-hours contracts ("The Scale of Insecure Work in the UK", 2025).

The government argues that many of these workers experience what it describes as "one-sided flexibility"; a situation where employers retain most of the control over working hours and conditions, while workers have limited security or predictability in their employment.

Critics believe this imbalance has allowed some employers to suppress wages, avoid difficult performance conversations, or dismiss workers who raise concerns or complaints, particularly where employees have limited legal protection.

The Act therefore seeks to rebalance the relationship between employers and workers, introducing new protections and responsibilities. As a result, employers will need to review their practices and adapt to a changing regulatory landscape.

According to the government, this reform represents a long-overdue modernisation of employment law to reflect how people work today.

Is it now law?

The Act will be introduced in stages, with different provisions coming into force at different points in time. This phased implementation is intended to give both employers and regulators sufficient time to prepare for the changes and adapt to the new requirements. It also allows businesses the opportunity to review and update their HR policies, processes and practices to ensure they remain compliant as the reforms are rolled out.

Here is the clearest timeline available as of March 2026.

Timeline for the Employment Rights Act

Day-One Rights

Statutory Sick Pay Changes

Changes to Statutory Sick Pay (SSP) are likely to have a noticeable impact on many small businesses.

Under the current rules, SSP becomes payable from the fourth day of sickness absence, with the first three days treated as “waiting days” that employers are not required to pay.

From 6 April 2026, this waiting period will be removed. This means SSP will be payable from the first day of sickness absence.

The reforms also remove the lower earnings limit for SSP eligibility. Previously, lower-paid workers earning below a certain threshold were not entitled to SSP. Under the new rules, these workers will now qualify.

In addition, SSP will move to an earnings-related calculation, expected to be 80% of an employee’s average weekly earnings or the flat SSP rate (whichever is lower).

While these changes aim to improve financial security for workers who fall ill, they are also likely to have financial implications for employers, particularly businesses with:

- part-time workforces
- lower-paid staff
- high levels of shift or casual work
- Managers must take care not to make hiring or management decisions that disadvantage parents

Family leave rights are also one of the most commonly misunderstood areas of employment law. Many tribunal claims arise not because employers act unfairly, but because managers simply don’t understand the rules or apply them inconsistently.

What small businesses should do now

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

Introduce or review your absence management policy

A clear policy helps ensure sickness absence is recorded, monitored and managed consistently.

Train managers to manage absence effectively

Managers should understand when to request medical evidence, how to handle repeat absences and how to have supportive conversations about attendance.

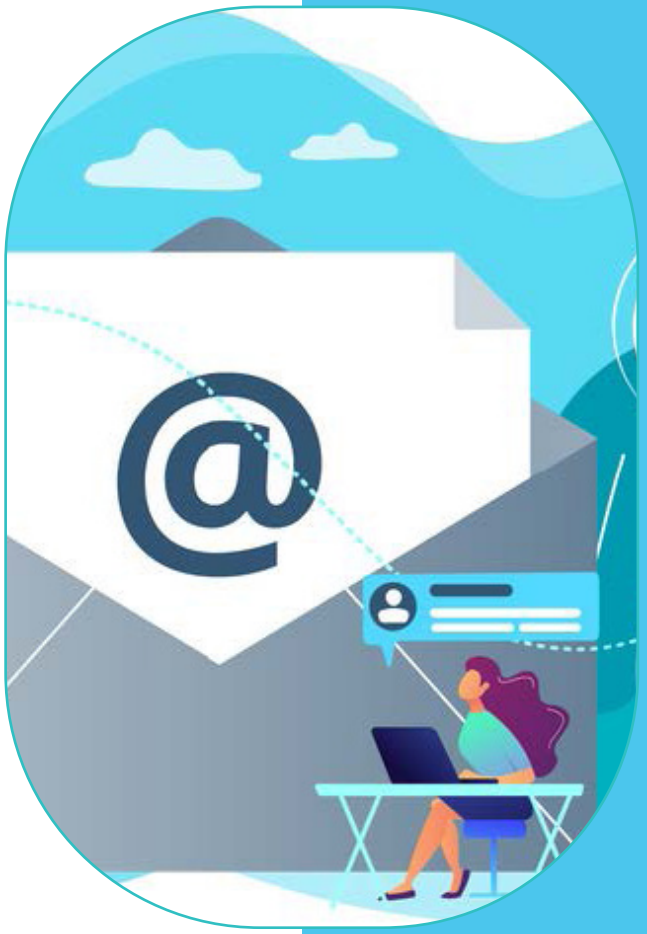
Review workforce absence data

Understanding your current absence patterns can help predict the potential financial impact once SSP becomes payable from day one.

Factor potential cost increases into financial planning

Businesses with large numbers of lower-paid or part-time workers may see the biggest impact.

Taking steps now to strengthen absence management processes can help control costs while still supporting employee wellbeing.



Paternity Leave and Parental Leave

One of the most important changes in the new legislation is that certain family leave rights will become day-one entitlements.

In the UK, unpaid parental leave allows eligible parents to take up to 18 weeks of leave per child to care for their child. Previously, employees needed 26 weeks' service to qualify for paternity leave and one year of service to access unpaid parental leave.

Under the new rules, employees will be able to access these rights from their very first day of employment.

For small businesses, this change is more significant than it might first appear.

It means that:

- A new hire could request parental leave shortly after joining
- Employers need clear policies and processes from the start
- Managers must take care not to make hiring or management decisions that disadvantage parents

What small businesses should do now

To prepare for this change, consider taking the following steps:

Train line managers

Make sure managers understand the different types of family leave and how to handle requests fairly and consistently.

Track parental leave properly

Parental leave should be recorded separately from other types of absence so that entitlements can be monitored accurately.

Review your family leave policy

Update your policies to reflect the new day-one rights and ensure employees know how to request leave.

Understand when leave can be postponed

Employers may postpone parental leave for genuine operational reasons, but requests cannot simply be refused without a valid business justification.

Getting these processes right early can prevent confusion, reduce the risk of disputes, and help managers respond confidently when requests arise.

Rights to Join a Trade Union

Another change to be introduced by the reforms will place a new responsibility on employers to inform workers of their right to join a trade union. This requirement is expected to come into force during 2026.

While the right to join a trade union already exists in law, the new rules will mean employers must take more proactive steps to make workers aware of this right.

For many businesses, this will involve making small but important adjustments to existing processes.

What this means for employers

Organisations may need to:

- Update induction processes so new employees are informed of their right to join a trade union
- Include information in onboarding materials, such as contracts, employee handbooks or welcome packs
- Review their employee relations approach to ensure open communication and fair workplace practices

For some employers this may feel like a significant shift. However, the reality is that workplaces with strong leadership, transparent communication and fair management practices tend to experience fewer formal disputes, regardless of whether employees are union members.

Taking time to review how employees are informed about their rights will help businesses remain compliant while continuing to build a positive and respectful workplace culture.

Unfair Dismissal Changes (Coming in 1 January 2027)

This reform is expected to have one of the most significant practical impacts on how small and medium-sized businesses recruit, manage performance, and handle employee exits.

Currently, employees must complete two years of continuous service before they are able to bring a claim for unfair dismissal. Under the new legislation, this qualifying period will be reduced to six months, with the change expected to take effect on 1 January 2027.

Although this reform will not take effect immediately, employers should begin preparing well in advance. In practice, this means that employees hired from July 2026 onwards could gain unfair dismissal protection once they reach six months of service.

The reforms are also expected to remove the existing cap on compensation for unfair dismissal, potentially increasing the financial exposure for employers where dismissals are not handled correctly.

For many organisations, the current two-year qualifying period has provided a degree of flexibility when assessing whether a new hire is the right fit. In some cases, it has allowed businesses to make relatively quick decisions during the early stages of employment without the need for extensive formal processes.

With the qualifying period reducing to six months, that window becomes much shorter. For many employers, six months can pass surprisingly quickly, particularly if performance concerns are not addressed early.

What this means for small businesses

These changes will require employers to be more structured in how they manage new employees during the early stages of employment. Businesses will have less time to evaluate performance and suitability, and poorly handled dismissals could carry greater legal risk.

As a result, probation periods will become increasingly important.

Employers should ensure that probation is treated as a structured process rather than an informal observation period, with clear expectations, regular feedback and properly documented review meetings.

Failing to actively manage probation periods could expose businesses to unnecessary legal and financial risk once unfair dismissal protections apply earlier in employment.

The growing importance of probation periods

Although a statutory probation framework has not yet been confirmed as part of the reforms expected in April 2026, employers should treat probation periods as an essential part of good employment practice.

In practical terms, this means ensuring your employment contracts clearly define the probation period, including the length of the probation, the standards expected of the employee, and the process for reviewing performance during this time.

A well-structured probation process should include:

01 clearly communicated role expectations

02 scheduled review meetings

03 documented feedback and performance discussions

04 a fair and transparent process if concerns arise

The purpose of probation is to provide employers with the opportunity to identify any issues early and address them constructively, while also creating a clear record of how concerns were managed. This documentation becomes particularly important given the proposed changes to unfair dismissal rules, where protection may begin much earlier in employment.

However, it is important to remember that some legal protections apply from the very first day of employment. Employees are already protected from dismissal or detriment relating to matters such as:

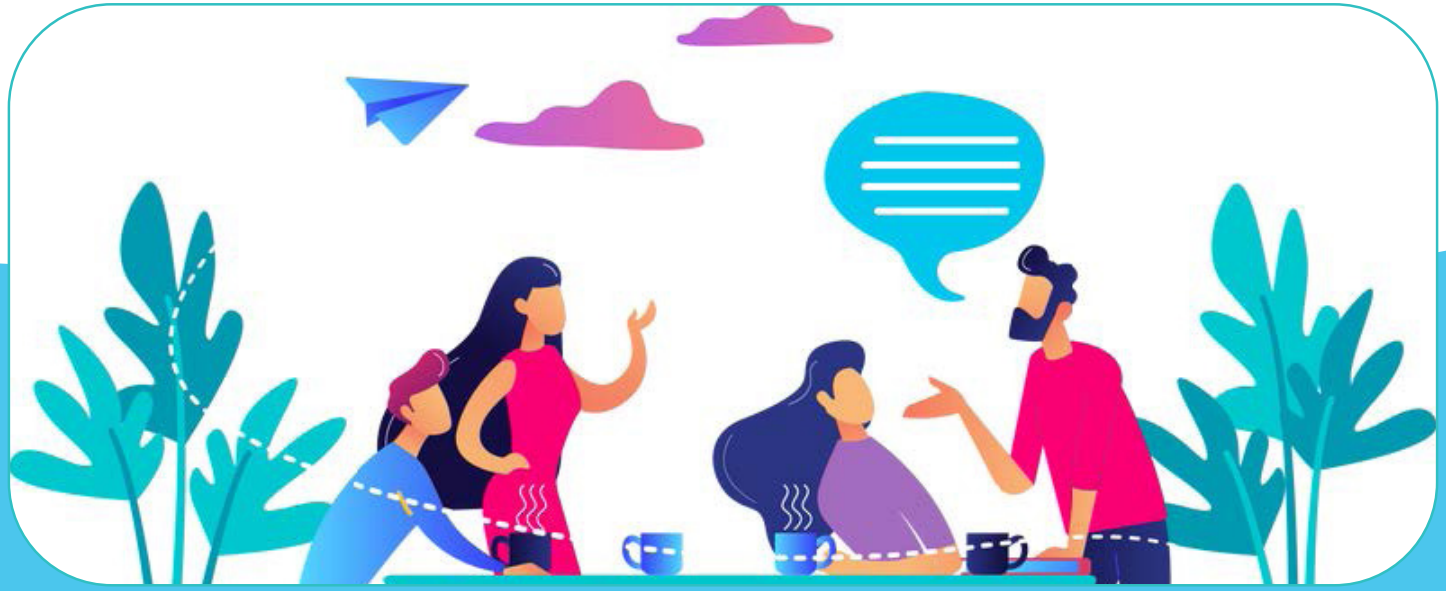
- discrimination
- whistleblowing
- pregnancy or family-related reasons
- unlawful deductions from wages
- breach of contract

If an employee is dismissed during probation for an unlawful reason, or if the process followed is clearly unfair, employers may still face legal claims regardless of how long the employee has worked for the organisation.

Tribunal claims can also arise where final pay is handled incorrectly or where dismissal decisions appear inconsistent or poorly documented.

For this reason, probation periods should not be treated as an informal trial period. Instead, they should form part of a structured and well-managed process that protects both the business and the employee.

Taking the time to manage probation properly can significantly reduce risk, particularly as employment protections begin to apply earlier in the employment relationship.



Second Phase: 2027

The second wave of implementation is expected to cover:

- **Zero-hours contract reforms:** workers gain the right to a guaranteed-hours contract where a regular pattern exists (expected 2027, subject to consultation and commencement)
- **Strengthened trade union access rights:** enhanced rights to access workplaces, recruit members, and organise
- **Flexible working:** further strengthening of employer obligations when considering requests
- Changes to collective redundancy consultation thresholds

Zero-Hours Contracts

The reforms also introduce new measures aimed at addressing the misuse of zero-hours contracts. While the Employment Rights Act 2025 does not prohibit zero-hours arrangements, it significantly changes the way they can be used in practice.

A key element of the reform is the introduction of a right to a guaranteed-hours contract.

Under the proposed rules, workers who regularly work a consistent pattern of hours over a defined reference period — currently expected to be around 12 weeks, subject to consultation — may become entitled to a contract that reflects those regular hours.

In simple terms, if someone listed as a zero-hours worker is effectively working the same shifts week after week, employers may be required to offer a contract that accurately reflects the hours they are already working.

It is important to note that zero-hours contracts themselves are not being made unlawful. Businesses will still be able to use them where work is genuinely unpredictable or where staffing needs fluctuate.

For example, zero-hours arrangements may remain appropriate for:

- seasonal demand
- event-based work
- emergency cover
- genuinely irregular shifts

The intention of the legislation is not to remove flexibility entirely, but to prevent situations where workers are regularly working predictable hours without the security of a more stable contract.

The reforms are also expected to introduce additional requirements around shift scheduling. Employers may need to provide reasonable notice of working hours, and workers could become entitled to compensation where shifts are cancelled at short notice.

Why this matters for small businesses

Many small businesses rely on flexible staffing models, particularly in sectors such as hospitality, retail, care and events. These changes may require employers to formalise working arrangements more than they have in the past.

Now is a good time to review:

- how casual workers are currently engaged
- whether some workers are consistently working the same hours
- how agency staff are used
- how rotas and shift notifications are communicated

The direction of travel is clear: while flexibility will remain part of the labour market, the era of highly flexible labour arrangements with minimal structure is gradually coming to an end.

Flexible Working Changes

The right to request flexible working was expanded in April 2024, allowing employees to make a request from the first day of employment. The Employment Rights Act 2025 is expected to build on this further by strengthening the way these requests must be considered by employers.

While the full details of the reforms are expected to develop over the coming years, with further provisions anticipated around 2027, the direction of travel is clear: employers will need to take flexible working requests more seriously and demonstrate a fair and transparent decision-making process.

Importantly, the legislation does not require employers to approve every request. Businesses will still be able to decline requests where there are legitimate operational reasons to do so. These may include factors such as:

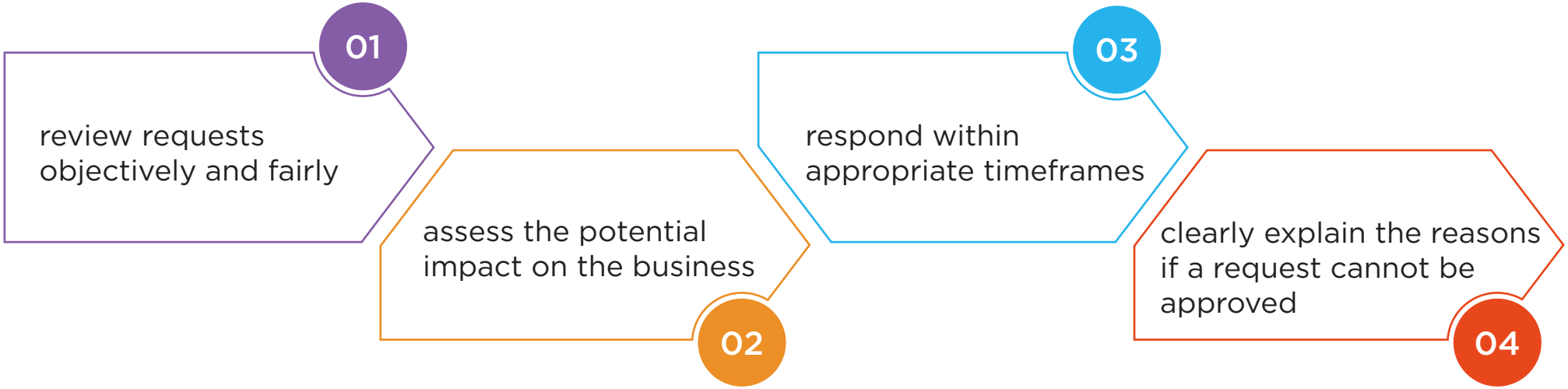
- increased operational costs
- negative impact on service delivery or performance
- challenges in reorganising work among existing staff

However, employers will be expected to show that each request has been carefully considered and assessed on its merits. Decisions should be made within reasonable timeframes and supported by clear explanations where requests cannot be accommodated.

What this means for employers

Flexible working requests should be handled through a structured and well-documented process.

Managers should:



In many cases, disputes do not arise because a request was refused. Instead, they arise because the process followed was inconsistent, poorly explained, or insufficiently documented.

Tribunals frequently focus on whether an employer handled the request in a fair and reasonable manner, rather than simply looking at the final outcome.

Ensuring managers understand how to approach these requests properly will help businesses remain compliant while maintaining operational flexibility.

Trade Union Reforms (Access, Recognition, and Industrial Action)

The legislation also introduces measures intended to strengthen the role of trade unions in the workplace, reversing some of the restrictions introduced in previous employment legislation.

Trade Union Access

Under earlier rules, trade unions typically needed employer consent or a formal recognition agreement in place before they could access a workplace to engage with employees.

The new reforms are expected to change this position by giving trade unions a statutory right of access to workplaces in certain circumstances. This would allow union representatives to enter workplaces in order to:

- speak with employees
- recruit new members
- organise and represent workers

The aim of this reform is to make it easier for unions to communicate directly with workers and support collective representation where employees wish to engage with a union.

For employers, this represents a shift in how workplace access may need to be managed, particularly in organisations that have not previously had union presence. Businesses may need to review how they handle employee relations, workplace communications, and engagement practices to ensure they remain prepared for these changes.

Trade Union Recognition

The reforms are also expected to make it easier for trade unions to obtain formal recognition within organisations by lowering the threshold required to begin the statutory recognition process.

Under the current framework, a union must show that at least 10% of employees within the proposed bargaining unit are members before it can apply for statutory recognition.

The new legislation proposes to reduce this membership requirement, although the final threshold is still subject to consultation and has not yet been confirmed.

The intention behind this change is to simplify the process for unions seeking recognition, allowing workers to organise collectively where there is sufficient interest in representation.

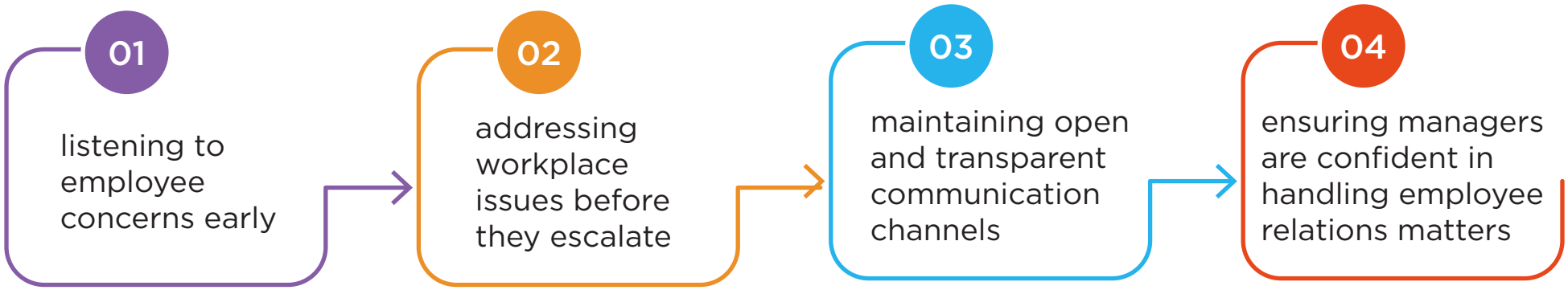
For employers, this means that union recognition could potentially occur more quickly and with a smaller initial membership base than under the existing rules. As a result, businesses may wish to review their employee engagement strategies and communication channels to ensure that workplace concerns are addressed proactively.

Strong communication, transparent leadership, and fair workplace practices can play an important role in maintaining positive employee relations regardless of whether a union is present.

What this means for employers

For businesses, particularly those operating in sectors where union representation is more common, the reforms highlight the growing importance of strong employee relations and effective workplace communication.

Organisations may need to place greater emphasis on:



Proactive engagement with employees can often prevent disputes from escalating, helping organisations maintain stable and constructive working relationships even as the regulatory environment evolves.

Collective Redundancy Reforms

The reforms also introduce stronger requirements for employers when carrying out large-scale redundancies. The intention is to ensure that employees are properly informed and consulted where significant workforce reductions are being considered.

Under the updated rules, the consequences of failing to follow the correct consultation process will become more severe. Where an employer does not meet their legal consultation obligations, an employment tribunal may award a protective award of up to 180 days' pay per affected employee.

Collective consultation obligations generally apply when an organisation proposes to make 20 or more employees redundant within a 90-day period at one establishment. The reforms also aim to close potential loopholes by allowing consultation requirements to apply across a wider workforce in certain circumstances. This is designed to prevent situations where redundancies are spread across multiple locations in order to avoid triggering consultation duties.

Why this matters for small businesses

Some smaller organisations assume that collective redundancy rules only apply to large companies or workplaces with established trade union representation. In practice, this is not the case.

As businesses grow or restructure, collective consultation requirements can become relevant much earlier than many employers expect. At the same time, the wider reforms around trade union access and recognition may make it easier for unions to organise in sectors that have traditionally operated without union involvement.

However, the most significant risk for many employers is non-compliance with consultation requirements. Small and medium-sized businesses often breach the rules unintentionally because they:

- misunderstand when consultation obligations apply
- move too quickly when restructuring the workforce
- assume the rules only affect large organisations

With the potential financial penalties increasing, mistakes in this area could become significantly more costly.

The broader direction of the legislation reflects a shift toward greater transparency and engagement between employers and employees during periods of organisational change.

Beyond 2027

Some provisions within the Act will take longer to fully implement, including measures around pay transparency, the right to disconnect and equality reporting.

These are less immediately pressing for most small to medium sized businesses but should be on your radar for longer-term HR planning.

A Note on Implementation Timelines

Before relying too heavily on any published timeline, it is important to recognise that employment legislation rarely unfolds exactly as planned. While the implementation schedule may appear straightforward, the reality is that secondary legislation can be delayed, consultation outcomes can alter the details, and commencement dates may shift as policies are refined. This means that some elements of the reforms could evolve before they are fully introduced.

That said, the most sensible approach for employers is to focus on the changes expected to take effect first. In particular, businesses should begin preparing for the Day One rights anticipated to come into force in April 2026, including:

- changes to Statutory Sick Pay
- day-one access to paternity and parental leave
- the requirement to inform workers of their right to join a trade union

At the same time, organisations should start planning for the further reforms expected in January 2027, while continuing to monitor announcements and updates as the remaining stages of the legislation are finalised. Taking a proactive approach now will make it much easier for businesses to adapt as the details of the reforms become clearer.

Why Preparing Ahead Matters

Larger organisations typically have the advantage of dedicated HR, legal and compliance teams who can review their employment practices, update documentation and train managers well in advance of legislative changes coming into force.

Small businesses rarely have that level of internal resource. As a result, many will need to rely on external support or specialist advice to ensure they remain compliant as the reforms are introduced.

The Employment Rights Act 2025 is likely to place greater scrutiny on how employers manage their people. Businesses that fail to prepare may find themselves exposed to unnecessary legal and financial risk.

In particular, several everyday management processes will become far more important than before, including recruitment decisions, onboarding practices and how probation periods are managed.

Employment contracts also deserve careful attention. In the event of a dispute, contracts are often one of the first documents examined in a tribunal claim. Where contracts are outdated or inconsistent with current legislation, this can create immediate complications for employers. Businesses should therefore review their contracts to ensure they reflect the latest rules, including updates relating to Statutory Sick

Pay eligibility and calculation methods.

Manager capability will also become increasingly critical. In employment law, the actions of a line manager are legally treated as the actions of the employer. This means that when managers handle performance discussions, probation reviews or disciplinary matters incorrectly, the organisation itself carries the responsibility.

For example, if a manager fails to document concerns, conducts an unfair review process, or does not give an employee an opportunity to respond to performance issues, the business may be vulnerable to challenge.

The proposed reduction of the unfair dismissal qualifying period to six months will further increase the importance of getting these processes right. Many employment disputes arise during the early stages of employment, and this change will bring a greater number of early-stage exits within the scope of potential tribunal claims.

For small businesses in particular, this means that decisions relating to new hires and probation management will need to be carefully considered, well documented and legally defensible.

Preparing now will help organisations manage these risks more effectively as the reforms take effect.

What You Should Be Doing Right Now

Contracts and policies review

Critically review your standard employment contracts and core HR policies. Your disciplinary policy, sickness absence procedures and flexible working policy should all be reviewed to ensure they remain aligned with the latest legal requirements. In particular, consider whether your documentation has been updated to reflect the new Statutory Sick Pay arrangements and whether your contracts clearly outline the structure and expectations of the probation period.

If these documents have not been reviewed within the past year, there is a strong possibility that they will need updating. Regularly reviewing employment documentation helps ensure your business stays compliant while giving your managers clear guidance on how workplace issues should be handled.

Probation process

Your probation policy should clearly explain how the probation period operates in practice. It should outline the expected standards for the role, the timing of review meetings, the steps managers should follow if performance or conduct issues arise, and how the probation period will ultimately be concluded. Having this process clearly documented helps ensure expectations are understood and that any concerns are managed consistently and fairly.

Brief and train your line managers

Managers who oversee employees should understand the practical implications of the six-month unfair dismissal threshold, including how to run a fair and well-structured probation process and how to handle situations where a new hire is not performing as expected.

Knowing the correct steps to follow and the common mistakes to avoid helps ensure decisions are fair, properly documented and legally defensible.

Review your zero-hours workforce

Start by reviewing your zero-hours contracts and current working patterns to identify workers who may be regularly working consistent hours. If the same individuals are repeatedly working similar shifts, they could fall within the future guaranteed-hours contract provisions expected in 2027, so it is sensible to assess these arrangements early and plan ahead.

Model the financial impact of SSP reform

Review your absence records from the past year and consider what the financial impact would have been if Statutory Sick Pay had applied from the first day of absence, covered all eligible employees and been calculated on an earnings-related basis. Estimating this now will help you understand the potential cost increase and allow you to factor it into your budget planning before the changes take effect.

Get external HR support if you do not have it in-house

If your business does not have dedicated HR support, it may be worth considering external help, whether through a retained HR consultancy or a managed HR service.

In many cases, the cost of proactive support is far lower than the financial and reputational impact of dealing with a single employment tribunal claim that could have been avoided.

If you're unsure whether your business is ready for these changes, getting the right support early can make a significant difference.

We work with small businesses across the UK to provide practical HR support, from reviewing employment contracts and updating policies, to building effective probation processes and training managers to handle employee issues confidently.

Our aim is simple: to help you stay compliant, reduce risk, and put the right foundations in place before problems arise.

Get in touch to find out how we can help.

employment law, legal compliance, employment rights

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