

Quick guide to the April 2026 employment law changes

Various employment law changes are coming into force in April 2026. Our at-a-glance guide rounds them up and also links to BDBF briefings where you can find out more details about all of the changes.

DateReform1 April 2026

- **Increase to the National Minimum Wage rates:** Annual increase to the National Minimum Wage rate, with the National Living Wage rate for those aged 21 and over increasing from £12.21 per hour to £12.71 per hour. You can view a table with all the updated rates [here](#).

6 April 2026

- **Bereaved Partner's Paternity Leave Regulations 2026:** Regulations come into force, extending the period of available leave for bereaved partners to 52 weeks rather than the usual two weeks. You can read more about this reform [here](#).
- **Increase to compensation limits, statutory payment rates and National Minimum Wage rates:** Annual increases will be made to Employment Tribunal compensation limits and to the statutory rates of maternity pay, adoption pay, paternity pay, shared parental leave pay, neonatal leave pay, parental bereavement pay and Statutory Sick Pay (SSP). You can view a table of the updated rates and limits [here](#).
- **Employment Rights Act 2025 reforms:** The first wave of reforms will come into force as follows:
 - **SSP:** SSP will be payable from the first day of sickness (rather than the fourth) and the requirement for the employee to earn at least the lower earnings limit will be removed.

- **Holiday pay records:** There will be a new requirement for employers to keep records demonstrating compliance with worker annual leave and pay entitlements for six years. Failure to comply will be a criminal offence punishable by a fine.
- **Collective consultation – protective award:** The maximum protective award for failure to collectively consult will rise from 90 to 180 days for dismissals taking place on or after 6 April 2026.
- **Whistleblowing:** Sexual harassment will become a standalone category of whistleblowing malpractice.
- **Paternity Leave:** Paternity leave will become a Day 1 employment right and may be taken after a period Shared Parental Leave without being lost.
- **Parental Leave:** Parental Leave will become a Day 1 employment right.
- **Equality action plans:** Voluntary publication for employers with 250+ employees. You can read more about the Government’s guidance on this [here](#).

You can read more about each of these reforms in our Guide to the Employment Rights Act 2025 [here](#).

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- **Fair Work Agency:** The Fair Work Agency will be established and have responsibility for enforcement of the following areas:
 - National Minimum Wage;
 - SSP;
 - holiday pay;
 - regulation of employment agencies and businesses;
 - the unpaid Employment Tribunal financial penalties scheme;
 - the licensing of gangmasters;
 - section 1 of the Fraud Act 2006; and

- parts 1 and 2 of the Modern Slavery Act 2015.

It is currently unclear when the Agency's enforcement powers will come into force. You can read more about the Fair Work Agency in our Guide to the Employment Rights Act 2025 [here](#).

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Compensation limits and statutory payment rates: 2025-26 and 2026-27

In April 2026, increases will be made to the maximum compensation limits for certain Employment Tribunal awards, and to statutory pay and national minimum wage rates. Our handy at-a glance table sets out the new figures that will apply from April 2026 to April 2027, alongside the previous year's figures.

Compensation limits

Maximum award	6 April 2025	6 April 2026
A "week's pay"	£719	£751

Breach of right to be accompanied to a disciplinary or grievance hearing (up to 2 weeks' pay)	£1,438	£1,502
Unfair dismissal – maximum basic award	£21,570	£22,530
Unfair dismissal – compensatory award	£118,223	£123,543 (<i>but will be uncapped from 1 January 2027</i>)
Unfair dismissal – failure to reinstate or reengage (26 to 52 weeks' pay)	£18,694 – £37,388	£19,526 – £39,052
Redundancy – maximum statutory redundancy payment	£21,570	£22,530
Redundancy – failure to collectively consult	90 days' gross actual pay	180 days' gross actual pay (<i>for dismissals taking effect on or after 6 April 2026</i>)
Contracts – failure to give written particulars of employment (2 to 4 weeks' pay)	£1,438 – £2,876	£1,502 – £3,004
Contracts – breach of contract claim in the ET	£25,000	£25,000
Flexible working breaches (up to 8 weeks' pay)	£5,752	£6,008
TUPE – failure to inform and consult	13 weeks' gross actual pay	13 weeks' gross actual pay

Discrimination – injury to feelings awards (the “Vento” bands)	Lower band: £1,200 – £12,100	Lower band: £1,300 – £12,600
	Middle band: £12,100 – £36,400	Middle band: £12,600 – £37,700
	Upper band: £36,400 – £60,700	Upper band: £37,700 – £62,900
	Exceptional cases: £60,700+	Exceptional cases: £62,900+

Statutory payments for time off work

Weekly pay at the prescribed rate	6 April 2025	6 April 2026
Maternity pay (first 6 weeks at 90% of normal pay and up to 33 weeks at the prescribed rate)	£187.18	£194.32
Adoption pay (first 6 weeks at 90% of normal pay and up to 33 weeks at the prescribed rate)	£187.18	£194.32
Paternity pay (up to 2 weeks)	£187.18	£194.32
Shared parental pay (up to 39 weeks less any weeks of SMP, MA or SAP claimed)	£187.18	£194.32
Parental bereavement pay (up to 2 weeks)	£187.18	£194.32
Neonatal care pay (up to 12 weeks)	£187.18	£194.32
Statutory sick pay	£118.75	£123.25

National minimum wage

Hourly rate	1 April 2025	1 April 2026
National Living Wage (age 21+)	£12.21	£12.71
Age 18-20	£10.00	£10.85
Age 16-17	£7.55	£8.00
Apprentices	£7.55	£8.00

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New rights for bereaved partners set to come into effect from 6 April 2026

The Paternity Leave (Bereavement) Act 2024 came into force on 29 December 2025, giving the Government power to make regulations about paternity leave entitlements where the primary carer of the child dies within the first 52 weeks following birth.

These regulations have now been made, meaning that these new rights will apply to such bereavements taking place after 6 April 2026.

What is the current position?

Where the primary carer (usually anticipated in law to be the mother or co-adopter) of a child dies within the first year following birth, the bereaved partner may have the right to take leave such as:

- **Paternity leave and pay:** 2 weeks' statutory paternity leave, to be taken either as a single period or two separate weeks, and statutory paternity pay.
- **Shared parental leave and pay:** Ability for parents to share the mother (or primary adopter)'s entitlement to 50 weeks' maternity leave, with statutory shared parental pay.
- **Parental leave:** 18 weeks' unpaid leave to be taken before the child's 18th birthday.
- **Bereavement leave:** 2 weeks' leave following the death of a child or a stillbirth with statutory parental

bereavement pay.

- **Dependants Leave:** Right to take 'reasonable' unpaid time off to help a dependant (including a child or partner) with an emergency.

Each of these rights have strict eligibility criteria, and in many cases are unpaid. Crucially, unless the partner is eligible for shared parental leave, none of these options would allow for a prolonged absence from work in an equivalent sense to the primary carer's maternity leave.

What is changing?

Under the [Paternity Leave \(Bereavement\) Act 2024](#) (the **Act**), employed bereaved partners will now benefit from new rights allowing them to take a single period of leave lasting up to 52 weeks after the birth of the child (or adoption placement). There is no minimum service period required, making this a 'Day One' right.

In order to be eligible, the child's primary carer must have died within 52 weeks of the birth or adoption placement, and the partner must have the necessary relationship to the primary carer. Broadly this means that they must be the father of the child, or the spouse, civil partner or partner of the

primary carer. Equivalent provisions apply for parental order cases.

The leave can be started immediately within eight weeks of the bereavement, or with a week's notice at a later date. The partner will also benefit for up to 10 keeping-in-touch (KIT) days, and they and their employer can make reasonable contact with each other during the leave.

There is no statutory right to be paid, but statutory paternity pay is likely to apply for up to two weeks (provided that this has not already been taken). Employees who are eligible for shared parental leave may therefore prefer to take that route, due to the statutory pay potentially on offer.

During the period of leave and on their return, the partner will benefit from protections similar to those applicable on other types of longer periods of family leave, including:

- preservation of all terms and conditions during the leave (except for pay);

- a right to return to the same job on no less favourable terms and conditions;

- a right to be offered a suitable alternative in redundancy situations for up to 18 months after the birth or adoption placement; and

- protection from detriment and automatic unfair dismissal.

What does this mean for employers?

Employers will need to update their policies to ensure that, from 6 April 2026, their managers and HR teams are prepared to deal with situations of bereaved partners in the workplace. This could either be as a standalone policy or as part of any existing family leave policies. Those dealing with relevant requests should receive training in order to communicate sensitively and with full understanding of the types of leave available.

Employers will also need to consider whether they wish to offer any enhanced packages, such as making the leave paid in a similar way to maternity leave, or otherwise extending pay beyond the other statutory entitlements that may apply.

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Victims and Prisoners Act 2024: Further changes pending to non-disclosure agreements

What is the current position?

From 1 October 2025, new provisions came into force under the Victims and Prisoners Act 2024 (**VPA 2024**) enabling victims of crime to speak out about their experiences and limiting the ability of non-disclosure agreements (**NDAs**) to restrict them from doing so.

In summary, individuals who are a “victim of crime” may make a “permitted disclosure” to certain categories of persons for the purposes of obtaining relevant support or co-operating with the relevant function. The categories include law enforcement, regulators or key family members. A person can be a “victim” if they have experienced or witnessed criminal conduct, or reasonably believes they have done so, and suffered harm as a result. A police report or conviction is not required.

A “permitted disclosure” can be made about the relevant criminal conduct regardless of any NDA signed by the individual, and any provision purported to restrict this ability will be invalid.

For full information on the changes introduced under the VPA 2024, please see our briefing [here](#).

As highlighted in our briefing, a key feature of the current ability to make a “permitted disclosure” is that it must be to one of the specified recipients and must be for the specified purpose. Sharing information for the primary purpose of releasing information into the public domain, such as to the press, will not be a “permitted disclosure” and therefore can be validly restricted by an NDA.

These changes sit in parallel to the planned changes under the Employment Rights Act 2025, which will prohibit NDAs that would restrict someone’s ability to discuss discrimination or harassment. You can find out more about these changes [here](#).

What is changing?

In October 2025, the Government published a [further update](#) indicating that the relevant section of the VPA 2024 is in fact only a temporary measure and would be amended in due course to expand the scope of “permitted disclosures” even further. This was not indicated prior to the VPA 2024 coming into effect.

This proposed change is now rapidly making its way through Parliament as part of the Victims and Courts Bill, the final reading of which took place in the House of Lords on 17 March 2026. It is now with the House of Commons for their consideration on 25 March 2026.

According to the [most recently published version of the Bill](#), the key effects of the change will be that:

- There will no longer be a list of specified recipients to whom a “permitted disclosure” can be made.

- The requirement that the “permitted disclosure” be for the purpose of obtaining support or co-operation from the person or function will be removed. Additionally, a disclosure will still be able to be a “permitted disclosure” even if it was made for the primary purpose of releasing the information into the public domain.

- The scope of possible disclosures will be expanded to include “an allegation of” relevant criminal conduct, and allegations or information about the “response of any other party to the agreement” to the conduct or allegation. The individual must still be a victim or reasonably believe they are a victim.

If passed in its current form, the clause will effectively bring the restriction on NDAs relating to criminal conduct in line with the prohibition under the Employment Rights Act 2025 on discrimination or harassment-related NDAs (which is not yet in force).

In practice, this means that disclosures related to criminal conduct (including alleged conduct or the response of another party to that conduct) can always be made to anyone for any purpose and cannot be restricted via an NDA. Individuals will therefore be able to freely share such information with the press or otherwise in the public domain, and cannot be restricted from doing so through an NDA.

Under the new provisions, the Secretary of State will have the power to set out conditions for “excepted agreements”, i.e. situations in which NDAs can be signed validly, but even in such cases restrictions on disclosure are unlikely to be permitted to be absolute. In its original update, the Government stated that this is intended to recognise situations in which both parties wish for confidentiality, whilst protecting situations where disclosures must always be allowed.

The proposed clause also clarifies the effect of NDAs entered into by the Crown.

What does this mean for employers?

Whilst these changes still need to be passed by the Commons,

and will not come into force until relevant regulations are released, this unexpected influx of further NDA regulation may be challenging news for employers who have only recently updated their approach to accommodate the VPA 2024 and the planned changes under the Employment Rights Act 2025.

Most notably, the existing protections against the use of NDAs under both whistleblowing legislation and the VPA 2024 apply only in circumstances where the individual is sharing information either in the public interest or for the purpose of obtaining justice or support. Employers will therefore have had some confidence that NDAs can validly be used to prevent employees sharing information or allegations about criminal conduct for other purposes, for instance press attention or with competitors.

Under the new proposals, there is still the requirement that the individual must be (or reasonably believe) that they have been a victim of crime, which may be a deterrent from making 'bad faith' allegations. However, in practice, this is unlikely to offer employers much comfort given that once a disclosure has been publicly made, the question of whether it should have been restricted by an agreed NDA (or indeed whether the belief was reasonable) is of limited value.

Employers will therefore need to be prepared for anyone who has experienced or witnessed conduct of a criminal nature, or reasonably believes they have done, to speak out about that conduct (including making allegations about that conduct or their response to it). Further updates to confidentiality clauses, in particular those in settlement agreements, are likely to be required to ensure that employers do not purport to restrict these disclosures in any way.

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Employment Rights Act 2025: equality action plan guidance published together with a menu of 18 actions for employers to consider

What is an “equality action plan”?

The Employment Rights Act 2025 provides that private sector employers with 250 or more employees must develop and publish “equality action plans” on an annual basis. The plans must set out the steps the employer is taking to address its gender pay gap and to support employees going through the menopause.

The first action plans must be published on the Government’s [gender pay gap service](#) from Spring 2027 (and employers may wish to publish them on their own website as well). However, the Government is encouraging employers to publish action plans on voluntary basis for the 2026-27 reporting year by 4 April 2027. Employers who are not in scope to publish a plan

are also encouraged to consider producing and publishing one.

What does the guidance say?

To help employers prepare for voluntary publication of an action plan, the Government has published [initial guidance](#) for employers. Alongside that guidance, the Government has also published a list of 18 recommended actions for employers to consider.

The key points to note from the guidance are as follows:

- As part of developing an action plan, employers must select at least one action to address their gender pay gap and at least one action that supports employees experiencing the menopause. However, the guidance urges organisations to be ambitious and take more steps where possible.

- As far menopause actions are concerned, the Government says it supports steps that employers may choose to take which also benefit employees experiencing other health conditions related to menstrual health (e.g. endometriosis or fibroids).

- Employers are asked to consider how employees may be disadvantaged in the workplace due to the overlapping impact of their sex with other characteristics, such as ethnicity, disability status and socioeconomic background.

- The importance of securing senior leadership buy-in is underlined and it is recommended that training is given to all senior leaders and managers on workplace gender equality and the chosen actions.

- Emphasis is also placed on the need to seek input from a range of employees when developing an action plan. It is said that gathering feedback on their experiences within an organisation can help employers better understand which actions could have the greatest impact. It is suggested that actions are discussed with unions, relevant employee networks and HR and people teams.

- Further guidance on the reporting process will follow in April 2026 which will cover the steps that employers should take when developing their action plans. This guidance will cover: understanding the issues within the employer's organisation, selecting actions, submitting the action plan, tracking the outcomes of the chosen

actions and reviewing the plan.

Which actions are recommended?

A total of 18 actions are recommended – from which employers must choose at least two (one targeting the gender pay gap and one to support employees through the menopause). The actions are summarised in the table below, which includes hyperlinks to further details about each action (in each case providing more information about the purpose of the action, its benefits, how to implement it and how to track its progress).

Area	Action
Recruiting staff	<ul style="list-style-type: none">• Make job descriptions inclusive.• Encourage applications from a range of candidates.• Reduce unconscious bias in CV screening.• Use fair and structured interview techniques.• Advertise leave policies in job adverts.<ul style="list-style-type: none">• Advertise flexible working arrangements in job adverts.
Developing and promoting staff	<ul style="list-style-type: none">• Automatically consider eligible employees for promotion• Encourage employee development through actionable steps• Offer mentoring, sponsorship and other development programmes

<p>Building diversity into your organisation</p>	<ul style="list-style-type: none"> • <u>Set targets to improve gender representation</u>
<p>Increasing transparency</p>	<ul style="list-style-type: none"> • <u>Increase transparency for pay, promotion and rewards</u> • <u>Enhance and promote flexible working and leave policies</u>
<p>Supporting employees experiencing the menopause</p>	<ul style="list-style-type: none"> • <u>Train managers to support employees experiencing menopause</u> • <u>Offer occupational health advice for employees experiencing menopause</u> • <u>Set up menopause support groups and networks</u> • <u>Offer workplace adjustments for employees experiencing menopause</u> <ul style="list-style-type: none"> • <u>Conduct a menopause risk assessment for your workplace</u> • <u>Review policies and procedures to meet the needs of employees experiencing menopause</u>

What does this mean for employers?

While there is no obligation for employers to produce and publish an action plan at this point, those employers who will be in scope to do so from 2027 may wish to have a “dry run” at producing a report this year.

When choosing which actions to pursue, employers should be aware that some of the Government’s suggested actions may amount to “positive action” measures, which are measures aimed at overcoming disadvantage, meeting needs or correcting the underrepresentation of a group with a particular protected characteristic – in this case women. Encouraging applications

from women, offering mentorship, sponsorship or other development opportunities to women and setting targets to improve gender representation would all likely be considered positive action measures.

Positive action is only lawful where an employer “reasonably thinks” that such action is needed. In other words, evidence showing the disadvantage, different need or underrepresentation will be needed – a poor gender pay gap figure may be sufficient evidence but, in some cases, more may be needed. Further, an employer must show that the proposed action is a “proportionate means of achieving a legitimate aim.” This involves balancing competing relevant factors, including how serious the disadvantage, aim or underrepresentation is, whether the action is appropriate to achieve the stated aim and whether it would be possible to achieve the aim by other means less likely to adversely affect others (in this case, men). If an employer fails to have the required evidence, or to act proportionately in pursuit of a legitimate aim, then there is a risk that the measure will stray into unlawful positive discrimination. This could give rise to sex discrimination claims from men.

Therefore, it is important that employers do not assume that just because an action is listed in the Government’s guidance, it could not be challenged in any such claim (although the fact that it is listed in the guidance could be cited in aid of any subsequent challenge). In some cases, additional groundwork must be undertaken before implementing the action. Employers would be wise to seek legal advice before implementing an equality action plan.

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Employment Rights Act 2025: refusing flexible working requests comes under the spotlight.

On 5 February 2026, the Government opened a consultation on the flexible working changes included in the Employment Rights Act 2025. In particular, views are sought on the new statutory process that an employer must follow should it wish to reject a flexible working request.

What is the current position on flexible working requests?

All employees have the right to request a flexible working arrangement from Day 1 of their employment. Currently, employers may refuse flexible working requests where they consider that at least one of eight grounds specified in the Employment Rights Act 1996 applies. This includes things like the burden of additional costs, an inability to reorganise work among existing staff or detrimental impact on quality or performance. Importantly, this is a *subjective* test, which means that as long as an employer considers that one of the eight grounds applies, and that view is based on correct

facts, that is a sound basis upon which to reject a request.

In terms of process, from 6 April 2024 employers have been required to consult with employees *before* refusing a request. However, the nature of the consultation is not set out in law. Instead, the [statutory Acas Code of Practice on requests for flexible working](#) (the **Code**) sets out recommendations on the scope of such consultation. The Code suggests gathering all relevant information, holding a meeting with the employee to discuss the request and considering alternatives if needed. A written record of the meeting should be kept, and a right of appeal is also recommended. A failure to follow the Code does not give rise to a claim, but Tribunals are able to take into account when considering relevant cases.

What changes will be made by the Employment Rights Act 2025 (the ERA)?

The ERA will make changes to the flexible working regime in 2027.

First, it will require an employer's refusal of a request to be based on one of the existing eight grounds and be an *objectively reasonable* one. The employer will need to notify the employee of the ground for refusing the request and explain why it considers that it is reasonable to refuse the application on a particular ground. Where an employer's decision is not reasonable, or where it fails to explain this to the employee, the employee will be able to complain to an Employment Tribunal. A Tribunal could order the employer to reconsider its decision and/or award compensation of up to eight weeks' pay (currently capped at £719 per week).

Second, the steps that an employer needs to take to consult with an employee before refusing a request will be set down in legislation for the first time. The aim is to introduce consistency for employees and clarity for employers.

The Government promised to consult about the detail of these changes before bringing them into force in 2027. The [Consultation on improving access to flexible working](#) was launched on 5 February 2026 (the **Consultation**).

What does the Consultation say?

As far as the new reasonableness test is concerned, the Consultation simply seeks evidence on current approaches to handling flexible working requests. It is said that this information will be used to help shape guidance and resources for employers, employees and other stakeholders.

As to the new statutory process, views are sought on the proposed process that employers will need to follow. It is said that the proposed process represents a “*a series of light touch requirements*” which have been drawn from the current Acas Code of Practice.

The proposed statutory consultation process will require an employer that is considering refusing a flexible working request to meet with the employee. Views are sought on the following matters:

- **The objective of the meeting:** it is said that the

purpose of the meeting is to discuss challenges with the request and explore alternative options. Views are sought on whether this is the right objective for the meeting.

- **Setting up the meeting:** it is said that the meeting must take place within the two-month period for making a decision (but that, in practice, it should take place within six weeks of the request to allow time for follow up conversations). The employee must be informed about the context of the meeting in advance to give them time to prepare. A person with authority to make a decision must attend the meeting and keep a record of the discussion. Views are sought on whether these requirements are right and how much notice should be given to the employee.

- **During the meeting:** it is said that the meeting must allow for sufficient discussion of the request and potential alternatives. The decision-maker must:
 - clarify whether the proposed arrangement should be treated as a reasonable adjustment under the Equality Act 2010;

 - explain any challenges with the original request and why it would not be feasible to accommodate it, referring to the relevant business reason;

- consider whether there are any ways around the identified challenges;
- consider alternative arrangements; and
- consider allowing a trial period if the impacts of an arrangement are unclear.

Views are sought on whether these are the right things to be addressed at the meeting.

- **Communicating the outcome in writing:** it is said that employers must provide written notice of the outcome of the meeting, including a summary of the discussion and any conclusions or next steps that were agreed. It must also provide written notice of its final decision on the request (i.e. whether it was approved, rejected or if an alternative arrangement is agreed). Views are sought on whether it is right to require employers to communicate both the outcome of the meeting and the decision on the request in writing. Views are also sought on whether the new process will take more, less or a similar amount of time to existing processes.

What will these changes mean for employers in practice?

We think the change to the reasonableness test means that employers will have to go further to be able to justify the ground or grounds for refusal. For example, if a request is refused on the basis of an inability to reorganise work among existing staff or recruit additional staff, and the employer has not consulted with existing staff about the possibility of doing so, or considered the feasibility of recruiting additional staff, it is likely that a refusal on such grounds would be unreasonable. Or where a request is refused on the basis of detrimental impact on quality or performance, again, the question will be: what is the evidence for this view? Unless there is some historical evidence (e.g. if an employee has worked the same or similar pattern in the past and it was unsuccessful), it is likely that an employer would need to allow a trial period of the proposed working pattern for a reasonable period of time in order to assess whether there was, in fact, such a detrimental impact. The end result is that more requests are likely to be accepted.

The impact of the changes to the consultation process is likely to be minimal. Employers are used to the requirements of the Acas Code of Practice, including the need to hold a meeting. That said, employers will need to take care not to trip up on the finer detail since mistakes could give rise to a Tribunal claim. Interestingly, unlike the Acas Code of Practice, the proposed statutory procedure does not provide that the employer should allow an employee to be accompanied to the meeting, nor offer a right of appeal.

What are the next steps?

Employers wishing to respond to the Consultation may do so online, by email or in writing by 30 April 2026.

The Government will finalise its proposals and publish a response in due course, to be followed by draft regulations. In addition, it is said that Acas may open a consultation on revising its Code of Practice and guidance on flexible working.

The reforms are due to come into force on an as yet unspecified date in 2027.

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Employment Rights Act 2025: consultation launched on the detail of the fire and rehire reforms

On 4 February 2026, the Government opened a consultation on certain aspects of the fire and rehire changes included in the

Employment Rights Act 2025.

What is the current position?

“Fire and rehire” is a shorthand used to describe the practice of dismissing an employee then offering to re-engage them (or someone else) on inferior terms and conditions. It is usually deployed where employees are not willing to agree to changes to their terms and conditions.

Provided the employer can identify a fair reason for the dismissal (usually “some other substantial reason”) and can demonstrate that it acted reasonably, a fire and rehire dismissal may be fair. In addition, if an employer wishes to fire and rehire, it should also comply with the requirements of the [statutory Code of Practice on dismissal and re-engagement](#), which came into force in July 2024 (the **Code**). The Code requires employers to undertake good-faith discussions with employees or their representatives, engage with Acas and consider alternatives. A failure to comply with the Code may lead to an uplift of up to 25% to any compensation awarded to an employee by an Employment Tribunal.

What changes will be made by the Employment Rights Act 2025 (the ERA)?

Fire and rehire

The ERA provides that a dismissal will be “automatically unfair” from Day 1 of employment where an employee is dismissed:

- for failing to agree to “restricted variations” to their terms and conditions of employment; or
- in order to re-employ them (or to employ someone else) under varied terms and conditions, where one of more of the differences between the two sets of terms is a restricted variation, but where the role is otherwise substantially the same.

A “restricted variation” means a variation relating to pay, pensions or pension schemes, working hours, a reduction in the amount of time off or the timing or duration of shifts (where such shifts meet certain conditions to be specified in regulations). It also covers the inclusion of a unilateral flexibility term allowing the employer to make a restricted variation in future without the employee’s agreement. These terms are said to be the ones which could have a significant impact on employees if changed without agreement. The ERA provides that the list of restricted variations may be expanded in future and, that regulations may specify that “pay” excludes expenses and benefits in kind.

Where either:

- a restricted variation is made in response serious financial difficulties affecting the employer’s ability to carry on business as a going concern and where there

is no reasonable alternative; or

- an employee is dismissed (i) for refusing to agree to other types of non-restricted variations or (ii) to re-employ them (or to employ someone else) on non-restricted varied terms,

then any dismissal will not be automatically unfair. However, it could still be ordinarily unfair, and subject to a slightly enhanced regime. In such cases, certain matters *must* be considered by the Employment Tribunal to determine whether the dismissal is ordinarily unfair including: the reason for the variation, any consultation carried out about the proposed variation (including with a trade union), anything offered to the employee in return for agreeing to the variation and any other matters specified in regulations.

Fire and replace

Separately, the ERA contains a provision designed to prevent employers from simply replacing an employee with a non-employee. This provision is **not** linked to contractual variations. The ERA says it will be automatically unfair to dismiss an employee in order to replace them with a non-employee (e.g. a self-employed contractor, agency worker or outsourced worker) where the new non-employee would carry out the same, or substantially the same, role (either alone or

taken together with others). This will even capture the scenario where the employee is dismissed and offered re-engagement but stripped of their employment status.

The Government promised to consult about some of the detail of these changes before bringing them into force in 2027. The "[Fire and Rehire: changes to expenses, benefits and shift patterns](#)" consultation was launched on 4 February 2026 (the **Consultation**).

What does the Consultation say?

The Consultation is confined to the following two aspects of fire and rehire, namely:

- the exclusion of certain expenses and benefits in kind from the scope of the restricted variations of reducing pay; and

- which types of changes to shift patterns, if any, should be treated as a restricted variation.

The Consultation does not seek views on any aspect of fire and replace.

Exclusion of expenses and benefits/payments in kind from counting as “pay” for restricted variation purposes

The Consultation sets out two possible options:

- Option 1: the exclusion of all expenses and benefits or payments in kind: under this option, a dismissal made in order to reduce or remove any expenses or benefits / payments in kind would not be automatically unfair. It could be ordinarily unfair and subject to the enhanced regime discussed above. The Consultation gives an example of an employer using fire and rehire to reduce expenses to a level which leaves the employee out of pocket. Under this option, this would not be automatically unfair but would be likely to be ordinarily unfair as the employer will find it difficult to demonstrate that it acted fairly in dismissing in these circumstances.

- Option 2: the exclusion of all expenses and benefits or payments in kind **except** certain types of share schemes, accommodation-related entitlements or travel expenses: under this option, dismissals made in order to reduce or remove: (i) certain travel or accommodation expenses; or (ii) benefits or payments in kind which are long-term accommodation benefits or certain share schemes, could be automatically unfair. However, the Consultation says that even these types of expenses and benefits should only be treated as “pay” if they have “*...an equivalent character to pay and form part of an employee’s*

remuneration package". The Government said there should be a high bar for inclusion, for example, only if they make up a significant aspect of the employee's remuneration such that the employee has structured their life around it. A narrow approach is justified on the basis that it gives employers reasonable operating flexibility. The Government seeks views on which types of share schemes, accommodation entitlements and travel expenses have the character of pay.

However, the Consultation goes on to say that the Government is minded to adopt **Option 1**, which excludes all expenses and benefits / payments in kind. This would provide employers with flexibility to use fire and rehire to impose changes, but still allow employees to raise ordinary unfair dismissal claims (which would be subject to the enhanced regime discussed above).

Inclusion of changes to shift patterns as restricted variations

The Consultation recognises that employers need flexibility to adjust shifts patterns to accommodate business needs (e.g. market changes, extended hours, new customers). However, major shift changes also significantly affect employees' lives, particularly those with caring responsibilities. The Government is, therefore, considering whether *some* shift changes should be classified as restricted variations, meaning any fire and rehire dismissal would be automatically unfair.

The Consultation sets out two possible options:

- Option 1: only day to night (or vice versa) and weekday to weekend (or vice versa) changes would be restricted variations: under this option dismissing an employee to impose these especially disruptive type of shift changes would be automatically unfair. Other types of shift changes would not be restricted, but a related dismissal could be ordinarily unfair (and subject to the enhanced regime discussed above). Existing protections for night workers and Sunday workers under the Working Time Regulations 1998 and the Employment Rights Act 1996 would remain in place.

- Option 2: No shift pattern changes would count as restricted variations. Under this option no shift pattern changes would count as restricted variations. Employees would instead rely on enhanced ordinary unfair dismissal protections if they were dismissed for not agreeing a change.

The Consultation flags that the Government considered restricting changes affecting a certain percentage of shifts, changes above a fixed number of hours, or changes causing “substantial detriment”. However, these were rejected as impractical, unclear, or likely to increase disputes and litigation. The Consultation goes on to say that the

Government is inclined to adopt **Option 1**, restricting only the most extreme shift changes, to balance business flexibility with employee protection.

What will these changes mean for employers in practice?

The fire and rehire provisions are complex and contain many pitfalls. Employers considering changing terms and conditions or restructuring their workforce will certainly need to spend time familiarising themselves with the new rules and will likely require specialist legal advice before proceeding.

In future, employers wishing to change terms and conditions will have a higher exposure to automatic unfair dismissal claims. The terms which constitute “restricted variations” if varied are the very terms that would usually lead an employer to consider the extreme solution of fire and rehire in the first place – namely, pay, benefits, hours and leave entitlements.

If taken forward, the proposal to exclude expenses and benefits / payments in kind from the concept of “pay” would make life slightly easier for employers and preserve some degree of flexibility in respect of making changes to relevant terms (albeit the risk of an “enhanced” ordinary unfair dismissal claim remains).

The proposed limitation on shift changes is quite narrow but will disproportionately affect employers in certain sectors such as manufacturing (where day and night shifts are common) and retail and hospitality (where weekday and weekend shifts are common).

Overall, the increased risk will reduce flexibility for employers in imposing workforce changes. Instead, employers will need to seek agreement to vary terms through negotiation.

What are the next steps?

Employers wishing to respond to the Consultation may do so online, by email or in writing by 1 April 2026.

The Government will finalise its proposals and publish a response in due course, to be followed by draft regulations later in 2026 or early 2027. In addition, it is said that the Government will open a separate consultation on updating the statutory Code of Practice on dismissal and re-engagement.

The Government intends to bring these changes into force in January 2027.

BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Amanda Steadman (AmandaSteadman@bdbf.co.uk) or your usual BDBF contact.

A Guide to the Employment Rights Act 2025

The Employment Rights Act 2025 (the ERA) became law on 18 December 2025 and will make sweeping and significant reforms to our employment law landscape over the next two years. Our guide explains the detail of all the key reforms, what they mean for employers in practice and the next steps. You may also find the practical tips set out in our [Timetable of Action Points for Employers and Implementation Dates](#) useful.

Unfair dismissal

Reduction of the qualifying period from two years to six months

Currently, an employee must have two years' continuous service with their employer in order to bring a claim of ordinary unfair dismissal in an Employment Tribunal. There is a limited exception, where it is shown that the dismissal was for an "automatically unfair" reason, such as for having made a protected disclosure. In such cases, the employee is able to claim automatic unfair dismissal from Day 1 of their employment. However, where there are no such aggravating factors, an employer is able to dismiss an employee with under two years' service relatively easily. There is no need to identify a fair reason for the dismissal and nor does the employer need to show it acted reasonably.

Initially, the Employment Rights Bill had proposed to remove the two-year qualifying period for ordinary unfair dismissal claims, converting it to a Day 1 employment right. However, faced with resistance to this measure from the House of Lords, the Government undertook discussions with relevant stakeholders, including major business representatives such as the Confederation of British Industry and the Federation of

Small Businesses. The outcome of those discussions was a surprise U-turn on Day 1 unfair dismissal rights. Instead, a compromise solution of a six-month qualifying period was settled upon. In addition, the ERA makes it harder for future governments to undo this change, by stipulating that primary legislation will be needed to vary the qualifying period.

Removal of the cap on compensation

Currently, the “compensatory award” for unfair dismissal is limited to the lower of either 52 weeks’ gross pay or a statutory cap. The statutory cap rises each year but is currently set at £118,223.

Initially, the Employment Rights Bill contained no proposals relating to the compensatory award. However, a surprise decision to abolish the cap was made by the Government shortly before the Bill passed into law, seemingly as a *quid pro quo* for the U-turn on Day 1 unfair dismissal rights.

This means that awards for unfair dismissal will be broadly comparable with those made in discrimination and whistleblowing dismissal claims.

What will these changes mean for employers in practice?

- These changes are certain to generate more grievances and Employment Tribunal claims. The Government’s recently published [impact assessment](#) estimates that the reduction of the qualifying period will lead to 9,000 additional Acas “early conciliation” notifications and 3,000 additional Employment Tribunal claims. However, this estimate does not build in additional notifications and claims flowing from the removal of the compensation cap because the Government says the response of employers and employees to this change is too uncertain.
- A rise in disputes will take time and money to deal with, with small businesses lacking a formal HR function disproportionately affected. And a rise in claims will

increase pressure on an already stretched Tribunal system which could mean even longer delays before reaching a hearing.

- In particular, the removal of the cap on compensation is likely to lead to a rise in claims from higher earners and those with valuable benefits, who will now be able to seek their full losses flowing from the dismissal. We also expect to see more claimants arguing for multi-year and even career-long loss. At the same time, settlements may be harder to achieve in these types of cases as claimants may feel they hold the upper hand. You can read our detailed article about the wider impact of the removal of the compensation cap [here](#).
- All of these risks mean that employers will wish to be more cautious when it comes to recruitment so as to limit the prospect of a bad hire. Employers may wish to consider extending probationary periods to six months to mirror the qualifying period. And after recruitment, line managers will need to manage probationary periods actively to ensure that any performance or conduct issues are identified and dealt with within the first six months of employment. Once an employee has accrued six months' service, any subsequent dismissal process will need to be executed meticulously, with careful adherence to procedure and the Acas Code.
- Is there any upside for employers? Conceivably, it could lead to some reduction in whistleblowing dismissal and discriminatory dismissal claims, which are currently the only statutory claims that employees with under two years' service can bring about their dismissal and recover uncapped compensation. A decline in those types of claims could be a good thing for employers, not least from a reputational perspective and because the cost and complexity of defending those types of claims is higher. However, where a claimant believes there was a discriminatory reason at play, or they have been dismissed for whistleblowing, they are still likely to

pursue that claim.

What are the next steps?

The Government announced in Parliament that it intends to reduce the qualifying period with effect from 1 January 2027. Although it has not yet confirmed when the cap on compensation will be abolished, it is widely expected that this will come into force on the same date. If this happens, it will mean that employees engaged by 2 July 2026 would qualify for the right to bring an uncapped unfair claim on 1 January 2027.

Separately, the Government's impact assessment says that a series of meetings will be held early in 2026, to enable stakeholders to feed in their view on the unfair dismissal changes and a summary of those responses will also be published in 2026. The Government has said it will also consider what additional dedicated support or guidance might be needed.

Dismissal during pregnancy and following a period of statutory family leave

Currently, there is extensive protection from dismissal for pregnant women, new mothers and other parents. It is unlawful to:

- treat an employee unfavourably because of her pregnancy or maternity leave during the "protected period" (which begins when a woman becomes pregnant and ends when she returns from maternity leave);
- treat an employee less favourably than a male comparator for reasons to do with her pregnancy or maternity leave outside the protected period;
- dismiss an employee for a reason connected to her pregnancy or maternity leave (or connected to certain types of other family leave including adoption, shared parental and neonatal care leave);
- make an employee redundant during pregnancy or maternity

- leave (or adoption leave, shared parental leave or neonatal care leave) where there is a suitable alternative vacancy available; or
- make an employee redundant who has recently returned to work from a period of maternity leave (or adoption leave, shared parental leave or neonatal care leave) where there is a suitable alternative vacancy available.

Despite this wide protection, the ERA provides that regulations may be introduced which will provide enhanced protection from dismissal during pregnancy and following return from maternity leave, adoption leave, shared parental leave, neonatal care leave and bereaved partners' paternity leave (the latter of which is due to come into force on 6 April 2026).

This would mean that such employees could not be fairly dismissed, save where the regulations allowed for an exception. The ERA also provides that the regulations will specify the notices that must be given to employees, the evidence to be produced and any additional procedures to be followed, as well as the consequences of failing to do these things.

On 23 October 2025, the Government published a consultation paper seeking views on how the enhanced dismissal protection should operate in practice. The consultation proposed two broad options:

- **Introduce a stricter fairness test:** one option is to introduce a stricter test to assess the fairness of such dismissals for any of the existing five fair reasons for dismissal (i.e. conduct, capability, redundancy, illegality or some other substantial reason).
- **Narrow the five fair reasons for dismissal:** an alternative option is to narrow the existing five fair reasons for dismissal (and/or potentially remove some of them entirely) when applied to pregnant women or new

mothers (and other returners). You can read what is proposed in respect of each reason in our detailed briefing [here](#).

The consultation paper also asked whether the new protection should apply from Day 1 of employment or only after a qualifying period of somewhere between three to nine months. In terms of when the protection should end, the consultation paper proposed either 18 months from the birth of the child or six months after the return to work from maternity leave, whenever that is.

Further, the consultation paper asked whether the same protections should be extended to employees taking adoption leave, shared parental leave, neonatal care leave and bereaved partners' paternity leave and, if so, when the protection should start and end.

What will these changes mean for employers in practice?

- The impact for employers can only be fully assessed once the Government decides the scope of the protections to be introduced. That said, whichever option is pursued, it is clear that employers will have their hands tied to a significant extent when it comes to dismissing employees who are pregnant, absent on certain types of family leave and following return from the same.
- It also appears that where an employer needs to dismiss an employee in a protected group there will be an increased administrative burden in terms of notices, evidence and procedures to be followed, with penalties for getting it wrong. Smaller businesses are likely to be disproportionately affected by these requirements.
- Employers will also need to take care not to make hiring decisions based on the likelihood of a candidate falling into one of these protected groups. For example, a refusal to hire a woman of child-bearing age (out of fear of being subsequently being restricted from

dismissal) would itself be discriminatory.

What are the next steps?

The consultation closed on 15 January 2026. The Government's response and final position will be published in due course.

The final measures are due to be implemented some time in 2027.

Dismissal for failing to agree a variation of contract (aka "fire and rehire") or to be replaced by a non-employee

"Fire and rehire" is a shorthand used to describe the practice of dismissing an employee then offering to re-engage them on inferior terms and conditions. Currently, if an employer wishes to deploy this practice, it must comply with the [statutory Code of Practice on dismissal and re-engagement](#), which came into force in July 2024. A failure to do so may lead to an uplift of up to 25% to compensation awarded to an employee by an Employment Tribunal.

Initially, the Employment Rights Bill had proposed that it would be automatically unfair to dismiss an employee for failing to agree to any change to their terms and conditions of employment, or in order to re-engage them (or someone else) under varied terms and conditions of employment, where the role is otherwise substantially the same. A limited exception was to be made where the reason for the variation was to eliminate, prevent or significantly reduce or mitigate the effect of any financial difficulties which were affecting the employer's ability to carry on its business.

However, in July 2025, the Government announced plans to soften the fire and rehire provisions. These revised provisions are now reflected in the ERA, which provides that a dismissal will be automatically unfair where the employee is dismissed:

- for failing to agree to “restricted variations” to their terms and conditions of employment; or
- in order to re-employ them (or to employ someone else) under varied terms and conditions, where one of more of the differences between the two sets of terms is a restricted variation, but where the role is otherwise substantially the same.

A “restricted variation” means a variation relating to pay, pensions or pension schemes, working hours, the timing or duration of shifts or a reduction in the amount of time off. It also covers the inclusion of a unilateral flexibility term allowing the employer to make a restricted variation in future without the employee’s agreement. The list of restricted variations may be expanded in future and, may also provide that “pay” *excludes* expenses and benefits in kind. The ERA continues to allow for a limited exception for variations made in response to serious financial difficulties affecting the employer’s ability to carry on business as a going concern and where there is no reasonable alternative.

Where either:

- the financial difficulties exception applies; or
- an employee is dismissed (i) for refusing to agree to other types of **non-restricted** variations **or** (ii) to re-employ them (or to employ someone else) on varied terms,

then the dismissal will **not** be automatically unfair. However, the ERA provides that certain matters *must* then be considered by the Employment Tribunal to determine whether the dismissal is ordinarily unfair including: the reason for the variation, any consultation carried out about the proposed variation (including with a trade union), anything offered to the employee in return for agreeing to the variation and any other matters specified in regulations.

Separately, the ERA contains a provision (which was only added

to the Bill in the Summer) designed to prevent employers from simply replacing an employee with a non-employee. This provision is **not** linked to contractual variations. The ERA says it will be automatically unfair to dismiss an employee in order to replace them with a non-employee (e.g. a self-employed contractor, agency worker or outsourced worker) where the non-employee would carry out the same or substantially the same role (either alone or taken together with others). This will even capture the scenario where the employee is dismissed and offered re-engagement but stripped of their employment status. However, the financial difficulties exception will apply.

What will these changes mean for employers in practice?

- These provisions are complex and contain many pitfalls. Employers considering changing terms and conditions or restructuring their workforce will certainly need to spend time familiarising themselves with the new rules and will likely require specialist legal advice before proceeding.
- In future, employers wishing to change terms and conditions will have a higher exposure to automatic unfair dismissal claims. The terms which constitute “restricted variations” if varied are the very terms that would usually lead an employer to consider the extreme solution of fire and rehire in the first place – namely, pay, benefits, hours and leave entitlements. This increased risk will reduce flexibility for employers in managing workforce changes. Instead, employers will need to seek agreement to vary terms through negotiation.
- Further, the prohibition on replacing employees with non-employees could potentially have a dramatic impact in outsourcing situations. In outsourcings, the TUPE legislation will often apply to protect the employee’s employment, with the result that the employee either

transfers to the contractor or, if they are dismissed, their dismissal is automatically unfair. Yet TUPE does not apply in every outsourcing situation, for example, where the activities are split up (or “fragmented”) between multiple different service providers. In this situation, an employer could usually dismiss the employee fairly by reason of redundancy or some other substantial reason. However, under the ERA, an employee may still be regarded as unlawfully “replaced” in this scenario because the protection extends to situations where the employee’s work is performed by a mix of different non-employees (i.e. where the activities are outsourced to several different providers) or by a mix of employees and non-employees (i.e. where some of the activities are kept in-house and some are outsourced). Employees in this position may now acquire automatic unfair dismissal protection despite not being covered by TUPE.

- The Government’s [impact assessment](#) suggests that these measures may protect up to 125,000 employees from fire and rehire practices each year and will also lead to unquantified benefits, including greater wellbeing, productivity, and fairness.

What are the next steps?

The Government intends to bring these changes into force in January 2027.

However, the Government had planned to consult on related regulations and on updating the statutory Code of Practice in Autumn 2025. Those consultations have not yet started, which may mean that the planned implementation date will be postponed.

Collective redundancies

Currently, collective redundancy consultation is triggered where there is a proposal to dismiss as redundant 20 or more employees assigned to one “establishment” within a 90-day period. The question of what an “establishment” has been ventilated in litigation – with employees arguing it should mean the business as a whole rather than the local place of work. This would mean that collective consultation would be triggered more frequently as redundancy numbers would have to be counted across the whole business. However, the senior courts concluded that “establishment” means the local unit where the employee works, *not* the business as a whole.

Initially, the Employment Rights Bill had proposed to reverse this, so that collective consultation would be triggered where there were 20 proposed redundancies within 90 days *across the business* rather than in just one workplace.

The Government also consulted on (i) increasing the maximum protective award from 90 to 180 days (or having no upper limit at all) where an employer was found to not have properly followed a collective redundancy process, and (ii) what role interim relief could play in protecting employees who have protective award claims. In March 2025, the Government responded to that consultation and put forward amendments to the key trigger proposal, aimed at softening the impact for employers.

The ERA provides that collective consultation will be triggered where there is a proposal to dismiss as redundant within a 90-day period **either** 20 or more employees assigned to one establishment (i.e. the current position), **or** a “threshold number of employees” across the whole workforce. This new threshold number will be defined in regulations but may be *either* a specified number of redundancies *or* an overall percentage of the workforce *or* determined in another way (but in any case the threshold will not be below 20 redundancies).

For example, if the threshold were to be set at 10% of the workforce, and the employer employed 500 employees across

different sites, then a proposal of 50 or more redundancies across the *whole* business within a 90-day period would trigger collective consultation even where fewer than 20 redundancies were proposed at any single establishment. The trigger for providing the Secretary of State with advance notice of proposed collective redundancies via the HR1 form will also be aligned with the new threshold test.

Employers will be required to notify employee representatives in writing of the total number of proposed redundancies across the workforce and at which establishments. However, employers will not be required to consult all such representatives together, nor undertake consultation with a view to reaching the same agreement with all of them.

In terms of remedies, the maximum protective award will rise from 90 to 180 days' gross pay per employee. However, interim relief will not be extended to protective award claims.

What will this change mean for employers in practice?

- The retention of the words "at one establishment" is a concession to business and means that collective consultation will not be triggered where a multi-site employer proposes small pockets of redundancies at different sites **unless** the total numbers exceed the new threshold – whatever that is. Clearly, the level at which the new threshold is set will be important: the lower it is, the more frequently collective consultation will be required.
- The administrative burden will increase for multi-site employers, who will need to have a system in place to ensure that they keep track of proposed redundancies across the whole workforce. Where "across the workforce" consultation is triggered, they will need to have appropriate representatives in place for all affected employees no matter where they are based. This will be more time-consuming to achieve where elections are

needed.

- The consultation process itself could become more cumbersome and disjointed as employers may be consulting about several small pockets of unrelated redundancies at the same time, with different groups of representatives (albeit you are not required to consult all such representatives together, nor undertake consultation with a view to reaching the same agreement with all of them). More time and resources will need to be devoted to organising and managing multiple consultation meetings.
- Getting it wrong will also be more costly: employees will be entitled to a protective award of up to 180 days' gross pay. The Government's [impact assessment](#) accepts there will be an increased cost to business where collective redundancy obligations are not met. However, it envisages that the increased penalty will drive greater compliance which, in turn may have the positive effect of identifying ways to reduce the number of redundancies needed.

What are the next steps?

The protective award is due to increase in April 2026 (the precise date is to be confirmed).

The Government has promised to consult about the level at which the "across the workforce" threshold should be set. That consultation is expected to launch in early 2026. After the Government has settled on its final position, regulations will be needed to introduce the new test. The Government has said this change will come into force some time in 2027.

Separately, the Government has indicated that when consulting about the trigger, it will also seek views on doubling the 45-day consultation period needed where 100+ redundancies are proposed. Although this proposal is outside the ERA, it is possible that this change could be taken forward at the same

time as the change to the trigger.

Sexual harassment

Duty to prevent

Since 26 October 2024, all employers have been required to take reasonable steps to prevent sexual harassment of their workers (including by third parties). If this duty is breached, an uplift of 25% may be applied to compensation in relevant claims, and the Equality and Human Rights Commission (the **EHRC**) may investigate and take enforcement action.

Under the ERA, this duty will become more onerous and require employers to take **all** reasonable steps to prevent sexual harassment or risk these consequences.

The ERA provides that regulations may be introduced to specify the steps that will be regarded as reasonable for the purposes of both: (i) this new proactive duty to prevent sexual harassment; and (ii) the existing defence that an employer has taken all reasonable steps to prevent sexual harassment. This may include steps such as carrying out risk assessments, publishing plans or policies, and steps relating to the reporting and handling of complaints.

This change is expected to come into force in October 2026, with the regulations to follow at a later date.

Disclosures constitute whistleblowing

In addition, disclosures about actual or likely sexual harassment will be listed as one of the types of malpractice about which a whistleblowing disclosure may be made. All other elements of the test for qualifying as a protected disclosure (such as being made in the public interest) will still apply. This change is expected to come into force in April 2026.

What will these changes mean for employers in practice?

- It will be harder for employers to discharge the duty to prevent sexual harassment once it has been enhanced in this way, as they will need to show that they have done everything that was reasonable for them to do. In particular, a lot will be expected from large and well-resourced employers and from employers where sexual harassment is especially prevalent.
- Once regulations are made setting out the list of potentially reasonable steps, this will hopefully offer a degree of certainty about what is required. For now, the recommended steps to prevent sexual harassment are set out in the EHRC's non-statutory [Technical Guidance on Sexual Harassment and Harassment at Work](#) and its [8-step Guide to Preventing Sexual Harassment at Work](#).
- We are likely to see an increase in employers pleading the "all reasonable steps" defence in relevant cases. Given that the work that will have gone in to take steps to discharge the duty, employers are likely to want the added benefit of avoiding liability for a sexual harassment claim.
- Making it clear that disclosures about sexual harassment may amount to whistleblowing disclosures is helpful, although arguably unnecessary. The Tribunals have already made it clear that disclosures about sexual harassment are capable of amounting to whistleblowing disclosures, since they represent breaches of the Equality Act 2010 (see for example [Mysakowski v Broxborn Bottlers Ltd](#)). Nonetheless, it is a helpful sign to those wishing to report sexual harassment that they may be protected as whistleblowers.

What are the next steps?

Given that these measures are expected to take effect this year, employers would be wise to begin working towards taking all reasonable steps now. Not only will this help employers be ready for the raised requirement in good time, it opens up the

possibility of pleading the “all reasonable steps” defence in relevant sexual harassment claims.

As a starting point, employers should review the EHRC’s guidance on sexual harassment and their sexual harassment risk assessment and consider what further reasonable steps could be taken to prevent sexual harassment. Full implementation of those steps should be in place by October 2026.

Liability for discriminatory harassment by third parties

The ERA will reintroduce employers’ liability for discriminatory harassment of staff by third parties. This had originally been in place until 1 October 2013 under the Equality Act 2010, when it was removed by the Coalition Government.

This protection extends to all forms of discriminatory harassment under the Equality Act 2010, not just sexual harassment. Liability will also arise from the first instance of harassment (unlike the previous provisions, which required it to have taken place more than once). This means that, for example, racially motivated comments made towards a shopworker by a customer may lead to the employer being liable. However, similarly to the defence for sexual harassment claims, employers will be able to avoid liability where they can show they took “all reasonable steps” to prevent the third party harassment.

What will these changes mean for employers in practice?

- The reintroduction of liability for third party harassment is one of the most important reforms in the ERA, significantly widening an employer’s exposure to claims of discriminatory harassment. For employers operating in sectors where staff frequently come into contact with third parties (such as the transport, retail and hospitality sectors), that risk is heightened even further.

- While the “all reasonable steps” defence remains open to an employer to defend such a claim, it will be an onerous task to discharge every possible reasonable step – many employers are likely to fall short. For this reason, employers may wish to begin work on scoping out how it might meet this standard sooner rather than later.
- As far as sexual harassment is concerned, employers who are found liable for third party *sexual* harassment may also face the prospect of an uplift to compensation of up to 25%. A Tribunal may award this where it finds that the employer has breached the duty to prevent sexual harassment.

What are the next steps?

Liability for third-party harassment is expected to come into force in October 2026. Employers should be considering now what reasonable steps they could take to prevent harassment of their employees by third parties, and implement them before October.

Equality action plans

Currently, employers with 250 or more employees are required to publish information on their gender pay gap on an annual basis. However, in-scope employers must report their pay gap figures and nothing else – they are not required to explain the figures nor how they intend to close their gender pay gap (and, in fact, they are not required to close it all). The hope was simply that “what gets measured gets managed” and that reporting alone would drive employers to take steps to close their gaps. However, progress in closing gender pay gaps remains slow.

The ERA provides that regulations may be published requiring private employers with 250 or more employees to develop and publish “equality action plans” on an annual basis. These

action plans must set out the steps the employer is taking in relation to addressing its gender pay gap and also supporting employees going through the menopause.

The action plan will have to meet the minimum standards, which are to be set out in regulations. There will be consequences for failure to comply, but, again, this will be dealt with in regulations.

Further, when reporting their gender pay gaps, employers will be required provide information about whom they contract with for outsourced workers. Such workers are not employees of the employer and, therefore, do not need to be included in the gender pay gap figures. It seems that the intention here is to allow a fuller understanding of an organisation's gender pay gap. For example, if an organisation's outsourced roles were typically fulfilled by low-paid female workers, this would have the effect of improving the gender pay gap figures since this pay data would not need to be factored in. The new requirement, therefore, adds a layer of transparency to show this.

What will these changes mean for employers in practice?

- Gender pay gap reporting will become more onerous for in-scope employers. Although some employers already publish sophisticated narratives and actions plans, many do not. All will need to publish an annual plan setting out what action is being taken to close the gap. A failure to do so will have consequences, but what is not clear is whether there will be consequences for publishing a compliant plan and then not implementing it or attempting to implement it but failing to actually make a dent in the gender pay gap.
- The Government has confirmed that these requirements are part of a wider reform to expand equality and pay transparency, sitting alongside the planned Equality (Race and Disability) Bill. This Bill intends to

introduce both ethnicity and disability pay reporting which would mirror the gender pay gap reporting regime, on which the Government's consultation closed on 10 June 2025 (with feedback reportedly still being analysed). Further consultation will also be needed prior to the regulations implementing the ERA's reforms.

- The forthcoming requirement to publish information about the steps taken to support menopausal workers means employers will need to give thought to what can be said in this regard. Some employers are well advanced in terms of support offered. Others will need to start work on providing appropriate support measures in order to be able to populate the action plan. That said, most employers will already have some things to say here, for example, the provision of flexible working options and relevant benefits such as discounted gym memberships or employee assistance programmes. However, more is likely to be needed.

What are the next steps?

The Government's ERA factsheet indicates that implementation of equality action plans will be voluntary from Spring 2026 and mandatory from Spring 2027. Mandatory reporting of outsourcing measures is likely to take longer to take effect.

Ban on non-disclosure agreements preventing disclosures about discrimination or harassment

The ERA will prohibit the use of non-disclosure agreements (**NDAs**) to prevent disclosures of information about harassment or discrimination by the employer or fellow workers, including allegations of "relevant harassment or discrimination". Any term purporting to do so will be void, and this includes those in any contract (e.g. the employment contract, a settlement agreement or any separate NDA).

This prohibition will also apply to allegations or disclosures

of information relating to the employer's response to the harassment or discrimination (or to the allegation / information). This could arguably include steps such as the fact of exit discussions and the existence of a settlement agreement, where the underlying matter concerns harassment or discrimination.

"Allegation" for these purposes is not defined, and there is nothing (at present) to exclude the making of false or bad faith statements. This would mean that employers would be unable to prevent a worker from repeating false or bad faith allegations even where a claim had settled. An individual against whom false or bad faith allegations have been made would have to look to the law of defamation for recourse.

Additionally, the concept of "relevant harassment and discrimination" is very broad, including all forms of harassment and discrimination under the Equality Act 2010. The provisions specific to victimisation in the Equality Act 2010 are not expressly included, although the prohibition on preventing discussion of the employer's response may cover this in practice. It applies to any such conduct provided that it is **committed** by the employer or a co-worker or the **victim of the conduct** is the worker or a co-worker. This suggests that, once the new legal protections against third-party harassment come into effect, this will also be covered by the NDA prohibition.

The ERA anticipates that there will be certain types of "excepted agreements" (where disclosures can be validly restricted), but the detail of these will be set out in regulations. Regulations may also extend the protection to cover those outside the definition of "worker", such as those undertaking work experience or training.

For a deep dive into this provision – which has not substantively changed since it was added to the Employment Rights Bill in July 2025 – you can read our earlier article

[here](#).

What will these changes mean for employers in practice?

- Currently, any provision banning workers from making protected disclosures will be void under the Section 43J of the Employment Rights Act 1996. However, this is subject to a stringent test, including that the disclosure has to be in the public interest and must be made to certain categories of persons. Equally, under section 17 of the Victims and Prisoners Act 2024, NDAs cannot be used to prevent victims of crime disclosing information to certain categories of person for the purposes of support.
- These amendments go much further and will, in effect, permit employees to make any allegation of discrimination or harassment (or about their employer's response to the same), regardless of the purpose of that statement and regardless of the recipient. In parallel, the Victims and Prisoners Act 2024 is [due to be expanded](#) (although it is unclear when), removing any restrictions around the purpose or recipient of disclosures that it covers.
- The key issue for employers will no doubt be clarification of what will constitute an "excepted agreement", and many may be more reluctant to resolve matters via settlement agreements (at the very least until this certainty is in place). Some employees may also be keen for this clarity, particularly those who are seeking closure via settlement and are happy for this to be on a confidential basis. It has not been set in stone that the restrictions will be forward-looking only (i.e. that they will not affect NDAs which are already in place), and so whilst commentary at the time of the proposals indicated that they would not apply retrospectively, the uncertainty may add to parties' concern.

What are the next steps?

These provisions were not anticipated in the original Employment Rights Bill, but were added via an Amendment Paper tabled in July 2025. Whilst they have therefore not been included in the Government's roadmap for implementation, consultation on the proposals opened on 15 April 2026 and will run until 8 July 2026. The changes are expected to come into force in 2027.

Flexible working

Currently, employers may refuse flexible working requests where they consider that at least one of eight grounds specified in the Employment Rights Act 1996 applies. This includes things like the burden of additional costs, an inability to reorganise work among existing staff or detrimental impact on quality or performance. Importantly, this is a *subjective* test. In other words, as long as an employer considers that one of the eight grounds applies, and that view is based on correct facts, that is a sound basis upon which to reject a request.

There is no statutory right to appeal a refusal, but many employers offer an appeals process. Employees may also challenge the decision via other claims such as automatic unfair dismissal or indirect sex discrimination.

The ERA will require an employer's refusal of a request to be based on one of the existing eight grounds and be an *objectively reasonable* one. Further, when refusing a request, the employer must notify the employee of the ground for refusing the request and explain why it considers that it is reasonable to refuse the application on that ground. Where an employer's decision is not reasonable, or where it fails to explain this to the employee, the employee will be able to complain to an Employment Tribunal.

There is one further small change. From 6 April 2024, employers have been required to consult with employees before refusing a request. Under the ERA, regulations may also be issued setting out the precise steps that an employer must take in order to comply with this consultation requirement.

What will these changes mean for employers in practice?

- We think that employers are going to have to go further to be able to justify the ground or grounds for refusal. For example, if a request is refused on the basis of an inability to reorganise work among existing staff or recruit additional staff, and the employer has not consulted with existing staff about the possibility of doing so or attempted to recruit additional staff, it is likely that a refusal on such grounds would be unreasonable. Or where a request was to be refused on the basis of detrimental impact on quality or performance, again, the question will be: what is the evidence for this view? Unless there is some historical evidence (e.g. if an employee has worked the same or similar pattern in the past and it was unsuccessful), it is likely that an employer would need to allow a trial period of the proposed working pattern for a reasonable period of time in order to assess whether there was, in fact, such a detrimental impact. The end result is that more requests are likely to be accepted.
- Where an employer breaches the rules governing flexible working requests, an employee may complain to an Employment Tribunal. The Tribunal may order the employer to pay compensation of up to eight weeks' pay (currently capped at £719 per week but due to rise in April 2026) and require the employer to reconsider the application. Where an employer's refusal is found to have been unreasonable, we can expect Tribunals to more readily order employers to reconsider requests.
- Further, if a refusal is unreasonable, this could assist

the employee in other potential claims. For example, if an employer has adopted an unreasonable position this may be sufficient to amount to a repudiatory breach of contract, justifying constructive dismissal. Indeed, in the case of [Johnson v Bronzeshield Lifting Ltd](#), a Tribunal held that an employer's failure to take into account relevant information before refusing a flexible working request was a repudiatory breach. This was on the basis that the hours that an employee works has a major impact on their lives, and it also matters how flexible working applications are dealt with – the outcome is not the only thing of importance. It is not a stretch to see that a Tribunal could reach a similar decision where a request has been refused unreasonably.

- It looks like specific rules are on the way governing the form of consultation needed before refusing a request. The existing [statutory Acas Code of Practice on requests for flexible working](#) sets out recommendations on the scope of such consultation. The Code suggests gathering all relevant information, holding a meeting with the employee to discuss the request and considering alternatives if needed. A written record of the meeting should be kept, and a right of appeal is also recommended. A failure to follow the Code does not give rise to a claim but Tribunals will take it into account when considering relevant cases. Therefore, we think it is likely that the Code's provisions on consultation will be elevated into law.
- In due course, employers will need to update policies and practices to reflect the new rules on refusing requests.

What are the next steps?

The provisions regarding flexible working under the ERA are expected to come into force in 2027, following consultation

which is expected to commence imminently. Regulations regarding consultation steps prior to refusal will likely follow.

Family leave rights

There are three areas of change in the field of family leave rights under the ERA.

Unpaid parental leave

Currently, employees with one year's service have a right to take up to four weeks' unpaid parental leave per year in respect of children under the age of 18 (up to a maximum of 18 weeks' leave in total).

Under the ERA, the service requirement will be removed and unpaid parental leave will become a Day 1 employment right. This is expected to take effect in April 2026.

Paternity leave

Currently, employees with 26 weeks' service ending with the week immediately before the 14th week before the expected week of childbirth (or the week in which an adopter is notified of a match) have a right to take up to two weeks' paternity leave. The same service requirement applies in respect of eligibility for statutory paternity pay.

The ERA will remove the service requirement for paternity leave, making it a Day 1 employment right. However, there is no provision lifting the service requirement for statutory paternity pay, which suggests that it will remain at least for now.

Further, currently, where an employee is entitled to paternity leave and pay and shared parental leave and pay, the paternity leave and pay must be taken *before* the shared parental leave and pay. If the employee takes the shared parental leave and

pay first, they lose their entitlement to paternity leave and pay. The ERA will remove this restriction, meaning that employees may take shared parental leave and pay first if they wish, and retain their entitlement to paternity leave and pay. These changes to paternity leave will take effect in April 2026.

Bereavement leave

Currently, employees have a Day 1 employment right to take two weeks' bereavement leave if a child under the age of 18 dies or is stillborn after 24 weeks of pregnancy (and those with 26 weeks' service ending with the week before the child died are also entitled to receive statutory parental bereavement pay). Employees taking parental bereavement leave are also protected from detriment and dismissal. However, there is no general right to take bereavement leave outside of this, for example when a spouse, parent or sibling dies, or for losses earlier in pregnancy. Of course, many employers do permit compassionate leave in such circumstances, but there is no legal requirement to do so.

The ERA amends the parental bereavement leave rules (which are set out in the Employment Rights Act 1996) to turn "parental bereavement leave" into "bereavement leave", although some special rules will still apply where a child dies. Regulations will specify the relationships which will entitle an employee to take bereavement leave, however, we can expect it to cover most close relationships such as a spouse, civil partner, other life partner, grandchild, parent, sibling or grandparent (in line with the definitions used for time off for "dependants" in emergency circumstances). The ERA also confirms that pregnancy loss occurring before 24 weeks of pregnancy will be included.

The bereavement leave entitlement in most cases must be not less than one week, however, the leave entitlement will stay at two weeks where a child has died. It appears that the leave

will be unpaid, save that statutory pay will remain available where a child dies. The consultation for these rights encouraged employers to “go above and beyond” the ERA’s minimum requirements.

The substance of these changes remains to be set out in the forthcoming regulations, consultation for which closed on 15 January 2026. The changes are expected to take effect in 2027.

What will these changes mean for employers in practice?

- The removal of the service requirements for unpaid parental leave and paternity leave will mean that a larger cohort of employees will become eligible to take these forms of leave. The result is that employers will have to manage a higher number of these types of absences than is currently the case. In due course, employers will need to adjust relevant policies to reflect the wider scope.
- Many employers already offer paid bereavement leave but the new statutory right will introduce rules around how such leave is managed and provide protections for those taking the leave. Employers will need to revise their bereavement leave policy in due course and will also need to consider whether to enhance the right and offer paid leave.

What are the next steps?

The rights to unpaid parental leave and paternity leave from Day 1 (as well as the right to take both paternity and shared parental leave) will come into force in April 2026.

Implementation of the bereavement-related changes is subject to regulations, which have not yet been drafted following the closing of consultation in January 2026. The changes are not expected to take effect before 2027.

Separately, the Government acknowledges that some reforms will

take longer to implement, including a full review of the entire parental leave framework and a review of the benefits of introducing paid carer's leave. No specific time frame for these reviews is given, however we note that in parallel, draft regulations have very recently been published to bring into action the Paternity Leave (Bereavement) Act 2024. These regulations are intended to take effect in April 2026, setting out the detail of the rights of co-parents to extended leave where the "primary carer" of the child has died.

Zero and low hours contracts

A **zero hours contract** is one where the employer does not guarantee any number of hours of work, but the worker is obliged to accept work whenever it is offered, without any certainty of how much work there will be or when. Sometimes the contracts are less onerous, and the worker is permitted to reject the work offered if they wish. A **low hours contract** is similar, save the employer will guarantee some hours of work, but it will be at the employer's discretion as to when the work is performed.

The ERA introduces three key changes, which will restrict the use of such contracts and penalise employers who abuse them.

First, zero and low hours workers who have worked a certain number of hours regularly over a reference period will have the right to have those hours guaranteed in their contract.

The rules governing this new right are complex, but, in summary, provide as follows:

- At the end of each reference period, the employer *must* make a guaranteed hours offer to any worker within scope.
- The offer must meet certain minimum requirements (to be further set out in regulations), including that it must set out the proposed working days and hours (or specific working pattern) which must reflect the working hours

over the reference period.

- In most cases, the terms of the offer may not be less favourable to the worker, for example, making an offer on a lower rate of pay.
- On top of this, employers must also provide specified information to workers about their right to guaranteed hours within two weeks of starting employment and ensure they continue to have access to that information.
- A failure to make the offer, or making one incorrectly, will give rise to an Employment Tribunal claim for which compensation may be awarded.
- A worker will be able to complain to an Employment Tribunal where the employer fails to provide the specified information, fails to make the guaranteed hours offer or makes one incorrectly or where an employer deliberately adjusts a worker's working hours within the reference period to avoid having to make an offer.

We do not know who will qualify as a low hours worker, how many hours must be worked to trigger the right to a guaranteed hours offer, nor the length of the reference period to be used. All these finer details are to be dealt with in separate regulations.

Second, zero and low workers (and any other worker who does not have a set working pattern) will have the right to reasonable notice of shifts and changes to shift, with a right to compensation where late notice is given. Again, the rules are complex, but, in summary, provide as follows:

- Employers must give affected workers reasonable notice of a shift that the employer wants or requires the worker to work (specifying the day, time and hours to be worked).
- Employers must give notice of any change to, or cancellation of, a shift.
- Regulations will set out the minimum amount of notice

- that must be given which will not be more than 7 days.
- Where an employer cancels, moves or curtails a shift at short notice, it must make a fixed payment of a to the worker – regulations will specify how much that payment must be.
 - A breach of any of the notice or payment requirements will give rise to an Employment Tribunal claim for which compensation may be awarded.

Third, similar rules will be introduced for agency workers.

The above changes could have encouraged employers to consider switching away from using zero and low hours workers towards using agency workers instead. However, following consultation, the Government decided to amend the Employment Rights Bill to introduce similar rules for agency workers. In summary, the rules, provide as follows:

- The responsibility to make guaranteed hours offers will rest with the **end user** who must make an offer to the agency worker to enter into a guaranteed hours contract directly with them – thereby changing the structure of the tripartite relationship. This will be a significant deterrent to using agency workers as a flexible resource.
- The requirement to provide specified information about the right to guaranteed hours within two weeks of starting employment will rest with the **agency**.
- The duty to give reasonable notice about shift changes and cancellations will be shared **jointly between the hirer and agency**. And in related claims a Tribunal may apportion liability. However, the duty to make a fixed payment following short notice cancellation of a shift will rest with the **agency** (although there is nothing to stop the agency seeking to recoup such costs from the end user in the contractual agreement).

What will these changes mean for employers in practice?

- These changes will make it considerably more difficult for employers to manage these types of contracts and introduce risks for getting it wrong.
- The requirement to monitor working hours within reference periods on a rolling basis will be administratively cumbersome, particularly where there are multiple zero or low hours workers.
- The requirement for the employer to make repeated offers of guaranteed hours contracts at the end of each reference period is onerous. These offers must continue to be made even where a worker (or agency worker) has made it clear that their preference is to remain on a zero or low hours contract – no provision is made allowing workers to opt out of receiving offers. Could one unintended consequence of the Bill be that workers who genuinely prefer to work on a zero or low hours basis feel pressured to accept a guaranteed hours contract by virtue of the repeated offers from their employer? Will employers be left overstaffed when customer demand falls? Although the ERA does provide an option for employers to use fixed term contracts instead of being caught by these rules, this is only permitted in limited situations.
- As far as the giving notice of shifts and changes to, or cancellation of, shifts is concerned, there will be a risk of tripping up on the notice requirements especially if the notice is generous, leaving an employer liable to make a payment to the worker and at risk of an Employment Tribunal claim.
- What can employers do? For now, a sensible starting point would be to audit your workforce to identify any zero and part time workers (and it may be sensible to focus your attention here on those working below 16 hours). This will help you understand the likely impact of these changes for your business. Where you have

workers regularly working in excess of their contracted hours you might consider regularising that situation before these rules come in.

What are the next steps?

Multiple sets of regulations are needed to bring in these reforms. Detailed guidance is also expected.

The Government has committed to consult further on these changes before the regulations are produced. A consultation paper is due to be published soon (having been postponed from Autumn 2025).

The Government has said the changes will come into force in 2027.

Statements of particulars of employment: notification of right to join a trade union

Currently, employers must provide employees and workers with a written statement of the particulars of their employment when they start work. The scope of those particulars is set out in section 1 of the Employment Rights Act 1996.

The ERA provides that employers must give employees and workers a written statement that they have the right to join a trade union, and that this must be given *at the same time* as the statement of particulars (although it does not require it to be included within the statement itself). It must also be given at "*other prescribed times*" which are not specified.

Regulations will set out precisely what information must be included in the statement, the form of the statement and how and when it must be given to the employee or worker. In October 2025, the Government opened a [consultation](#) seeking views on the following matters:

- **Content of the statement:** it was suggested that the statement included a brief overview of the functions of

a trade union, a summary of the statutory rights arising in relation to trade union membership, a list of trade unions recognised by the employer (if any) and a signpost to the Gov.uk list of trade unions.

- **Form of the statement:** views were sought on where the statement should be in a standard form provided by the Government or drafted by the employer in line with specified requirements. The Government's preference is for a standard form on the basis that it would reduce the administrative burdens on employers and help ensure a clear statement is delivered to all workers.
- **Manner of delivery:** views were sought on direct methods of delivering the statement (e.g. letters or emails) versus indirect methods (e.g. posting on a notice board or intranet). The Government's preference appears to be for direct delivery.
- **Frequency of delivery:** as far as new employees and workers are concerned the statement must be delivered at the same time as the s.1 statement of particulars. Views are sought on how frequently it must be given thereafter, with three options on the table: once every six months, once a year or different frequencies for different sectors. The Government's preference appears to be for the statement (or reminders) to be provided on an annual basis.

The consultation closed on 18 December 2025 and the Government's final position is awaited.

A failure to provide the statement will give rise to an Employment Tribunal claim. A Tribunal will have the power to determine and amend the particulars and, if the claimant has been successful in certain other substantive claims before the Tribunal, award compensation of between two to four weeks' pay (currently capped at £719 per week).

What will this change mean for employers in practice?

- The Government's preference appears to be for a standard form statement to be provided directly to employees and workers on the commencement of employment and on an annual basis thereafter. If taken forward in this way, compliance should be relatively straightforward in most workplaces (e.g. sending the statement to new recruits with their contract and then sending to all staff by email once a year). However, we must await the outcome of the consultation to understand the precise requirements for employers.
- The policy aim behind this reform is to increase trade union membership. It remains to be seen whether a requirement to provide information to staff will have this effect. However, it is worth noting that certain unrecognised trade unions will also acquire the right to access workplaces under the ERA, meaning that, at the very least, awareness of trade unions is likely to increase among the workforce.

What are the next steps?

The Government has said this change will come into force in October 2026.

The consultation on the finer detail closed on 18 December 2025. The Government's response setting out its final position is awaited. Regulations providing the outstanding details will be needed before the change takes effect.

Statutory Sick Pay (SSP)

The ERA makes three small tweaks to SSP regime as follows:

- The "waiting days" will be removed, meaning that SSP will be payable from Day 1 of sickness, rather than from the fourth day as is currently the case.
- The "lower earnings limit" for SSP – which currently sits at £125 per week – will be removed meaning that workers will be entitled to SSP regardless of income

levels.

- SSP will be calculated as the lower of 80% of an employee's average weekly earnings or the flat rate (currently £118.75 per week).

What will these changes mean for employers in practice?

- Employers will need to adjust payroll practices to ensure that SSP is paid from Day 1 of sickness and at the appropriate rate.
- Employers will need to review whether any of their workforce have been ineligible for SSP to date, because of the lower earnings limit, and ensure that they are now included as eligible to receive SSP for any period of sickness.

What are the next steps?

The changes regarding SSP are expected to take effect in April 2026.

Increase to time limits for bringing Employment Tribunal claims

Before the election, the Labour Party promised to extend the time limits to bring claims in the Employment Tribunal from three months (strictly, three months less a day) to six months (again, strictly, six months less a day). Although a few claims already have a six-month time limit (e.g. equal pay claims and statutory redundancy payment claims), the vast majority of statutory claims currently have a three-month time limit, for example, unfair dismissal and discrimination claims.

Curiously, this proposal was missing from the initial draft of the Employment Rights Bill. Then, in November 2024, the Government amended the Bill, to add a provision extending the time limits for statutory employment.

However, it should be noted that the time limit for bringing a breach of contract claim in the Employment Tribunal will not be extended and will remain subject to a three-month time limit. It is unclear whether this exclusion is a deliberate policy choice or an oversight.

What will this change mean for employers in practice?

- Of course, settlement agreements are often used where it is thought that there is a high risk of claims, and this change will not affect that practice. In fact, the longer time frame to commence a claim may allow settlements to get over the line without the individual filing a protective claim.
- However, where a settlement agreement is not used, this change will mean that employers will not be “out of the woods” in terms of potential litigation for a longer period of time. In turn, this will mean that care will need to be taken to preserve relevant documents in case they are needed in the context of a future dispute.
- Further, the final Employment Tribunal hearing may be scheduled quite a long time after a claimant’s employment has ended (as a result of this change combined with the recent increase to the maximum Acas early conciliation period to 12 weeks and the ongoing backlogs in the Employment Tribunal system). This may negatively affect witness evidence due to fading of memories and also the risk that witnesses have moved on to new employment by the time the hearing takes place.
- The Government’s [impact assessment](#) estimates this change will result in annual direct costs to business of £13.6 million, covering the costs of an estimated 5% increase in Employment Tribunal cases and an initial familiarisation cost of £13.1 million.

What are the next steps?

The Government has said this change will come into force no earlier than October 2026.

Fair Work Agency

Currently, most employment rights need to be enforced by individual workers in the Employment Tribunal system, something which is often challenging for workers with limited resources. A limited number of rights are enforced by the State on behalf of workers, namely, by the Gangmasters and Labour Abuse Authority, the Employment Agency Standards Inspectorate and HMRC's National Minimum Wage Enforcement Team.

Under the ERA, the Secretary of State will take over responsibility for enforcing certain aspects of labour market legislation via a new public authority, expected to be called the "Fair Work Agency". The Fair Work Agency will have responsibility for enforcement of the following areas of law, known as "relevant labour market legislation":

- statutory payment regimes, including National Minimum Wage and Statutory Sick Pay;
- holiday pay rights;
- the regulation of employment agencies and employment businesses;
- the unpaid Employment Tribunal financial penalties scheme for failure to pay sums ordered or settlement sums;
- the licensing regime for businesses operating as "gangmasters" in certain sectors;
- parts 1 and 2 of the Modern Slavery Act 2015; and
- penalties issued by the Fair Work Agency itself.

This list may be expanded in future under powers built into the ERA, however at least for now, it appears that primary enforcement of equality law is remaining with the EHRC.

In terms of addressing non-compliance with the laws within its

remit, the Fair Work Agency will have the power to:

- obtain documents or information, including entering business premises to obtain them, requiring their production, and retaining them or taking copies;
- giving “notices of underpayment”, which may order payment to be made to any underpaid individual within 28 days of the notice (for claims going back up to six years), with accompanying penalties payable to the Secretary of State;
- bring proceedings in an Employment Tribunal on behalf of a worker, where that worker is not planning to do so, for **any employment rights under any enactment** (with limited exceptions). Any financial award would still go to the worker;
- provide or arrange for legal advice, representation or assistance in relation to employment, trade union or labour relations law (excluding settlement facilitation), with the Agency’s costs being recoverable if an award is made;
- require “labour market enforcement undertakings” to comply with prohibitions, restrictions or requirements stipulated by the Fair Work Agency (and which may last for up to two years); and
- apply to Court for a “labour market enforcement order” which prohibits or restricts certain actions or requires certain actions to be taken (and which may last for up to two years).

Where a person provides false information or documents, obstructs enforcement, fails to comply with a requirement of the Fair Work Agency and/or fails to comply with a labour market enforcement order, they will commit a criminal offence punishable by a fine or imprisonment. Notably, where an offence is committed by a company and it is shown that the offence was committed with the consent of an officer of the company, or was attributable to any neglect on their part,

then that officer will also be guilty of a criminal offence. In this context, "officer" means a director, manager, secretary or other similar officer or person purporting to act in such capacity

What do these changes mean in practice for employers?

- The possibility of State enforcement of labour market laws tends not to be on the radar of most employers. Naturally, the focus is usually placed on the risk of Employment Tribunal claims by individual employees, which carry the risk of compensation awards and bad publicity. Currently, State enforcement is dispersed amongst different bodies, with low levels of knowledge about the remit of those bodies and their enforcement powers. The transition to a single State enforcement body is likely to achieve the desired impact of creating a single, recognisable brand, which, in turn, may increase the reporting of malpractice.
- The Fair Work Agency has teeth. It has strong investigatory and enforcement powers, which could lead to fines and criminal convictions, including, in certain circumstances, for the senior executives working in the offending business. This has the effect of incentivising those individuals to ensure that the business is meeting its legal obligations. A failure to do so could mean they end up with a criminal record. Further, if they work in a regulated sector, this could result in regulatory action against them and potentially jeopardise their ability to practice in their chosen career. Therefore, a lot is at stake.
- Employers may also be alarmed by the ability of the Fair Work Agency to bring Tribunal proceedings on behalf of workers and/or provide legal assistance. In the areas within its remit, the Fair Work Agency will have specific enforcement powers as covered above, meaning it will likely be unattractive for them to try and enforce

such rights via the Employment Tribunal. However, their ability to bring and/or offer support with proceedings applies to any employment rights and could in theory therefore extend to matters such as unfair dismissal or even discrimination. It remains to be seen whether these powers will be used in practice, and they will be perhaps most attractive for landmark “test” cases making their way to higher courts where the costs risk is likely to put off most employees from litigating.

- The establishment of the Fair Work Agency will take time and its success will, in large part, depend on whether it has sufficient resources to discharge its duties.

What are the next steps?

The Fair Work Agency is expected to be established in April 2026, with further details of implementation timelines for its powers being provided in due course.

What else is covered?

To complete the picture, we have rounded up below the other areas covered by the ERA, some of which are sector-specific.

Area	Reform	What are the next steps?
Holiday pay records	The ERA will require all employers to keep records demonstrating compliance with holiday entitlement, covering both the amount of leave and pay, however, there is no prescribed format for these records. The records must be retained for six years and failure to comply will be a criminal offence punishable by a fine.	Implementation to be announced.

<p>Tipping practices</p>	<p>Legislation regulating the allocation of tips introduced in 2025 requires affected employers to have a written policy on how it dealt with tips and gratuities. That policy must include information on whether the employer requires or encourages customers to pay tips, gratuities and service charges and how the employer ensures that all qualifying tips, gratuities and service charges are dealt with in accordance with the law, including how they are allocated between workers.</p> <p>The ERA will amend the law to provide that before producing the first version of the policy, an employer must consult with trade union or other worker representatives, or, if none, with the workers affected by the policy. Further, at least once every three years employers must review the policy and carry out further consultation with workers or their representatives. Whenever consultation is carried out, the employer must make a summary of the views expressed in the consultation process available in anonymised form to all workers.</p>	<p>Consultation awaited. Implementation in October 2026</p>
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<p>Umbrella companies</p>	<p>The ERA will amend the definition of “umbrella companies” contained in section 13(3) of the Employment Agencies Act 1973 and enable the future regulation of umbrella companies.</p>	<p>Consultation awaited. Implementation in 2027.</p>
<p>Time off for public duties</p>	<p>The ERA provides that within 12 months of implementation, the Secretary of State must (i) review the purposes for which employers are required to permit their employees to take time off to carry out public duties; and (ii) publish a report setting out the findings of the review.</p>	<p>Implemented on 18 December 2025. Review findings to be published by 18 December 2026.</p>

<p>Trade unions</p>	<p>The ERA contains various provisions aimed at strengthening trade unions including:</p> <ul style="list-style-type: none"> • requiring employers to notify workers of their right to join a trade union in writing when they start employment and at other times; • enhancing the rights of trade unions to access workplaces for the purpose of meeting, recruiting and organising workers and facilitating collective bargaining; • simplifying the process for trade union recognition; • repealing rules which impeded the financing of trade unions; <p>and</p> <ul style="list-style-type: none"> • repealing or amending existing laws governing industrial action (for example, in relation to balloting, voting and the giving of notice of industrial action) with the aim of making it easier for trade unions to call such action. 	<p>Implementation in April and October 2026.</p>
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<p>Workers involved in trade union activities</p>	<p>The ERA contains various detailed provisions aimed at strengthening protection for workers involved in trade union activities including:</p> <ul style="list-style-type: none">• improved access to facilities for trade union representatives taking time off to carry out their duties;• introducing a new statutory role for “union equality representatives” in workplaces with recognised unions;• introducing protection from detriment for having taken part in industrial action;• removing the cap on the number of weeks for which an employee is protected from dismissal for taking part in industrial action (i.e. the first 12 weeks), meaning they will be protected throughout; and• modernising the existing law on blacklisting to protect more people from blacklisting due to their trade union membership or activity.	<p>Consultation awaited. Implementation in October 2026 (save for the blacklisting reforms which will be in 2027).</p>
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<p>Public sector</p>	<p>The ERA contains a power for regulations to be made to ensure that, where public services are outsourced, the private sector contractor's workforce are not treated less favourably than the incoming public sector workers, and vice versa, thereby preventing a "two-tier workforce".</p>	<p>Code of Practice and Regulations awaited. Implementation in October 2026.</p>
<p>Ships' crews</p>	<p>The ERA contains some fine-tuning amendments to the notification rules in certain collective redundancies involving ships' crews. In addition, it contains measures to strengthen seafarers' rights at sea and implement international conventions on seafarers' employment.</p>	<p>Implementation in April and December 2026.</p>
<p>School support staff</p>	<p>The ERA gives the power to reinstate the "School Support Staff Negotiating Body", a body which will have the power to negotiate on the pay and conditions of affected workers.</p>	<p>Consultation, Code of Practice and Regulations awaited. Implementation in October 2026.</p>

<p>Adult social care workers</p>	<p>The ERA gives the power to introduce a “Fair Pay Agreement” in the adult social care sector and establish an “Adult Social Care Negotiating Body”, which will have the have the power to negotiate on the pay and conditions of affected workers.</p>	<p>Consultation closed in January 2026. Response, Code of Practice and Regulations awaited. Implementation in October 2026.</p>
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BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Amanda Steadman (AmandaSteadman@bdbf.co.uk), Rose Lim (RoseLim@bdbf.co.uk), or your usual BDBF contact

Employment Rights Act 2025. Timetable of Employer Action Points and Implementation Dates

The Employment Rights Act 2025 is due to receive Royal Assent on 18 December 2025 and represents one of the most significant reforms to UK employment law in recent years. The Act introduces wide-ranging new worker protections, including the expansion of unfair dismissal rights, changes to Employment Tribunal time limits, broader access to family leave, and enhanced protections against harassment and discrimination. These reforms will have direct and lasting implications for employers’ policies, procedures, and workforce management.

Most of the Act's key provisions will be introduced in stages over the next two years, making early awareness and forward planning essential. In this practical guide, we set out the anticipated implementation timetable and identify what actions employers need to take – and when – to ensure compliance, minimise risk, and adapt to the new regulatory landscape.

Click the image below to download the calendar.



Date	What preparatory steps should employers be taking?	What legal changes are coming into force?
November 2025	<input type="checkbox"/> Review the EHRC's guidance on sexual harassment and your sexual harassment risk assessment. Consider what further reasonable steps could be taken to prevent sexual harassment. Devise a plan for full implementation of those steps by October 2026. <input type="checkbox"/> Consider the circumstances in which your staff come into contact with third parties, the risk of discriminatory harassment by such third parties and what reasonable steps you could take to prevent such harassment. Devise a plan for full implementation of those steps by October 2026. <input type="checkbox"/> Begin auditing your compliance with the areas of law to be enforced by the Fair Work Agency (to the extent that they apply to your business) and plan how to address any shortcomings. <input type="checkbox"/> Consider ways of strengthening dialogue with staff about matters such as pay, benefits, working hours etc. to combat the risk of statutory recognition of a trade union.	Nothing expected.
January 2026	<input type="checkbox"/> Update the following internal policies and guidance, ready to reflect the April 2026 reforms: <ul style="list-style-type: none"> • Sickness Absence policy • Redundancy policy and/or internal guidance on redundancies (if any) • Paternity Leave policy • Parental Leave policy • Whistleblowing policy and/or internal guidance (if any) 	Nothing expected.
March 2026	<input type="checkbox"/> Remind your payroll team of the Statutory Sick Pay reforms (SSP) coming into force in April 2026.	Nothing expected.

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t. +44(0)20 3828 0350 | e. info@bdbf.co.uk

If you would like to discuss how BDBF can help your organisation comply with this new law, please contact Amanda Steadman (AmandaSteadman@bdbf.co.uk), Rose Lim (RoseLim@bdbf.co.uk) or your usual BDBF contact.

Employment law highlights from 2025

In this briefing, we look back at the key developments that took place in this significant year for employment law, reflecting on the most interesting cases and legal changes to be aware of as 2025 draws to a close.

Success at BDBF

This year at BDBF, we celebrated [13 years of excellence and 30 years of expertise](#) and were proud to be the only firm in our category with all six of our partners [top ranked by Chambers UK](#) and by [Legal 500](#). We were also featured as one of The Times Best Law Firms 2026 for employment law, as endorsed by our peers, and were honoured to be awarded [Senior Executive Team of the Year](#) at the International Employment Lawyer Awards 2025.

Our partners continued to share their expertise far and wide, speaking at a [White Paper Conference](#), the [International Forum of Senior Executive Advisers Forum](#), the [ELA Annual Conference 2025](#), the [ABA International Labor and Employment Law Committee Midyear Meeting](#), and the [International Employment Lawyer's Spring European Employment Summit in Paris](#) (to name a few). They were also individually recognised in the [Spears Employment Lawyers Index](#) and [Lexology Index](#), and developed groundbreaking case law in cases such as [Lapinski](#).

In 2025, we also welcomed new Managing Associate [Jamie Barton](#),

Senior Associate [Leigh Janes](#), Associates [Edward Duthie](#), [Esmat Faiz](#) and Knowledge Lawyer [Rose Lim](#). In recognition of their exceptional talent, we also promoted [three of our outstanding employment lawyers](#) (Blair Wassman, Theo Nicou and Connie Berry) and welcomed [Samantha Prosser](#) to the partnership.

Employment Rights Act 2025

The year has been a whirlwind of legal developments, primarily due to the proposals under the landmark Employment Rights Bill (the **Bill**).

The Bill completed its passage through Parliament on 16 December 2025 and is expected to receive Royal Assent in the coming days, turning the Bill into the Employment Rights Act 2025 (the **Act**). The Act will mean significant changes for day-to-day employment practices and Employment Tribunal claims. The latter will also be impacted by the [increase](#) to maximum ACAS early conciliation period from six to twelve weeks, which came into effect on 1 December 2025. Although there had been suggestion that they might do so, the Government has confirmed that they will *not* be reintroducing fees for bringing a case in the Tribunal.

In our October [webinar](#) and prior [briefings](#), we covered the major changes expected under the Bill, including extension of Tribunal time limits, restrictions on 'fire and rehire' practices, expanded whistleblowing protections and a new prohibition on non-disclosure agreements for discrimination and harassment.

No doubt the biggest concern for many employers had been the

Bill's promise of 'Day 1' unfair dismissal rights, which would have removed the current two-year time limit for bringing claims altogether. However, the Government dropped this proposal following considerable pushback from the House of Lords. In exchange, claims for unfair dismissal will be available after six months' employment and the cap on the compensation for unfair dismissal will be removed. You can read our article on what the removal of the compensation cap means for employers [here](#).

The first consultations on the proposed new rights were also launched this year. In particular, we looked at the requirements to engage with [trade union rights](#) and [expanding protections for pregnant women and new mothers](#), which will impact all employers when they come into force.

Whistleblowing

- **Detriment of dismissal:** In [Rice v Wicked Vision Ltd \(Protect Intervening\)](#); (2) [Barton Turns Developments Ltd v Treadwell](#), the Court of Appeal held that they were bound by the case of [Osipov](#) to conclude that employers can be vicariously liable for the detriment of dismissal (even if they cannot be directly liable). The Court made it clear in their reasoning that they disagreed with *Osipov* but were bound to apply it. Permission to appeal to the Supreme Court has been granted.
- **Innocent decision-makers:** In [Henderson v GCRM Ltd & Ors](#),

the Employment Appeal Tribunal (EAT) decided that an 'innocent' decision-maker cannot be found personally liable for the detriment of dismissal. They concluded that unlike the way in which a state of mind can be attributed to the employer because of a tainted or manipulated decision-making process, it would not be correct to impute such knowledge in a way that exposes the innocent decision-maker to unlimited liability.

- **Consultants as agents:** In [Handa v Station Hotel \(Newcastle\) Ltd and others](#), the EAT concluded that independent HR consultants could (in theory) be viewed as agents for the employer and liable for detrimental treatment of a whistleblower, if they are contracted to make the decision to dismiss or run a process closely related to the employment relationship.

- **Protection for job applicants:** In [Sullivan v Isle of Wight Council](#), the Court of Appeal determined that whistleblowing protection for job applicants remains very limited. Unlike workers or applicants for NHS posts, who are protected by the specific whistleblowing detriment provisions, general job applicants who believe they have made a protected disclosure will not be protected (save for where their treatment amounts to discrimination based on a protected characteristic under the Equality Act 2010).

- **Judicial proceedings immunity:** In [*Rogerson v Erhard-Jensen Ontological/Phenomenological Initiative Limited*](#), the Court of Appeal decided that judicial proceedings immunity did not apply to the initiation of arbitration abroad, and doing so could therefore constitute unlawful whistleblowing detriment. The Court considered that only statements made within litigation are protected (e.g. witness' evidence), rather than the act of commencing proceedings based on a protected disclosure.

For more information regarding planned reform to whistleblowing legislation, please watch our October [webinar](#) on the Employment Rights Bill. In December it was also announced that the Government intends to review the UK's whistleblowing framework by the end of 2027.

Sexual Harassment, Equality and Discrimination

- **Beyond the workplace:** In [*AB v Grafters Group Ltd*](#), the EAT found that an employer's liability for sexual harassment may extend to situations where the employee is 'off the clock'. Actions can occur 'in the course of employment' even if they are not on work premises or during working hours, such as at work parties or during work-related travel. For more information regarding planned reform to the duty to prevent sexual harassment, please see our [article](#) on how employers can prepare for the changes expected under the Bill.

- **Neurodiversity:** In [Halstead v JD Wetherspoons plc](#), the Tribunal assessed the powerful impact of making reasonable adjustments in the workplace for neurodivergent employees, and set out a list of 'exemplary' suggestions for employers to consider. The Tribunal took a dim view of the harsh way in which a 'zero-tolerance' policy had been applied to a colleague whose condition affected his ability to understand its requirements and agreed that his employer had failed to make reasonable adjustments when applying its standard disciplinary procedures. This year also saw [new guidance from ACAS](#) on embracing neurodiversity in the workplace, which encourages support, understanding and adjustments to processes. The requirement to make adjustments will, however, have its limits; in [Duncan v Fujitsu Services](#), the EAT agreed with the Tribunal that a disabled employee's use of abusive and offensive language remained sufficient grounds to justify dismissal, despite his arguments that his behaviour resulted from neurodiversity.

- **Expressing beliefs:** In our April [webinar](#), we explored the potential for conflicts and legal challenges surrounding controversial topics such as the war in Gaza and LGBTQ+ issues. This year saw the significant decision of [For Women Scotland Ltd v The Scottish Ministers](#), which determined that 'sex' in the Equality Act 2010 refers to biological sex only and not to acquired sex or gender under a Gender Recognition Certificate. This area of law continues to generate considerable debate, and both employers and service providers eagerly await the [new Code of Practice due to be published](#) by the Equality and Human Rights

Commission. In the meantime, there have been several other significant decisions on trans issues, including:

- The Court of Appeal considered in [*Higgs v Farmor's School*](#) that the dismissal of a school pastoral administrator for gender-critical social media posts had been directly discriminatory. The employee's posts were found to have reflected her protected belief, and dismissal had been a disproportionate response in circumstances where the language used had not been grossly offensive or intended to incite hatred.
- In [*Lockwood v Cheshire and Wirral NHS Foundation Trust and others*](#), the Tribunal concluded that a non-binary employee did not have the protected characteristic of gender reassignment under the Equality Act 2010, meaning their harassment complaints regarding incorrect use of pronouns could not succeed.
- In [*Kelly v Leonardo UK Limited*](#), the Tribunal decided that an employer's policy of permitting trans women to access female facilities did not constitute harassment or either direct or indirect

discrimination against female employees, as it did not place them at a significant disadvantage compared to male staff.

- Most recently in [*Peggie v Fife Health Board and another*](#), the Tribunal determined that the employer had unlawfully harassed a female employee by failing to revoke permission, temporarily, for a trans colleague to use women's changing rooms after her complaint (until replacement rotas could take effect) and by taking too long to investigate that complaint, as well as by referencing irrelevant matters and giving inappropriate instructions as to confidentiality. However, the Tribunal dismissed all remaining allegations of discrimination and harassment, noting the careful balancing required between individuals' protected characteristics and human rights.

For our top tips on managing risks associated with expressing beliefs in the workplace, see our [guidance note](#).

- **Pregnancy and maternity:** In our July [webinar](#), we took a closer look at the legal risks in redundancy exercises affecting pregnant employees and those on maternity, adoption or shared parental leave. This year also saw the introduction of [new rights to neonatal care leave and pay](#) as well as the Government's 18-month [review](#) of

parental leave and pay entitlements, which aims to reconsider the complex legislative framework of family rights. For further information on the rights currently available, take a look at our coverage for [National Work Life Week](#).

- **Equality reforms:** Earlier in 2025, the [Government published](#) a call for evidence on proposed equality reforms including changes to equal pay, pay transparency, combined discrimination protection and clarity on sexual harassment at work. In addition, a consultation was launched on [mandatory ethnicity and disability pay gap reporting](#) for employers with 250 or more employees. Whilst some equality reforms are reflected in the Bill (see above), the response to these consultations is expected to predominantly shape the new Equality (Race and Disability) Bill.

- **Practicalities of bringing claims:** This year also brought some helpful case law regarding more practical aspects of bringing discrimination (and related) claims. In [HSBC Bank plc v Chevalier-Firescu](#), the Court of Appeal clarified that being unaware of a discriminatory motive could mean that it is just and equitable to allow a claim to proceed, even where it is outside of the statutory time limit. Additionally, in [Kokomane v Boots Management Services Ltd](#), the EAT confirmed that workers can be protected against victimisation even if they do not expressly refer to having suffered discriminatory

treatment; the key is what the employer can have reasonably understood the worker to mean in the context.

Dismissals and HR practices

- **Importance of proper disciplinary process:** In [*Alom v Financial Conduct Authority*](#), the EAT expressed their concerns over the extent to which HR had framed a pre-prepared disciplinary script that ultimately led to dismissal. Although they found that the employee's dismissal had been fair and non-discriminatory in all the circumstances, the EAT agreed with the submission that this had been inappropriate, particularly where the script seemed to state the decision-maker's opinion as to the nature of the conduct. Additionally, in [*Woodhead v WTTV Limited and anor*](#), the High Court concluded that an employer had breached their duty of care not to expose an employee to a risk of psychiatric injury during an investigation and disciplinary process into allegations against him of sexual harassment. The Court noted significant failings from the employer to take account of the employee's pre-existing conditions, as well as general inadequacy in the process which had caused considerable distress.

- **Constructive dismissal:** In [*Kinch v Compassion in World*](#)

Farming, the EAT considered that an employee had not necessarily affirmed her contract by extending her notice period several times. The employer argued that by continuing to work for eight months after her resignation (including two extensions which they said she had requested), pursuing a grievance and negotiating sick pay, the employee had clearly not been constructively dismissed and that the claim should be struck out. The EAT disagreed and said that this was not necessarily the case, and remitted the case for a full hearing. Delay in an employee's leaving was also considered in Barry v Upper Thames Medical Group and others, where the EAT held that a six-month delay in resigning did not mean the employee had affirmed their contract, in circumstances where she had been seeking to resolve the dispute that eventually led to her departure.

- **Parent company relationships:** In Fasano v Reckitt Benckiser Group plc and anor, the Court of Appeal found that an agency relationship did not exist between a parent company and subsidiary, as there was no basis to say that the employing subsidiary had authorised the parent entity to act on its behalf (or otherwise had control). The employee, a senior executive, had missed out on a valuable long-term incentive plan award when the rules were amended by the parent company of his employer, which he said constituted age discrimination. The Court disagreed and said that, even if the agency relationship had existed, the change would not have been discriminatory as it was a proportionate means of achieving the legitimate aim of retaining staff.

- **Competing for talent:** In September 2025, the [Competition and Markets Authority published guidance](#) for employers on staff recruitment, pay and other working conditions. This outlined how competition law may apply in the workplace, the potential consequences of anti-competitive practices (e.g. wage-fixing or sharing competitively sensitive information), and guidance as to what may constitute 'risky' behaviour.

- **Sickness absence:** In [Kitching v University Hospitals of Morecambe Bay NHS Foundation Trust](#), the Tribunal held that an employee who had been dismissed for 406 days of sickness absence in four years had been discriminated against and unfairly dismissed. The Tribunal considered that the employer had failed to accommodate her disability when applying its absence policies, failed to make reasonable adjustments, and in dismissing the employee had failed to evaluate her current and future capability to work with reasonable adjustments in place.

- **Directors' duties:** In [Cheshire Estate & Legal Limited v Blanchfield & Ors](#), the Court of Appeal confirmed that alleged breaches of statutory and fiduciary duties will be highly fact-sensitive. In this case, the Court considered that the directors had not crossed the line into breaching their fiduciary duties by planning to set up a competing firm prior to resigning from their roles,

as they had continued to serve their firm faithfully and had factored in a delay between their resignation and the new firm opening.

- **Be careful what you say:** Several cases this year highlighted the importance of making accurate statements and promises, including during Tribunal proceedings:

- In [*Dixon v GlobalData Plc*](#), an employer had provided verbal assurances regarding an employee's ability to exercise share options post-termination, and had entered into ambiguous settlement terms which incorporated those assurances. The High Court determined that the employer was bound by these assurances as a result of proprietary estoppel, emphasising the importance of checking share plan rules and exercising caution when drafting any explanations or settlement terms.

- In [*Wainwright v Cennox plc*](#), the EAT agreed with an employee that she had suffered a repudiatory breach of contract due to misleading statements made by her employer. The employee, who was on sick leave for cancer treatment, was informed that she had been replaced on a temporary basis; in fact, the new

colleague had been appointed permanently, and other alterations had been made to the employee's role and responsibilities. The EAT agreed that providing untrue statements could be a contractual breach and that this should have been addressed by the Tribunal, therefore remitting the case for reconsideration.

- In [*Easton v Secretary of State for the Home Department \(Border Force\)*](#), the EAT considered that an employer had acted reasonably in dismissing an employee who had omitted details of a prior dismissal and a three-month employment gap on his application form. Particular attention was paid to the fact that the employer had thoroughly investigated the omissions and concluded that the employee had been dishonest in withholding this information.

- In [*Commerzbank AG v Ajao*](#), the High Court found an employee to have been in serious contempt of court for having made false statements of truth and giving false evidence in an Employment Tribunal claim. The employee had pursued a claim against his former employer and several former colleagues, alleging (among other matters) discrimination, sexual harassment (including assault), harassment and victimisation. Following an application by his employer, the High Court found that he had knowingly made false accusations which were designed to, and did, interfere with the administration of justice.

The employee has been sentenced to 20 months' imprisonment and ordered to pay £150,000 towards his employer's legal costs.

- **Legal privilege:** In [*Shawcross v SMG Europe Holdings Ltd and others*](#), the EAT found that the 'iniquity' exception did not apply to emails between the employer and their solicitors prior to dismissal of the employee, and therefore they were subject to legal privilege. The employee, who had been inadvertently copied into such a chain, argued that privilege could not apply where the emails showed her dismissal to be a sham and were evidence of iniquitous conduct. The EAT disagreed, finding that the emails were the sort of advice that employment lawyers would often offer around the risks of dismissal, and they were therefore privileged. The importance of careful handling of privileged materials was also considered in [*Sinclair Pharmaceuticals Ltd v Burrell*](#), where a without notice injunction obtained by the employer regarding the treatment of inadvertently disclosed materials was set aside by the High Court, who considered that the Employment Tribunal was best placed to decide whether (among other things) the documents were disclosable.

- **Non-disclosure agreements (NDAs):** The [*Victims & Prisoners Act 2024*](#) came into force on 1 October 2025, meaning that NDAs cannot be used to prevent victims of crime from making 'permitted disclosures' (such as to

regulated professionals, victim support services or family members). Shortly afterwards, the [Government announced that](#) this Act will be amended in due course to enable victims to speak to anyone for any purpose, including (for instance) the press. These changes sit alongside the [planned prohibition under the Bill](#) on NDAs preventing disclosure of discrimination and harassment.

- **Senior Managers & Certification Regime (SMCR):** Over the summer, the [Treasury launched a consultation paper](#) looking for views on changing the legal framework underpinning the SMCR to reduce the burden on the financial services sector. The Financial Conduct Authority (FCA) and Prudential Regulatory Authority similarly launched consultations on the same date. These consultations closed on 7 October 2025, and firms await the outcome to determine any reforms that will take place.
- **Non-financial misconduct:** In July 2025, the [FCA's new rules](#) on non-financial misconduct were published, setting out amendments to their Code of Conduct to empower firms to tackle serious misconduct such as bullying, harassment and violence. These will come into force in September 2026, and from then onwards all SMCR firms will be required to assess whether incidents of non-financial misconduct constitute breaches of the FCA conduct rules.

- **Non-compete clauses:** In November 2025, the [Government published a working paper](#) on options for reforming non-compete clauses in employment contracts. This paper, which is due to close on 18 February 2026, considers options such as limiting the length of non-competes on a blanket basis, limiting the length based on company size, banning such clauses altogether (or based on annual salary), or a combination of these suggestions.

- **Redundancy notifications:** From 1 December 2025, the Government moved to a [digital-only platform](#) for advance notification of redundancies. The HR1 form, which could previously be submitted by email, must now be completed online.

BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Rose Lim (RoseLim@bdbf.co.uk), Amanda Steadman (AmandaSteadman@bdbf.co.uk) or your usual BDBF contact

Uncapped unfair dismissal – a game changer for employers

The Employment Rights Bill completed its passage through Parliament on 16 December 2025 and is expected to receive Royal Assent in the coming days. Controversially, the Bill was amended at a late stage to abandon Labour's flagship manifesto pledge to make unfair dismissal a Day 1 right. In its place came a six-month qualifying period and the abolition of the statutory cap on compensation for unfair dismissal. In this briefing we consider the impact of lifting the cap on compensation for employers.

A shift in the types of claims brought

The removal of the cap on compensation for ordinary unfair dismissal means the risk profile of many employment disputes will change dramatically. While unfair dismissal will not become identical to discrimination or whistleblowing claims, the financial exposure could be very similar. For HR, this means more expensive claims, more complex cases, and far greater scrutiny of dismissal decisions.

Claimants may increasingly rely on straightforward unfair dismissal claims rather than bolting on weaker discrimination or whistleblowing allegations. These claims are cheaper, simpler, and will be potentially much more valuable.

Some dismissal scenarios will also take on a new seriousness. Cases involving an employee's personal beliefs or expression,

for example, may involve arguments about freedom of speech under human rights law. With uncapped compensation at stake, tribunals will expect employers to clearly justify any dismissal in these areas. Legal advice is likely to be needed at an early stage.

Higher earners: expect more claims and bigger numbers

Removing the cap opens the door to very substantial awards for employees with high salaries or valuable benefits such as bonuses, LTIPs, share options, carried interest, or final salary pensions. Once tribunals can award full financial loss, the numbers escalate fast – especially if the employee takes time to find a new job.

Expect to see larger and more sophisticated claims for financial loss, regular use of expert evidence and longer and more complex remedy hearings.

Multi-year loss claims on the table

With no cap on future loss, some claimants will push for multi-year or even career-long compensation. These may include:

- Older workers struggling to re-enter the labour market.
- Disabled workers whose prospects are limited (but where the case isn't a discrimination claim).

- Regulated professionals whose dismissal harms their ability to continue in their profession.

HR teams will need to gather strong evidence on mitigation and future employability to challenge these claims.

Tribunals will come under greater pressure

More complex, higher-value claims will stretch limited tribunal resources even further. HR should expect:

- More prescriptive case management.
- Longer waits for hearings (which, turn, may adversely affect witness evidence).
- Increased use of experts.
- Longer hearings at both liability and remedy stages.

This may affect access to justice for lower-income workers and may also prolong litigation for employers.

Settlement dynamics will change

Without a cap, claimants may feel they have more leverage, and some may push for very high settlements, or refuse to

negotiate at all. Expect higher claimant expectations and tougher negotiations.

Employers will need to rely more heavily on tools like contributory fault, failure to mitigate, and *Polkey* reductions to reduce compensation risk.

Employer behaviour will need to change

Procedural mistakes could become far more costly, meaning that HR teams will need to tighten up dismissal processes significantly. Key changes should include:

- Longer and more strictly monitored probation periods.
- More terminations before the new 6-month qualifying period.
- Greater procedural rigour in performance and conduct cases.
- Much closer attention to the Acas Code (since uplifts could be huge in uncapped cases).

Next steps and final thoughts

As yet, it is unclear exactly when the cap will be removed. Although the Act contains the provision to abolish the cap, separate regulations are needed to bring that provision into effect. Separately, the Government has stated that it intends the new six-month qualifying period to come into force on 1 January 2027, but it has not said whether the compensation cap will be removed at the same time. For now, we think it would be sensible for employers to work on the assumption that it will be removed on 1 January 2027.

When the cap goes, ordinary unfair dismissal stops being a mid-range statutory claim and becomes a major financial threat on par with discrimination and whistleblowing in many cases. For HR, this means more careful planning, more documentation, more robust processes, and more strategic decision-making from the very start of any dismissal. This is the biggest shift in dismissal risk for employers in decades – HR leaders will need to adapt quickly.

BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Amanda Steadman (AmandaSteadman@bdbf.co.uk) or your usual BDBF contact.

Non-competes restrictions in

employment contracts under the spotlight once again

On 26 November 2025 the Government published a working paper setting out options for the reform of non-compete clauses in employment contracts.

What is the background to this proposal?

Non-compete restrictions in employment contracts have come under intense scrutiny over the last decade, with repeated calls for restricting their use.

In May 2016, David Cameron's Government launched a Call for Evidence which sought views on whether non-compete clauses stifled innovation and unfairly hindered workers from moving freely between employers. The responses to that consultation were fairly polarised with established businesses favouring the current law but new ones looking for more flexibility. However, further work in this area was ultimately shelved in the wake of the Brexit vote.

Yet it was back on the table again just a few years later. In December 2020, Boris Johnson's Government launched a consultation on proposals for limiting, or potentially even banning, the use of non-compete clauses in employment contracts. The consultation put forward two proposals. The first was that non-competes should only be enforceable where the employer compensated the employee for the length of the restriction, potentially combined with a maximum length of

three, six or 12 months. The second was to ban non-competes altogether. However, the proposals were moth-balled, with no response to the consultation ever published by the Government.

Then in May 2023 Rishi Sunak's Government announced that it intended to legislate to limit the length of non-competes in employment contracts to three months (with no requirement to compensate the employee for the length of the restriction). However, the change of Government in 2024 meant this proposal never made it onto the statute books.

Given the Labour Government's focus on the wide-ranging employment law reforms contained in the Employment Rights Bill, many assumed that non-compete reform was a distant memory. It, therefore, came as a surprise to learn that reform of non-competes, is once again, back on the table. On 26 November 2025, the Government published a Working Paper inviting views on options to reform non-compete clauses in employment contracts.

What is proposed in the Working Paper?

The Government's stated aims in reforming non-competes is to advance the following objectives:

- **Boosting labour market dynamism** by making it easier for workers to move jobs or start their own business.

- **Reducing barriers to recruitment** so that businesses (particularly those scaling-up) can access the talent they need.

- **Promoting competition and innovation** by maximizing opportunities for innovators, experts and entrepreneurs.

- **Protecting workers** so that they do not have to face extended periods of time out of the labour market in their area of expertise.

The Working Paper goes on to set out five possible options for reform of non-compete clauses:

- **Option 1: Introduce a statutory limit on the length of non-compete clauses:** it is said that a statutory limit would protect workers by limiting the time they are unable to work in their area of expertise. However, the Government does not indicate what that statutory limit should be. Although arguments supporting a three-month

limit are acknowledged, the Government expresses concern that it would leave some lower-paid workers facing the prospect of three months out of work in their chosen area. Concern is also expressed that a statutory limit of any sort could be interpreted as an “industry standard” and lead to an assumption that non-competes of that length would be enforceable in *all* cases. The Government underlines that this is not the intention – the existing principles would continue to apply, namely that where the restraint of trade doctrine applied, a clause in restraint of trade will be unenforceable unless the employer can demonstrate it is reasonable.

- **Option 2: Introduce a statutory limit on the length of non-compete clauses according to company size:** as a variation on Option 1, it is suggested that the Government could apply different statutory limits according to company size – with lower limits (e.g. three months) for large companies and higher limits (e.g. six months) for smaller companies. It is said that this approach would aim to promote competition by making it easier for those working in large companies to move to competitors or start a competing business. This would also give smaller organisations an advantage over larger companies in that they could utilise longer non-compete restrictions. On the other hand, the downside of this approach is that it leaves those working in smaller companies, especially those in lower paid sectors, exposed to longer non-competes.

▪ **Option 3: Ban non-compete clauses:** a more radical suggestion is to ban the use of non-compete clauses in employment contracts altogether. The Working Paper says this would have the dual benefit of supporting worker mobility and boosting labour market dynamism. Further, employers might respond to a ban by offering positive incentives to retain staff (such as increased pay, bonuses or greater flexibility) which would benefit workers further. Alternatively, employers might deploy garden leave as an alternative to non-competes, which would also benefit workers since they would be paid. Concern is expressed about the possibility of employers strengthening their use of other restrictive covenants, and confidentiality and intellectual property clauses. The Government said it would need to ensure that other restrictions were not used in a way that would have a similar effect to a non-compete clause.

▪ **Option 4: Ban non-compete clauses below a salary threshold:** a more moderate version of Option 3 would be to permit the use of non-competes only where a worker earns over a certain salary threshold. This Working Paper highlights there is international precedent for this approach, for example, the Washington State ban on non-competes for workers earning below approximately £93,000. It is said the impact of the policy would vary depending on the level at which the threshold was set – with a suggestion of aligning it with the additional rate tax threshold of £125,140 being mooted. A partial ban such as this would achieve some of the benefits of an outright ban and provide greater protection to lower paid workers. Yet this proposal has several drawbacks including difficulties in calculating

pay (and the potential for satellite litigation about what should and should not be included in pay calculations) and the risk of creating certain incentives and cliff edges around pay levels that might lead to unintended consequences. It would also leave higher-paid and higher-skilled workers out of scope of the ban.

- **Option 5: Combining a ban below a salary threshold with a statutory limit:** a final option would be to combine Options 1 and 4, namely a ban below a salary threshold, with non-competes up to a maximum of three months allowed for those earning above the threshold. This would eliminate non-competes for lower paid workers while ensuring that non-competes could be deployed for higher paid workers in a limited way.

Finally, the Working Paper highlights that the Government is interested in hearing views and evidence on whether the threat of high legal costs presents obstacles to workers in contesting the enforceability of restrictive covenants. It is also interested in suggestions for how the Government might tackle this issue.

What don't we know?

There are a number of important points not made clear in the

Working Paper:

- **What is an “employment contract” for these purposes?** Will the proposals apply to contracts of employment only or also to other agreements which are collateral to the employment relationship e.g. shareholders’ agreements, long term incentive plans (LTIP) or carried interest agreements? In *Duarte v Black & Decker Corp* EWHC 2720 (QB), the High Court held that restrictive covenants contained in an LTIP agreement separate from the employment contract was no bar to the LTIP agreement being treated as an “individual employment contract” for the purposes of deciding the governing law. It is possible that a similar approach will be taken in the new legislation. The Working Paper is also silent on whether settlement agreements between employer and employee are within scope.

- **Will “workers” be covered?** The Working Paper refers reforming non-competes in “employment contracts”, yet in the body of the part it refers in places to “employees” and in other places to “workers”. Therefore, it is unclear whether the intention is to capture workers as well as employees. If the proposals do *not* extend to workers then this would mean that longer non-competes could still be used for certain independent contractors or LLP members.

- **Will the law apply to existing employment contracts?** It is not clear whether the proposals would apply retrospectively or only to new contracts. In the event that it applied retrospectively, employers would potentially need to renegotiate non-compete restrictions (depending on which proposals are taken forward). Thought should also be given to strengthening other terms to offset the reduction in the non-compete restriction. For example, notice periods, non-solicit and non-dealing covenants. However, in order to ensure the enforceability of any revised terms some form of “consideration” would need to be given to the employee in return for their agreement.

- **How will the new law work alongside garden leave clauses?** As the Working Paper recognises, the risk is that employers will respond to the loss of non-competes by extending periods of notice in order to place the employee on garden leave and keep them out of the market that way. This would undermine the stated intention of the proposals and so it seems likely that the interplay of garden leave and non-competes will need to be addressed. In our anecdotal experience, employers in some sectors responded to the Federal Trade Commission’s (now abandoned) rule banning non-competes by seeking to significantly increase employee’s notice periods.

Next steps?

Responses to the Working Paper must be submitted by 18 February 2026. It is said that the responses will inform the Government's engagement with relevant stakeholders before a decision is made about which proposals (if any) are taken forward.

No indication is given about when any such proposals might be implemented but given that a further programme of stakeholder engagement is envisaged before the Government settles on a policy, it seems unlikely that any legislation would come into force in the course of 2026.

[Working paper on options for reform of non-compete clauses in employment contracts](#)

BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Amanda Steadman (AmandaSteadman@bdbf.co.uk), Tom McLaughlin (TomMcLaughlin@bdbf.co.uk) or your usual BDBF contact.