

THE EMPLOYMENT RIGHTS ACT 2025

Guide for Employers



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ERA Guide for Employers



The Employment Rights Act 2025 (ERA 2025) represents the most significant reform in workplace law in decades, with some changes already in effect, others starting later in 2026, and major reforms, such as the reduction of the unfair dismissal qualifying period and removal of the compensation cap, taking effect in January 2027. We've set out the main changes below and what you, as employers, need to do to prepare.



Summer 2026

Some changes under the ERA came into force in the Spring, and the next batch comes into force in October. No changes are being brought into force in the Summer period but you should be aware that any employees hired from 1 July 2026 will gain unfair dismissal rights from the point at which they achieve six months' continuous service (as opposed to 2 years, which the current qualifying period). See the section "January 2027 Changes" below for guidance. You should ensure that new employees have shorter probationary periods (3 months) and that their suitability for the role is properly assessed and managed within that period so that there is time to terminate employment, should this be appropriate, prior to them gaining unfair dismissal rights.

April 2026 Changes

Statutory Sick Pay (SSP)

Two major changes came into force in April 2026:

- SSP is now payable from Day One of absence, removing the previous three-day waiting period.
- The lower earnings limit for SSP eligibility has been abolished, extending sick pay rights to very low-paid, zero-hours, and part-time workers.

Additionally, the SSP rate increased from £118.75 to £123.25 per week, with a new calculation ensuring employees receive the lower of the standard rate or 80% of their average weekly earnings.

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Action Points:

- Update absence policies and employment contracts to reflect the removal of the lower earnings limit and waiting period.
- Inform managers and staff about the changes and their financial implications.
- Ensure payroll systems are updated for Day One SSP payments and new rates.
- Review absence management procedures, including back-to-work interviews and monitoring patterns of absence.
- Assess the impact on occupational sick pay schemes, potentially adjusting them to account for SSP changes.
- Communicate clearly with employees about absence policies and consequences of non-genuine absences, emphasizing the relatively low SSP rate to deter abuse.



Day One Paternity and Parental Leave

From 6 April 2026, paternity leave and unpaid parental leave became rights from Day One of employment, removing previous service requirements of 26 weeks and one year, respectively. Bereaved fathers and partners are now entitled to up to 52 weeks of paternity leave if the mother or primary adopter dies within the first year of the child's life.

Action Point:

- Update policies and ensure awareness among managers and staff of these family leave changes.

Collective Redundancies

The penalty for failing to properly conduct collective redundancy consultations has doubled from 90 to 180 days' pay per affected employee. The consultation requirement applies when proposing 20 or more redundancies at a single establishment within 90 days. A new organisation-wide threshold will be introduced, likely in 2027.

Action Point:

- Strictly adhere to collective consultation rules to avoid doubled penalties.

Sexual Harassment Whistleblowing Protection

Workers who disclose sexual harassment are now entitled to whistleblower protection if they reasonably believe the disclosure is in the public interest. This may increase awareness and complaints, so employers should refresh manager training and update whistleblowing policies to include sexual harassment.

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The Fair Work Agency

A new enforcement body, the Fair Work Agency, was established in April 2026, consolidating functions such as national minimum wage enforcement. It can fine employers for underpaying holiday pay or SSP, with penalties up to 200% of the owed amount (capped at £20,000 per worker). Employers must keep holiday pay records for six years, which the agency can inspect; failure to keep records is a criminal offence.

Action Points:

- Maintain accurate, comprehensive holiday pay records showing entitlement, pay calculations, and payments.
- Train managers to use record-keeping systems consistently.
- Review classification of workers to avoid misclassifying those entitled to holiday pay.

October 2026 Changes

Third-Party Harassment

Protection from harassment by third parties (for example customers, clients, contractors) is reintroduced. Employers can be liable for harassment of staff by non-employees unless they prove all reasonable steps were taken to prevent it. This is particularly significant for public-facing businesses.

Action Points:

- Assess risks and implement safety measures such as alarms, CCTV, or code words.
- Set clear behavioural expectations with third parties.
- Address harassment in contractor agreements.
- Update anti-harassment policies and training to include third-party harassment.
- Investigate allegations seriously and support affected employees.
- Avoid penalising victims, e.g., by ensuring reassignment is not a demotion.

Sexual Harassment Preventative Duty

The ERA 2025 tightens the requirement to take “all reasonable steps” to prevent sexual harassment to avoid a 25% compensation uplift in tribunals. While regulations defining these steps are expected in 2027, employers should currently follow established guidance and case law, and ensure managers and staff have had anti-harassment training.

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Other October 2026 Changes

- Employers must inform new employees of their right to join a trade union and remind existing employees regularly.
- Trade unions gain rights to access workplaces for recruitment and representation. This will mean that even small, private businesses will need to prepare for the possibility of trade union access.
- Further tightening of tipping laws is planned for the hospitality sector.
- The time limit for bringing employment tribunal claims may double from three to six months, increasing the need for extended HR record retention and early dispute resolution efforts.

January 2027 Changes

Unfair Dismissal Qualifying Period Reduction

The qualifying period for unfair dismissal protection reduces from two years to six months. Employees with six months' service by 1 January 2027 will gain protection, impacting probation periods and performance management timelines.

Action Points:

- Shorten probation periods (e.g., to three months) to allow flexibility.
- Implement reliable and timely performance assessments.
- Address underperformance of employees approaching six months' service before January 2027.
- Enhance recruitment processes to reduce unsuitable hires.
- Update HR documents to reflect probation changes.

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Removal of Compensation Cap

The cap on unfair dismissal compensation, currently limited to 52 weeks' pay or about £123,500, whichever is lower, will be abolished. While most awards remain below the cap, this change may lead to higher value claims, especially from senior employees, and affect exit negotiations.

Action Point:

- Consider addressing underperformance of senior staff promptly to mitigate risk and cost.

Ban on Fire and Rehire

From January 2027, dismissing employees for refusing changes to core contractual terms (pay, hours, pensions, shifts, time off) through fire and rehire practices will be automatically unfair, with narrow exceptions related to financial difficulties. Minor contractual changes will be judged on reasonableness.

Action Point:

- Consult employees on major contract changes in 2026 to avoid conflicts under the new rules, potentially linking contract variations to discretionary pay rises

Later in 2027 and Beyond

Upcoming Reforms

- Enhanced dismissal protections for pregnant women and new mothers.
- Day One bereavement leave rights, including for pregnancy loss.
- Changes to collective redundancy consultation thresholds for multi-site employers.
- Requirement to provide written reasons for flexible working refusals.

Casual and Shift Workers

New obligations may require offering guaranteed hours to zero- or low-hours workers, providing reasonable notice of shifts or changes, and paying for short-notice cancellations or changes. The details are still emerging, and employers are advised to assess their current casual workforce and shift practices.

Closing Summary

Employers should prioritise updating policies and payroll for April 2026 changes, prepare for harassment law and trade union law reforms in October, and urgently improve probation and performance management in anticipation of January 2027's unfair dismissal reforms. Attention should also be given to the fire and rehire ban and guaranteed hours rules as further details emerge.

Contact



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