



IMPACT

RIGHTS

EMPLOYMENT RIGHTS BILL UPDATE MAY 2025

The proposed reforms by the Labour government are set to significantly reshape the employment law landscape. These changes are likely to take effect from late 2025 into 2026 and beyond.

Employers who fail to prepare may face legal risk, reputational damage, and strained employee relations. Below are some of the headline changes and practical steps businesses should take to prepare.

RIGHT TO CLAIM UNFAIR DISMISSAL FROM DAY ONE

Employees will have a right to challenge whether their dismissal was fair from day one of employment and the standard '2 year qualifying period' will be removed. It is expected that employers will be able to follow a 'light touch' dismissal procedure during an 'initial period' of employment. This Initial period is expected to be 9 months. Details of the 'light touch' procedure is to be confirmed.

PRACTICAL TIPS:

- Review recruitment processes so that you are getting the right people in the right jobs from the start.
- Ensure onboarding processes and performance management systems are robust and evidence-based.
- Train line managers in capability-based performance, absence and dismissal processes.

EXTENSION OF TIME FOR BRINGING EMPLOYMENT TRIBUNAL CLAIMS FROM THREE TO SIX MONTHS

This may come in very quickly. The effect of this will be to change almost every piece of employment legislation to reference a 6-month (instead of 3-month) limitation period for bringing an ET claim. This extension may exclude breach of contract claims after the end of employment.

PRACTICAL TIPS:

- Review your document retention policies and timelines.
- Budget for an increase in employment tribunal claims.
- Focus on resolving workplace disputes swiftly and fairly.
- Consider Employment Practices Liability Insurance (EPLI).

BAN ON 'FIRE AND REHIRE' PRACTICES

Prior to the proposed reforms, employers could engage in a process that resulted in dismissing employees who refused to agree a change to their contracts and offer re-engagement under a new contract with the new terms.

The amendments under the Employment Rights Bill will make dismissing an employee for refusing to consent to a change to terms and conditions an automatic unfair dismissal, unless the employer can show that the reason for dismissal and re-engagement was evidence of looming insolvency or closure due to imminent financial difficulties.

PRACTICAL TIPS:

- Review existing T&Cs to ensure they are future-proof.
- Plan and implement any necessary changes before the legislation comes into force.
- Seek legal advice before initiating any change processes that could trigger dismissal and re-engagement.

STATUTORY SICK PAY

The Employment Rights Bill will make SSP available to all employees (removing the lower earnings limit) and will abolish the three-day waiting period, allowing payment from day one of absence.

PRACTICAL TIPS:

- If applicable, check how contractual sick pay aligns with SSP payments.
- Update sickness policies/ contractual terms.
- Tighten absence management processes.

HARASSMENT

The current duty to take reasonable steps to prevent sexual harassment will be extended to *all* reasonable steps.

Employers will also become liable for third party harassment (all harassment types) and will have to demonstrate that they have taken all reasonable steps to prevent it in order to succeed in any defence.

Sexual harassment will become a qualifying disclosure under the whistleblowing legislation.

PRACTICAL TIPS:

- Aim for all reasonable steps!
- Train staff and managers on how to prevent and respond to harassment.
- Update your workplace investigation processes and training.
- Carry out a dynamic risk assessment for harassment risks in your workplace.

COLLECTIVE REDUNDANCIES

The 'at one establishment' test is being retained but there will be a new 'threshold' trigger for collective redundancies, the details of which are not yet known.

The protective award that an employee could be awarded for their employer's failure to comply with collective consultation will double from 90 to 180 days.

PRACTICAL TIPS:

- Think ahead when planning redundancies.
- Ensure good cross-company communication.
- Ensure consultation processes are clear, timely, and compliant.
- Consider use of skills re-allocation rather than redundancies.

FAMILY FRIENDLY/FLEXIBLE WORKING

- The Bill proposes to make it harder to refuse flexible working requests unless employers can show that refusal is reasonable.
- It is also proposing to implement the following:
 - Day 1 right to bereavement leave of at least one week for a wider range of 'relationships'.
 - Day 1 right to paternity leave.
 - The restriction on taking paternity leave and pay after shared parental leave will be removed.
 - Day 1 right to parental leave.
 - A new provision for leave after miscarriage looks likely to be added to bereavement leave.
 - A ban on dismissals of employees who are pregnant, on maternity leave or during a six month return to work period, except in specific circumstances. The Bill is clear that the protection will also apply to other forms of family leave such as adoption leave, shared parental leave, neonatal care leave and bereaved partners' paternity leave.

PRACTICAL TIPS:

- Review leave and flexible working policies.
- Train managers on handling leave requests and protections.
- Prepare for administrative changes in HR systems and templates.

THE NEONATAL CARE ACT 2023 AND EMPLOYMENT RIGHTS BILL: WHAT ARE THE KEY CHANGES THAT EMPLOYERS SHOULD LOOK OUT FOR AND HOW TO PREPARE FOR THE UPCOMING REFORMS

The Neonatal Care Act 2023

This Act is in force as of 6 April 2025. Employees are entitled to additional leave and pay of up to 12 weeks for parents whose baby requires neonatal care.

Need help? We've developed a model policy to help you stay compliant — get in touch for a free copy.

Zero-hours contracts and agency workers

The bill aims to curb exploitative zero-hours contracts by granting employees the right to a guaranteed hours contract if they have worked regular hours over a 12-week period. This right has been extended to agency workers, ensuring they receive reasonable notice of shifts and compensation for cancellations or changes made on short notice.

There are detailed and complex rules and due to the amount of consultation on the Regulations still required, it is expected that this may be pushed back as far as 2027 - and it may be that the rules can be disapplied via a collective trade union agreement.

Payments for curtailed / cancelled shifts for zero-hour workers

The Bill introduces a right to reasonable notice of a shift an employee is required to work, including the time, day and how many hours are to be worked. This duty will apply to workers employed on a zero hours or minimum hours basis, as well as workers who do not have a set working pattern. There is also a right to reasonable notice of any change or cancelled shift. What is 'reasonable notice' has not yet been decided.

There will be a duty on employers to make a payment to workers each time there is a change to a shift at "short notice". Details will be clarified in the Regulations, but compensation will be proportionate to the cancellation or curtailment.

PRACTICAL TIPS:

- Audit existing zero-hours and agency contracts.
- Monitor shift scheduling practices.
- Prepare for compensation requirements once "reasonable notice" thresholds are confirmed in the Regulations.

GENDER AND MENOPAUSE ACTION PLANS

Employers with 250+ employees will have to:

- publish annual gender pay gap reports.
- produce and publish menopause action plans as part of an Equality Action Plan.

PRACTICAL TIPS:

- Embed these plans within your Equality, Diversity & Inclusion framework.
- Ensure board-level accountability and HR ownership.
- Engage with employees to ensure meaningful action, not just compliance.

HOLIDAY PAY

Introduction of an obligation on employers to keep records demonstrating compliance with holiday entitlement (including the amount of leave and pay).

PRACTICAL TIPS:

- Audit your time tracking and payroll systems.
- Ensure part-year and irregular hours workers are included.
- Prepare for spot checks or enforcement.

ENFORCEMENT/FAIR WORK AGENCY

The new Fair Work Agency will have unprecedented powers, including:

- the ability to bring claims on behalf of workers;
- the power to offer legal assistance for employment cases, with costs potentially recoverable from employers if the claim succeeds;
- authority to pursue employers for unpaid holiday pay and sick pay, and impose financial penalties payable to the Government.

It is anticipated that this, along with the extension of time to lodge a claim in an Employment Tribunal being extended from 3 months to 6 months, and the changes to the law on unfair dismissal, will result in far more claims being pursued.

PRACTICAL TIPS:

- Ensure policies, procedures and documentation are legally sound.
- Act early to resolve disputes.
- Stay alert to regulatory communications from the Agency once launched.

AND MORE

Trade union reforms are also on the agenda, especially in relation to rights to organise and consult. Watch this space for more on this.

New regulation and taxation rules for umbrella companies are expected.

A "right to disconnect" is not currently included in the Bill.

HELPING YOU NAVIGATE EMPLOYMENT LAW REFORMS

At Impact Lawyers, we understand that staying compliant with evolving employment laws can be a challenge for business owners. Our employment law and HR experts are here to provide tailored advice, ensuring your contracts, policies, and procedures align with the latest legislative changes.

We help you anticipate and mitigate risks, keeping your business legally secure and employee-friendly.

We offer:

- Practical training for HR teams and line managers.
- Contract and policy reviews.
- Guidance on risk management and implementation planning.
- Human performance and culture training so you can really understand your workforce.

As further details regarding the Employment Rights Bill become available, our team will continue to provide updates and offer support to help you stay informed and compliant.

If you would like to discuss how these reforms might impact your business, please contact us today at contact@impactlawyers.co.uk