

ROTHERHAM TAYLOR
LIMITED
Chartered Accountants & Registered Auditors

A GUIDE TO THE EMPLOYMENT RIGHTS ACT

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INTRODUCTION

The new Employment Rights Act is set to bring about a significant overhaul of workers' rights, which will begin taking effect in 2026.

As such, it is imperative that all businesses that hire employees become familiar with the contents of the Act and must begin updating their policies and procedures accordingly.

Changes to how workers are treated also impact a business's finances, with payroll being the main factor you need to keep on top of as the law changes.

Our expert team is on hand to help you manage your new obligations in accordance with the new Act so that you are not caught out when the time comes.

We have also put together this helpful guide that breaks down each section of the Employment Rights Act 2025 and highlights how you can stay compliant.



AN END TO ZERO-HOURS CONTRACTS

In an attempt to create a more secure working environment for workers, the Employment Rights Act 2025 is set to tackle what is known as 'one-sided flexibility'.

This is when employers hold the power to alter the working hours of an employee with little or no notice.

The embodiment of this imbalance is zero-hours contracts. Long viewed by many workers' rights advocates as a way of employers keeping employment costs down by leaving workers uncertain, exploitative zero-hours contracts will be ended.

It will no longer be possible to keep an employee on zero-hour contracts indefinitely, as they will need to be offered a fixed-hour contract following a reference period.

Later legislation will determine the exact span for the reference period, but it is currently expected to be 12 weeks. This is also being paired with the need for employers to provide reasonable notice of changes to shifts for zero-hours workers.

The notice will need to include:

- The date of the shift.
- The start and end time of the shift.
- The number of hours to be worked.

It is not yet known the exact length of time that is going to be considered reasonable, but the Government has indicated that it is likely to set the threshold at seven days.

This means that employers will need to give a week's notice before they change an employee's shift.

If shifts are changed or cancelled on short notice, it will be necessary for employers to compensate the worker.

While the compensation will not be expected to exceed the amount that would have been earned had the shift taken place, it will still be a notable expense for an employer to bear.

This is particularly the case if the reason for the cancellation was a downturn in businesses or a cancelled booking.

As this is a new requirement, it will be necessary for businesses to factor this into payroll calculations to avoid breaching compliance.

HOW DO BUSINESSES ADAPT TO LOSING ZERO-HOUR CONTRACT FLEXIBILITY?

Operational costs are a challenging burden for many businesses and employee expenses can play a part in that. Losing the flexibility afforded by zero-hour contracts means that businesses may now have to shoulder more costs than previously.

It will be necessary to budget effectively, as shouldering additional costs will be a common refrain throughout the implementation of the Employment Rights Act.

Effectively, the biggest change will be to require employers to carry out better planning. It will still be possible to alter shifts when essential, but that will soon carry a cost.

The cost is likely to be cheaper than letting someone work a shift unnecessarily, but determining how best to handle that situation will be vital for maintaining rapport and staying compliant.

Agency workers will also be afforded the same rights, so this cannot be used to circumvent the changes.

As such, businesses need to be conscious of when shifts are changed or cancelled so that payroll records can reflect the need to pay workers even when they do not actually work a shift.

PROTECTION FROM UNFAIR DISMISSAL

Originally slated to be part of the bundle of day one rights that the Employment Rights Act 2025 is set to introduce, employees will now be protected from unfair dismissal after six months of continuous employment.

This means that, while the Act does not technically introduce a formal probationary period, employers should now view the first few months as a critical time when employee suitability is accurately assessed.

Traditionally, it has been possible to extend probation periods beyond, for example, an initial six-month period, because there was previously a two-year buffer before protection from unfair dismissal kicked in.

It may soon be necessary for employers to undertake a strict probationary review at three months into the employment, at which the employee's current performance is assessed.

Employers should try to engage with the employee as best as possible at this juncture and help them adjust their approach to work if it is looking like they are struggling to fit the role.

As protection from unfair dismissal only arises after six months of employment, employers should decide whether to retain a new starter before they reach five months' service.

Allowing probation to extend beyond this period risks crossing the unfair dismissal threshold and losing the ability to terminate with minimal legal risk.

As with the existing law, however, even if an employee does not meet the qualifying period for protection against unfair dismissal, that does not necessarily mean that an employer is free to dismiss.

An employee can still make a claim if the dismissal is related to an automatically unfair reason, such as whistleblowing, or if it involves discrimination or other illegal actions.

Employers must therefore continue to be mindful of this and to ensure that some sort of process is conducted, even if it is a shorter one. In a similar vein, it will no longer be possible to engage in fire and rehire practices.

If contractual changes are not agreed and the employee is dismissed, it may amount to unfair dismissal, exposing the employer to potential consequences.

EXPANSION OF DAY ONE RIGHTS

Rather than having a range of qualifying periods, that can make it challenging to keep track of which employees are entitled to which rights and protections, the Employment Rights Act 2025 will make most rights applicable from day one.

The notable exception to this is the protection from unfair dismissal, which is detailed in the previous section. This means that the rights that will be applicable from day one are:

Flexible working

As is currently the case, employers are only permitted to reject requests for flexible working if they believe that there are specified business grounds for doing so and if reasonable for them to refuse the request on that basis. While this has been the case since 2024, the Employment Rights Act 2025 will necessitate written reasons for any refusal and require more in-depth consultation with employees.

Parental and paternity leave

This move will see expectant parents protected as soon as they begin employment, although maternity and paternity pay are not currently set to be revised.

Bereavement leave

This will be applicable based on the following:

- Employees can take one week's bereavement leave for the death of an eligible relative.
- Leave must be taken within 56 days of the death.
- If multiple bereavements occur, employees will be entitled to separate leave for each loss.

Regulations will define which relatives qualify for bereavement leave, although it is currently expected that close relatives will be considered eligible, while those more distant to the employee(s) may fall outside of the scope.

STRONGER FAIR PAY PROTECTIONS AND ENHANCED WORKER WELLBEING MEASURES

The Employment Rights Act 2025 also seeks to tackle issues regarding fair pay that are still prevalent in many workplaces.

Chief among these is the reform to Statutory Sick Pay (SSP). SSP will now be payable from the first day of sickness and the lower earnings limit is set to be removed.

There will also be an increased need for employers to review their pay practices to ensure they are not contributing to the Gender Pay Gap.

This should be part of broader measures to tackle gender inequality through measures like menopause support. By reviewing payroll records ahead of the changes, it may be possible for businesses to determine where Gender Pay Gaps exist and begin to address them.

Alongside this, better protections against sexual harassment will need to be implemented. It is hoped that this will see a reduction in the number of businesses that are content to place their staff in front of a training video and consider the matter resolved.

Instead, employers will need to take all reasonable steps to prevent sexual harassment and establish protections for whistleblowers who notice problems.

Combatting sexual harassment will also include preventing it at any work-related event, such as a party or conference, and protect employees from harassment by third parties.

ESTABLISHMENT OF THE FAIR WORK AGENCY

In order to better streamline the implementation of workers' rights and hold businesses accountable, a new Fair Work Agency (FWA) will be established.

The FWA seeks to specifically work to enforce:

- Domestic agency rules.
- The National Minimum Wage.
- Licensing of gangmasters.
- Action against serious labour exploitation.

As a business, it will be important for employers to understand that much of the compliance oversight will be handled by the FWA going forward. We will seek to support you in understanding the role of the FWA, but do not be surprised if you begin to receive correspondence from them on occasion.

If an employee does seek to take an employer to the employment tribunal, they will likely do so through the FWA. This will be aided by the FWA loosening the deadline for tribunal claims from three months to six months.

Knowing your rights and responsibilities should make your position in respect of tribunal cases as strong as possible, as we can help you show that you adhered to regulations.

EXPANSION OF ACCESS TO TRADE UNIONS

Given its history as the party of trade unions, it is little wonder that the Labour Government are overseeing an Act that gives unions more power.

The new Act will see the Strikes (Minimum Service Levels) Act 2023 repealed, meaning that workers will have a greater ability to take strike action when dissatisfied in the workplace. This is coupled with granting trade unions a greater right to access the workplace, including providing for digital access.

If your workplace currently does not have a trade union presence, this may change in the near future. As further legal rights and protections are granted to trade union representatives, you can expect to see them making a concerted effort to establish a presence in the workplace.

Employers will also be obliged to make employees aware of their right to join a trade union, and this may happen in tandem with the trade unions making themselves known to your workers.

Employers will not be able to block employee access to trade unions and they may need additional support in managing the impact that unions have in your workplace.

This is where seeking professional legal support can be vital, as you can determine the scope of the powers that unions have and ensure they do not overstep their boundaries.



KEY DATES FOR THE EMPLOYMENT RIGHTS ACT

Provided the Act becomes law soon, the Government are working to implement different aspects across three periods of time:

APRIL 2026

- Day one paternity leave and unpaid leave rights.
- Whistleblowing protections.
 - SSP reforms.
- Creation of gender pay gap and menopause action plans.
- The FWA established.
- Simplify the trade union recognition process.

OCTOBER 2026

- Ban on fire and rehire.
- Requirement for steps to be taken to prevent sexual harassment.
 - Protection from sexual harassment.
- Duty to inform workers of their right to join a trade union.
- Strengthening of trade unions' rights of access.

2027

- Unfair dismissal protection after six months.
- Mandatory gender pay gap and menopause action plans.
- Zero-hours contract reforms (including agency workers).

WHAT DOES THE FUTURE HOLD FOR EMPLOYMENT RIGHTS?

With the Employment Rights Act 2025 now proceeding, the changes it introduces will need to be planned for immediately.

Even the changes that are not due to take effect until 2027 will need careful planning to ensure that your business can handle any administrative or financial burdens.

We can help you understand your rights and responsibilities so that you know what needs to change and the steps you can take to stay compliant.

Speak to our expert team to discover more about the financial impact of the Employment Rights Act or for advice on your financial obligations as an employer.



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