Proskauer

Major Reforms for UK Employment Law: ERA 2025

Law and the Workplace on **December 23, 2025**

The UK Employment Rights Act 2025 (the "**ERA 2025**") has now received Royal Assent. The ERA 2025 will introduce the most significant changes to UK employment law in over a decade. The reforms will affect all organisations with UK staff and will require changes to employment documentation, policies, and processes in the coming months.

The key changes and the practical steps employers should consider are as follows:

Unfair dismissal risk and compensation

- The qualifying period for unfair dismissal will reduce from two years to six months. This will significantly affect how employers manage exits for newer employees. Employers will need to revisit the use of probationary periods, performance management and notice periods for new hires.
- The current cap on unfair dismissal compensation will be removed. This will increase potential exposure, particularly for senior employees and high earners.

Earlier and "day one" rights

- There will be new day one rights to paternity leave and unpaid parental leave, and expanded bereavement leave.
- Statutory sick pay will become payable from day one of absence and without the current lower earnings limit.
- These changes will widen eligibility across workforces (notably for junior and support staff).

Pregnancy and maternity rights

- Protections against dismissal for pregnant workers and those individuals who have returned from maternity leave will be strengthened. Employers will need to review their redundancy selection processes, dismissal decision-making and manager training, given the overlap with discrimination risk.

Contract change, "fire and rehire" and working patterns

- There will be new statutory restrictions on the use of “fire and rehire” to impose contractual changes. This will increase the risk profile for changes to compensation structures, bonus terms and benefits. Employers will need longer lead times, clearer business justifications and more structured consultation.
- There will be stronger protections for zero-hours and other “one-sided flexibility” arrangements, including a right to request a more predictable working pattern. This is likely to be a key issue for sectors using casual and gig-type arrangements.

Collective redundancies

- The trigger for collective consultation will be linked to the employing entity only, rather than to “one establishment” of that entity (broadly each workplace). This means that where an employing entity proposes to make 20 or more redundancies in a 90 day period, a collective redundancy consultation process will be required regardless of how those redundancies are distributed across sites.
- The maximum protective award for failure to collectively consult will double from 90 days to 180 days’ pay.
- Groups with multiple UK sites under a single employing entity will be particularly affected.

Flexible working

- Where a flexible working request is rejected, the employer will need to provide the reason for the rejection and explain why the refusal was reasonable. However, the maximum award for failing to follow the statutory procedure will remain capped at 8 weeks’ pay.

Culture, harassment and enforcement

- Employer will have a new proactive duty to take “**all** reasonable steps” to prevent sexual harassment (including by third parties). The scope of this duty is subject to further guidance. Sexual harassment disclosures will also receive whistleblowing protection.
- A new Fair Work Agency will be created to coordinate the enforcement of certain employment rights (e.g. National Minimum wage and holiday pay), including providing investigation powers.

Time limits to bring claims

- The current time limit to bring most claims in the Employment Tribunal is 3 months. This will be extended to 6 months.

Timeline and next steps

Implementation will be phased from 2025 through to 2027. Many of the most material changes for employers are expected from Q3 2026 onwards. Changes to unfair dismissal are not expected to take effect until January 2027. Further secondary legislation and guidance is expected during 2026, including detail on how the new duties and restrictions will operate in practice.

As we move into 2026, and as the detail of the ERA 2025 is clarified through further legislation and guidance, employers should start to identify and plan for potential changes in key areas such as:

- Updates to employment contracts, handbooks and key HR policies (including sickness, family leave, flexible working, harassment and whistleblowing);
- Updates to or implementation of workplace conduct training;
- Updates to contractual documentation with respect to third parties (notably with respect to protections for harassment/whistleblowing); and
- Updates policies and procedures in relation to recruitment, probation and performance management.

Early scoping and planning will help ensure your organisation is ready to move quickly once guidance is finalized and ahead of the relevant implementation dates.

To discuss how the ERA 2025 may affect your organization or a specific project, please contact Kelly McMullon or Nicola Bartholomew.

Related Professionals

- **Kelly M. McMullon**
  Special International Labor, Employment & Data Protection Counsel
- **Nicola J. Bartholomew**
  Special International Labor & Employment Counsel