



Economy and Environment Overview and Scrutiny Commission

Employments Rights Act - Overview

January 2026



Overview

- Key pillar of the Government's "Plan to Make Work Pay"
- Aims are to grow the economy, increase wages, and reduce insecure work
- Developed in collaboration with business and trade unions
- Aim to provide additional protections to workers
- Focus on flexibility, fair pay, family friendly rights, fairness, equality and wellbeing of workers, modernising trade union legislation, and improving enforcement powers

Route map for Implementation

Immediate

- Repeal of the Strikes (Minimum Service Levels) Act 2023
- Repeal of the great majority of the Trade Union Act 2016 (some provisions will be repealed via commencement order at a later date)
- Removing the 10 year ballot requirement for trade union political funds
- Simplifying industrial action notices and industrial action ballot notices
- Protections against dismissal for taking industrial action

Route map for Implementation

Phase 1: April 2026

- Day-One Family Rights: Paternity leave and unpaid parental leave become day-one rights for all employees.
- Statutory Sick Pay (SSP) Reform: Removal of the three-day waiting period (paid from day one) and the lower earnings limit. Low-paid workers will receive 80% of their earnings or the flat rate, whichever is lower.
- Collective Redundancy: The maximum protective award for failure to consult doubles from 90 days to 180 days' pay.
- Fair Work Agency: Launch of a new single enforcement body to oversee labour standards, minimum wage, and SSP compliance.
- Whistleblowing: Sexual harassment disclosures will explicitly count as protected disclosures.

Route map for Implementation

Phase 2: October 2026

- "Fire and Rehire" Restrictions: Dismissing and rehiring on less favorable terms becomes "automatically unfair" except in cases of extreme financial distress.
- Tribunal Time Limits: Extension of the time limit for bringing most employment claims from three months to six months.
- Duty to Prevent Harassment: Employers must take "all reasonable steps" to prevent sexual harassment (an upgrade from the current "reasonable steps" standard).
- Third-Party Harassment: Employers will be held liable for harassment of staff by third parties (e.g., customers) unless prevention steps were taken.
- Union Notification: A new duty for employers to inform workers of their right to join a trade union.

Route map for Implementation

Phase 3: 2027 Onwards

- Unfair Dismissal (January 1, 2027):
 - Reduced Qualifying Period: requirement to claim unfair dismissal drops from two years to six months.
 - Unlimited Compensation: statutory cap on unfair dismissal compensatory awards is removed completely.
- Zero-Hours Contracts: A new right for workers on zero or low-hours contracts to be offered guaranteed hours that reflect their regular working pattern.
- Flexible Working: Employers must provide a written explanation of why a refusal of a flexible working request is "reasonable".
- Bereavement Leave: A new day-one right to unpaid bereavement leave, including for pregnancy loss before 24 weeks.
- Equality Action Plans: Large employers (250+ staff) must publish plans addressing the gender pay gap and menopause support (mandatory in 2027 following a voluntary phase in April 2026).

Government Analysis of Impact

- Benefits
 - Expected to benefit people in some of the most deprived areas of the country by addressing the hidden costs of insecure work, which can be up to £600 a year in lost income.
 - Economic modelling shows that the Act could increase UK employment by around 0.1%, and GDP by around 0.04%.
 - Improvements to worker wellbeing could reduce stress, depression or anxiety in the workplace which accounted for 22.1 million working days lost in 2024/25, equivalent to a loss of £6.5bn in output per year.
- Costs
 - Creating an economy that delivers for businesses and for working people does mean making some changes, equivalent to a 0.1% increase in annual UK employment costs, most of which will represent a transfer from businesses to their workers
 - Direct costs to business of around £1 billion per year, equivalent to a 0.1% increase of the national wage bill.
 - Costs will be proportionately higher for small and micro businesses due to the fixed costs of admin and compliance burdens.

Background / Additional Information

- [Employment Rights Act 2025: factsheets - GOV.UK](#)
- [Employment Rights Act - Overview](#)
- [Employment Rights Act - Summary Impact Analysis](#)
- [Employment Rights Act 2025 - Full Economic Analysis](#)