HR SOLVED LTD

The Employment Rights Act 2025

What a UK employer needs to do before January 2027

HRS-GDE-ERA2025-V4-260826 | Version 4.0 | 26 August 2026

> **How current is this?**
>
> Every date and figure in this guide was checked against primary sources on 26 August 2026: the Employment Rights Act 2025 itself, the commencement regulations made under it, and GOV.UK. Where something rests on the Government's implementation roadmap rather than on regulations already made, it says so.
>
> Employment law is moving quickly at the moment. Check hr-solved.uk for a later version before relying on any date in section 4.

1. The change that matters most

From 1 January 2027, an employee with six months' service can bring an ordinary unfair dismissal claim. The qualifying period today is two years.

This is in section 25 of the Employment Rights Act 2025, commenced by regulations made in 2026. It is settled law, not a proposal.

Two points follow, and both are easy to miss.

It applies to the staff you already have, not only to new hires. Anyone with six months' service on 1 January 2027 gains the protection that day. In most small businesses that is nearly everyone.

It applies by the date of dismissal, not the date a claim is heard. The legal term is the effective date of termination, which usually means the day employment actually ends. A dismissal ending employment on 31 December 2026 will be judged under the two-year rule. One ending on 1 January 2027 will be judged under the six-month rule.

> **Example.** *You employ eleven people. Nine have been with you over a year. Today, none of the nine could bring an ordinary unfair dismissal claim unless they had two years' service. On 1 January 2027, all nine will be able to, after only six months' service.*

One more change will also become law on 1 January 2027. The right to ask for written reasons for dismissal also drops from two years' service to six months. If an employee asks, you must give them the reasons in writing within fourteen days.

> **What to do:** List every employee who will have six months' service on 1 January 2027. Do it now, not in December, because it tells you how many people your dismissal process has to be right for.

2. What it can cost

Compensation for unfair dismissal has two separate parts. It is worth being precise about which is changing, because only one of them is.

The basic award, unchanged

Calculated from age, length of service and a capped week's pay. From 6 April 2026 the week's pay limit is £751 and the maximum basic award is £22,530. This was set by the Employment Rights (Increase of Limits) Order 2026. This part is not changing in January.

The compensatory award, uncapped from January 2027

This reflects the money the employee actually lost. From 6 April 2026 it is capped at the lower of £123,543 or 52 weeks' gross pay.

From 1 January 2027 that cap is removed entirely. Section 25(3) of the Act removes all limits. A tribunal will award what it considers just and equitable, having regard to the loss the employee suffered. The April 2026 increase was the last cap for the compensatory award there will be.

This does not mean awards routinely become enormous. Most unfair dismissal awards are modest, because most claimants find other work. What changes is the ceiling, and with it the negotiating position of anyone bringing a claim.

Uncapped awards are not new in principle. The cap has never applied to dismissals for whistleblowing or health and safety activity. From January 2027 they simply become possible in ordinary cases too.

> **Example.** *A manager who is paid an annual salary of £45,000 is dismissed unfairly and takes fourteen months to find equivalent work. Under the current cap the compensatory award is limited to 52 weeks' pay. From January 2027 the compensatory award is unlimited.*

> **What to do:** Treat every dismissal from 1 January 2027 as carrying open-ended financial exposure if the process is wrong. That is a reason to get the process right, not a reason to avoid dismissing.

A second change that raises the stakes, and it is already in force

From 6 April 2026 the maximum protective award for failing to consult collectively on redundancies doubled, from 90 days' gross pay to 180 days' gross pay, for each affected employee.

Collective consultation obligations apply where twenty or more redundancies are proposed at one establishment within ninety days. If you get that wrong across, say, twenty-five people, the maximum exposure is now 180 days' pay each. That is the single largest change to redundancy risk in this Act and it took effect five months ago.

3. Other changes that have recently come into effect

Neonatal care leave, April 2025

Parents of babies admitted to neonatal care are entitled to up to 12 weeks' leave on top of maternity or paternity entitlement. It is a day-one right, meaning there is no minimum service requirement.

> **What to do:** Add neonatal care leave to your family leave policy and confirm payroll can process it.

Protection from dismissal for industrial action, February 2026

Dismissing an employee for taking part in lawful industrial action is automatically unfair from day one. Automatically unfair means the tribunal does not weigh whether you acted reasonably; the dismissal is unfair because of the reason for it.

> **What to do:** If you recognise a union, brief your managers. Do not dismiss, or threaten to dismiss, in connection with lawful strike action without taking advice first.

Day-one rights, 6 April 2026

Three qualifying periods disappeared on the same day.

- Statutory sick pay is payable from the first day of absence. The three waiting days are gone, and the lower earnings limit has been removed, so lower-paid and part-time staff who previously did not qualify now do.
- Unpaid parental leave is a day-one right. It previously needed one year's service. The entitlement is still up to 18 weeks per child, capped at four weeks per child per year, with 21 days' notice.
- Paternity leave is a day-one right. Eligibility for paternity leave previously required 26 weeks' service. The separate conditions for statutory paternity pay, including the 26-week service test and the earnings test, are unchanged.

One detail that catches employers out. SSP is now paid at the lower of 80 per cent of the employee's average weekly earnings or £123.25 per week. Someone earning below the old threshold gets a proportionate amount rather than nothing.

> **Example.** *A part-time cleaner earning £110 a week used to get no SSP at all. She now gets 80 per cent of her average weekly earnings from day one of any absence.*

> **What to do:** Remove every reference to a qualifying period for parental and paternity leave from your contracts, handbook and induction material. Confirm payroll pays SSP from day one, applies no lower earnings limit, and uses the 80 per cent calculation. Brief managers that a new starter can request parental leave in their first week.

4. What is still to come

The table separates what is settled from what is expected. Anything marked "planned" comes from the Government's implementation timetable, updated 16 July 2026, and could move. Anything marked "regulations to change soon" will not.

Date	What changes	Status
31 Aug 2026	Electronic and workplace balloting for statutory trade union ballots.	Planned
1 Oct 2026	Time limit for most employment tribunal claims rises from three months to six. Breach of contract claims in Scotland follow on 9 November 2026.	Regulations to change soon
30 Oct 2026	Trade union access rights, recognition reform, industrial action protections. The duty to prevent sexual harassment rises from taking reasonable steps to taking all reasonable steps.	Planned
End 2026	Seafarer protections and strengthened tipping rules.	Planned
1 Jan 2027	Unfair dismissal from six months' service. Compensatory award cap removed. Written reasons for dismissal from six months.	Regulations to change soon
1 Jan 2027	Fire and rehire restricted. Dismissing someone for refusing a change to certain contract terms becomes automatically unfair, with a narrow exception for severe financial distress.	Planned

Date	What changes	Status
	Moved from October 2026.	
During 2027	Guaranteed hours for zero and low hours workers, reasonable notice of shifts, and payment for shifts cancelled at short notice.	Planned
During 2027	Flexible working: consultation required before refusal, tighter grounds, shorter response window.	Planned
During 2027	Bereavement leave, a new day-one unpaid entitlement, extending to pregnancy loss before 24 weeks.	Planned
During 2027	Collective redundancy counted across the whole organisation rather than per establishment.	Planned
During 2027	Stronger dismissal protection for pregnant employees and those returning from maternity leave. Equality and menopause action plans become mandatory.	Planned

The one arriving first, and it is easy to overlook

From 1 October 2026 the deadline for bringing most tribunal claims doubles, from three months to six. It applies where the act complained of happens on or after that date.

In practice, a dismissal you handle in November stays legally live until May. Grievance files, investigation notes and dismissal paperwork need keeping for at least six months, to ensure that you retain the evidence to defend a claim which could be made up to six months after the date of dismissal. A manager who assumes silence after three months means the matter is closed will be wrong.

5. What a fair disciplinary dismissal procedure looks like

From January 2027 this applies to a dismissal at seven months exactly as it does at seven years. A tribunal can increase an award by up to 25 per cent where an employer unreasonably fails to follow the ACAS Code of Practice on disciplinary and grievance procedures.

Six steps, in order.

- Investigate before you decide anything.
- Put the allegation to the employee in writing, with enough detail for the employee to answer it, and give the employee reasonable notice of the meeting (for example, at least 48 working hours).
- Hold the meeting and let the employee respond.
- Inform the employee that they can be accompanied at a formal disciplinary meeting by a companion, meaning a work colleague or a trade union representative.
- Give the outcome of the formal disciplinary meeting to the employee in writing, with reasons.
- Offer the employee the opportunity to appeal the outcome, which would be heard by someone not previously involved.

The most common failure is not skipping a step. It is holding informal conversations that are never confirmed in writing, and then relying on them later. A verbal warning nobody wrote down is very hard to rely on at tribunal.

> **Example.** *A supervisor spoke to a driver three times about lateness, each time without a letter of invitation with the necessary details, including the allegations and the evidence, and without sending the driver a written outcome for each of the meetings. When he was dismissed, the employer had nothing to show the tribunal except three dates in a notebook. The dismissal was found unfair on process even though the lateness was real.*

ACAS is consulting on a replacement Code of Practice, with the consultation closing on 23 September 2026. If the ACAS Code of Practice changes, the six steps above are likely to remain but the detail may change.

6. Your action checklist

#	Action	When
1	Remove all qualifying periods for parental and paternity leave from contracts, handbook and induction material.	Overdue, in effect since April
2	Confirm payroll pays SSP from day one, applies no lower earnings limit, and uses the 80 per cent calculation.	Overdue, in effect since April
3	If you are planning twenty or more redundancies, check your collective consultation process is right. The penalty doubled in April.	Before you announce proposals to make redundancies
4	Add neonatal care leave to your family leave policy.	Now
5	List every employee who will have six months' service on 1 January 2027.	Now
6	Check that every live or recent disciplinary and dismissal file contains all six steps in section 5, in writing.	Now
7	Extend how long you keep dismissal and grievance files, ahead of the six-month claim window.	Before 1 October 2026
8	Brief every manager who supervises staff on what changes on 1 January 2027.	Before December 2026
9	Take advice before dismissing anyone with short service, and before changing contractual terms.	Ongoing
10	Diary a check for further commencement dates.	October 2026
11	Audit zero hours workers for regular patterns, ahead of the guaranteed hours right.	During 2026
12	Review your flexible working procedure for a documented consultation step before refusal.	During 2026

7. About HR Solved

HR Solved Ltd is a UK employment relations advisory practice, registered in England and Wales, company number 17388692. It is run by Daniel White, CIPD Level 7, who has spent fifteen years in employment relations, most of it in heavily unionised industrial operations across steel, utilities, automotive and logistics.

The practice works on tribunal risk rather than compliance administration: what goes wrong at an Employment Tribunal, what it costs, and what to do differently.

More information on our current services and prices is available at hr-solved.uk. These include the following:

Occupational health referrals

HR Solved drafts the referral letter, introduces you to the provider, and debriefs you on the report. Most unhelpful OH reports are the result of a poorly drafted referral.

Document kits

ACAS Code-aligned letters and manager guides for conduct, investigation and absence processes. The first set is in legal review; register interest at hr-solved.uk and you will hear when each one is released.

Direct consultancy

For complex disciplinary and TUPE cases, redundancy programmes and trade union matters.

8. Disclaimer

This is HR guidance based on the ACAS Code of Practice and current employment legislation. It is not legal advice.

Where it describes a process, it tells you what the correct procedural step is. Where a judgement is involved, such as whether conduct is serious enough to justify dismissal, or whether to uphold a grievance, that decision is yours. This guide sets out what raises and lowers the risk attached to it rather than making the call for you.

For legal representation you will need a solicitor.

Employment law is changing quickly. The information here is stated as at 26 August 2026 and was checked against primary sources on that date.

Sources

Employment Rights Act 2025, Royal Assent 18 December 2025. Employment Rights Act 2025 (Commencement No. 3 and Transitional Provisions) Regulations 2026. Employment Rights Act 2025 (Commencement No 4 and Transitional and Saving Provisions) Regulations 2026. Employment Rights (Increase of Limits) Order 2026. Employment Tribunal (Extension of Time Limits) (Miscellaneous Amendments and Transitional Provisions) Regulations 2026. GOV.UK and business.gov.uk guidance. The Government's implementation roadmap, updated 16 July 2026. ACAS Code of Practice on disciplinary and grievance procedures.

Financial values quoted apply where the effective date of termination falls on or after 6 April 2026.