

INVEST EAST YORKSHIRE

Employment Law Update 2025 – Employment Rights Bill, Sexual Harassment and Neonatal Care.

Introduction

Big changes are coming to UK employment law, with the Employment Rights Bill set to transform workplace protections in a big way. From stronger rights against unfair dismissal to limits on zero-hours contracts, the bill is designed to give workers more security. At the same time, new laws around sexual harassment will place greater responsibilities on employers, and the introduction of neonatal leave will offer much-needed support for parents with babies needing hospital care. With the sexual harassment changes already in effect, the neonatal changes taking effect in April 2025, and the Employment Rights Bill in consultation with implementation expected in 2026, now is the time for businesses to review policies, plan ahead, and make sure they're ready for what's coming.

Employment Rights Bill

The Employment Rights Bill, introduced to Parliament on 10 October 2024, is a major shake-up of workplace laws in the UK. It is designed to strengthen protections for workers while modernising outdated policies and practices. While the measures are great news for employees, they could present challenges for small and medium-sized businesses, which may struggle with the increased costs and administrative burden.

Key provisions of the bill include:

Unfair dismissal and probationary periods: Employees will now have protection against unfair dismissal from the first day of employment, removing the current two-year qualifying period. A new statutory probation period, expected to be six to nine months, is being introduced, during which employers will have more flexibility in dismissing employees, although a fair process will still need to be followed. Dismissals for reason of redundancy will not be subject to the probationary period so will be a genuine day one right for unfair dismissal.

We advise you to review your probationary and dismissal procedures to prepare for these changes. Employment contracts will need to be revised to include details of probationary periods.

End of Zero-Hours Contracts: Workers on zero-hour contracts who regularly work more hours will have the right to guaranteed hours after a set period and a contract that better reflects their actual working hours. They will also be entitled to notice for shift changes or cancellations, with penalties for late changes.

We advise that you evaluate your business demand to better assess working hours and patterns and identify where genuine zero hours contracts are needed

Flexible Working: The default position will be to allow flexible working from day one of employment unless an employer can show reasonable grounds to refuse it. Employers will also have to justify refusals more thoroughly.

We advise that you keep an open attitude to flexible working requests, adopt a 'why not?' approach, meet with the employee to discuss and consult (always document), compromise on requests where possible and offer a trial period.

Enhanced Statutory Sick Pay (SSP): SSP will be extended to all employees from day one, with the removal of the lower earnings limit and the waiting period.

We advise that you develop a robust sickness absence policy to help you manage absence consistently, train managers in absence and return to work conversations, evaluate patterns and trends across your business to take a proactive approach in reducing absence. Contracts will also need to be revised.

Extended Family Leave: Family-related leave, such as paternity and parental leave, will become available from the start of employment. Statutory bereavement leave is expected to be extended beyond parental bereavement leave (currently 2 weeks).

We advise that you review your policies and handbooks as these will need updating once the changes are made.

Union Rights: Unions will have easier access to workplaces to organise and recruit, and thresholds for recognition processes will be lowered, making it easier for workers to seek representation.

We advise that you provide information to new starters as part of your onboarding programme, build relationships with Unions that you can work with and enter into voluntary agreements for both recognition and access to get a better deal.

Ban on Fire and Rehire: The practice of "fire and rehire" will be banned, except in specific situations where a business faces significant financial distress, making it automatically unfair to dismiss workers simply to rehire them on less favourable terms.

We advise to avoid using this approach unless when absolutely necessary and foster collaborative and consultative relationships with employees to engage in changing terms and conditions.

Creation of a Fair Work Agency: A new enforcement body will ensure compliance with employment rights, including holiday pay and minimum wage. This agency will also provide guidance to help businesses navigate the new regulations but will impose stricter enforcement, making compliance a higher priority for SMEs.

What next?

Consultations have already started in some areas and more is expected in 2025 after which the Bill will go through secondary legislation. This will provide finer detail of the changes which are expected to come into force in 2026.

Other Employment Law Changes

Preventative Sexual Harassment Law

On 26th October 2024, new regulations regarding sexual harassment came into force requiring you to take all reasonable steps to prevent sexual harassment in the workplace. This means being proactive, not just reacting when something goes wrong. It applies to employers of all sizes, no exceptions, and extends to 3rd parties including customers, suppliers, contractors, clients. It also provides protection against victimisation.

We advise that you write or update policies regarding sexual harassment, provide training for managers and staff, carry out risk assessments, make reporting incidents easier, keep records of the steps you take to prevent sexual harassment, act quickly and investigate any complaints, and manage 3rd party relationships.

Neonatal Care (Leave and Pay) Act 2023

Starting from 6 April 2025, the Neonatal Care Leave and Pay will be introduced, giving parents extra time off if their newborn needs hospital care. This new law allows up to 12 weeks of paid leave for parents whose babies are admitted to hospital within the first 28 days after birth and stay for at least seven consecutive days. The leave is on top of existing maternity, paternity, and shared parental leave, helping families focus on their child without worrying about work. Employees will be entitled to the leave from day one of employment and Statutory Neonatal Care Pay (NCP) will be available to those after a qualifying period of service and minimum earnings thresholds.

In preparation, we advise:

- **Review company policies** – Make sure your parental leave policies reflect the new entitlement and update employee handbooks accordingly.
- **Plan for cover** – If key employees need to take neonatal leave, having contingency plans in place will help minimize disruption.
- **Train HR and managers** – Ensuring staff understand the new rules will help avoid confusion and ensure employees feel supported.
- **Communicate with employees** – Let your team know about their new rights, so they feel informed and reassured.

This document is intended as a helpful guide and does not replace legal or HR expertise. Information is correct as at 1st March 2025.

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