



EMPLOYMENT LAW



PENINSULA

Employment Rights Act 2025

Are UK Businesses ready?

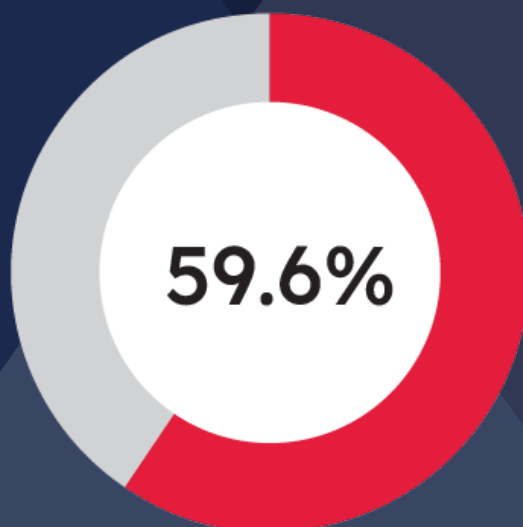
Employment
Rights ~~Bill~~

Act Now

ESCAPE THE RED TAPE **ESCAPE THE RED TAPE**



A national survey of 519 UK businesses on awareness, preparedness and concern around the Employment Rights Act 2025.



of UK businesses feel the Act will have a negative impact on their business.

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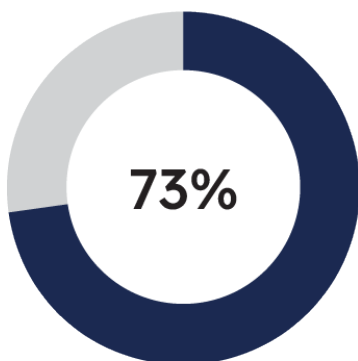


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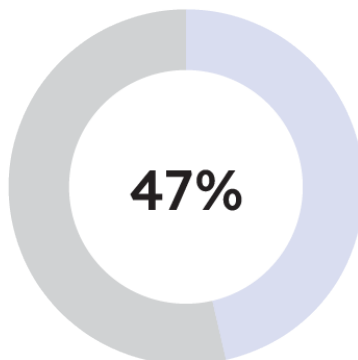
Summary

The Employment Rights Act 2025 is the largest change to UK employment law in a generation. To understand how ready UK businesses are, Peninsula surveyed 519 business owners, senior leaders and decision makers across the UK.

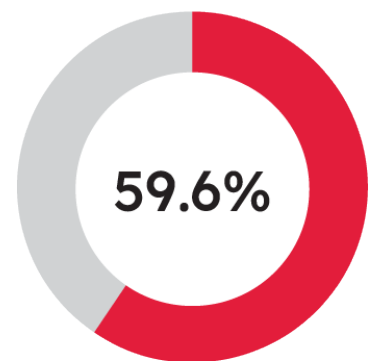
The results show a clear gap between knowing about the Employment Rights Act (ERA) and feeling ready for it.



are familiar with the
Employment Rights Act



feel very or completely
prepared for it



feel negative about its
impact on their business

Business owners feel significantly less prepared than senior leaders for the new ERA changes and are more than twice as likely to feel completely unprepared. Small businesses report the highest levels of unpreparedness across all business-size groups. The Hospitality sector is the most concerned about the ERA changes, with the day-one right to claim unfair dismissal coming in as the single biggest concern.



Introduction

The Employment Rights Act 2025 introduces significant changes to UK employment law, including a proposed reduction in the qualifying period for unfair dismissal claims from two years to six months, statutory sick pay from the first day of absence, tighter controls on zero-hours contracts, restrictions on fire and rehire, and stronger protection against workplace harassment.

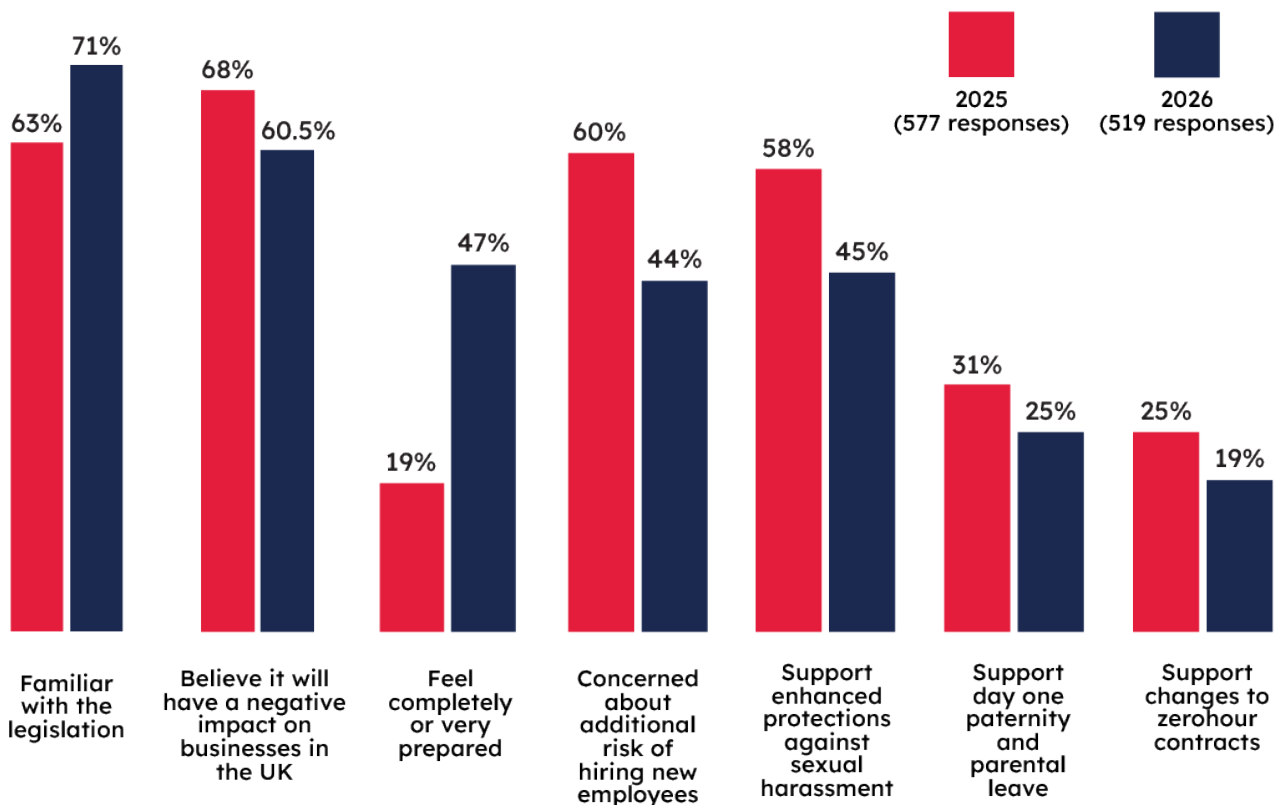
Implementation began in April 2026 and will continue in phases through 2027. To assess business readiness, Peninsula carried out an independent survey of 519 decision-makers in September 2026, including business owners, senior leaders and other stakeholders across all UK regions, 19 industry sectors and organisations ranging from sole traders to large employers.

This whitepaper presents the full findings, based on the survey data.



How This Compares To Our 2025 Survey

In August 2025, as the Employment Rights Bill was still making its way through Parliament, Peninsula surveyed 577 UK businesses using the same questions. Comparing those findings with the September 2026 survey shows how business sentiment has changed as organisations move from anticipating the legislation to preparing for its implementation.



Three key trends appear. Preparedness has increased sharply, suggesting that businesses are now actively planning for the changes. While negative sentiment has eased as familiarity has grown, it still outweighs positive views, indicating that businesses have become less negative rather than more confident. Sexual harassment protections, parental leave and zero-hours contract changes remain the most supported.

Concern about recruitment has fallen across every business size. In 2025, businesses with 21 to 50 employees were the most concerned, at 68%; by 2026, this had fallen to 46%. Businesses with 5 to 20 employees are now the most worried with 51% concerned about the risks and costs.

The day-one right to claim unfair dismissal remains the biggest concern across both surveys and it's what we at Peninsula hear from our clients, businesses are worried about the impact it will have on their ability to manage employees who don't perform without it leading to a tribunal claim.

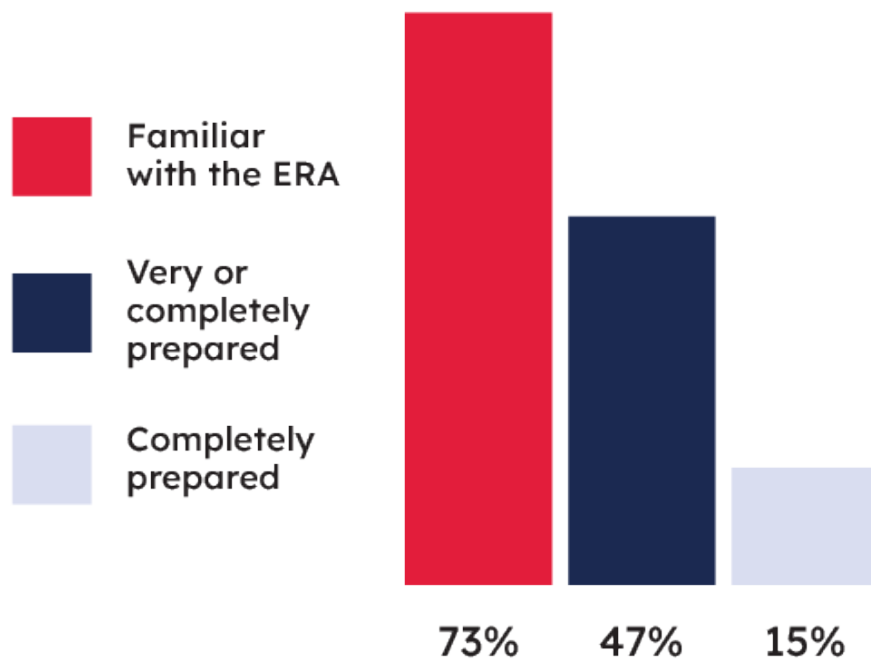
“(I’m concerned about) potential substantial financial pressure and also increase in staff absence.”

Survey Respondent

The Readiness Gap

While most businesses know that the Employment Rights Act 2025 is here, less than half feel ready for it. 73% are familiar, 47% completely or very prepared and 15% completely prepared.

Most businesses are aware of the Employment Rights Act, but fewer than half feel prepared to implement it.



Businesses understand changes are coming but lack confidence in their ability to put the right policies, training and systems in place before they take effect.



To find out how you can prepare, speak to a Peninsula adviser today. You don't need to be a client to enjoy expert, tailored advice to suit your business.

Why does the gap exist?

- **Scope of change:** The Employment Rights Act 2025 affects dismissal, pay, absence, contracts and workplace harassment protections, creating significant changes across multiple areas.
- **Resource pressure:** Smaller businesses may not have a dedicated HR department, making it more difficult to understand and implement the new requirements.
- **Unclear timing:** The Employment Rights Act will be introduced in phases throughout 2026 and 2027, making it harder for businesses to plan ahead.
- **Cost concerns:** Day-one statutory sick pay, a shorter qualifying period for unfair dismissal and enhanced leave entitlements all bring additional costs for employers.

What being prepared actually means

Being ready for the Employment Rights Act 2025 does not require legal expertise. In practice it means having:

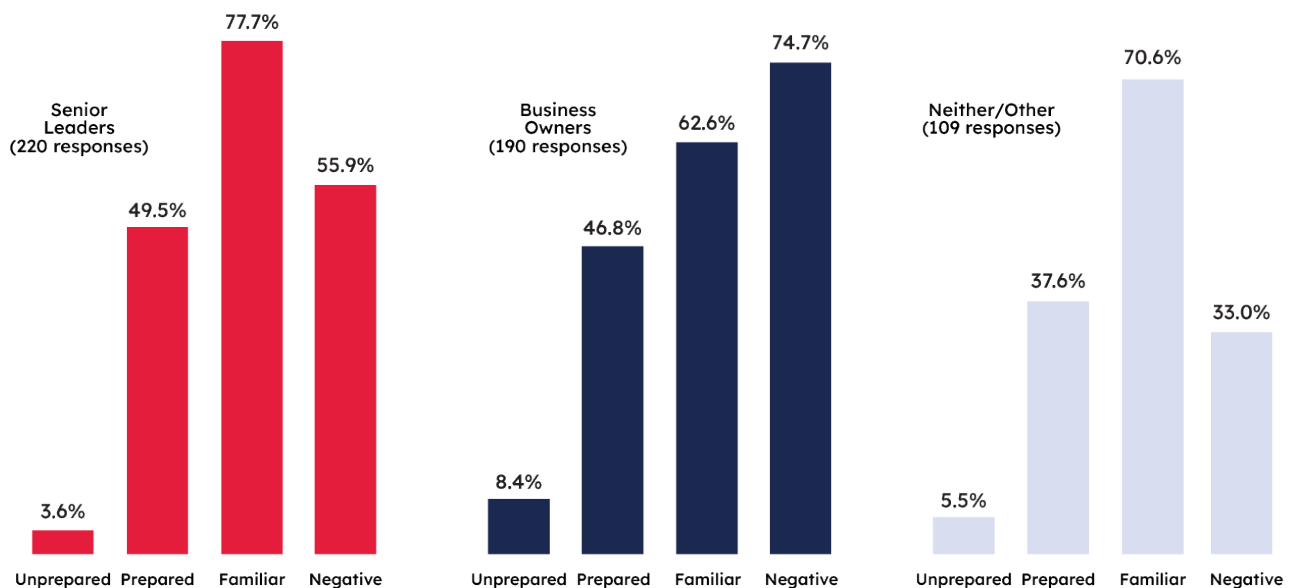
- Written policies that reflect the new rules
- Staff and managers trained on what has changed
- Systems that can track new requirements such as day one sick pay
- A review of contracts and dismissal processes for legal risk
- A clear timeline for implementing changes through 2026 and 2027

Who Is Most Exposed?

Risk is not spread evenly. Our survey shows clear differences in readiness and concern depending on who is answering, business size, sector and location.

5.1 Owners vs Senior Leaders: The Clearest Divide

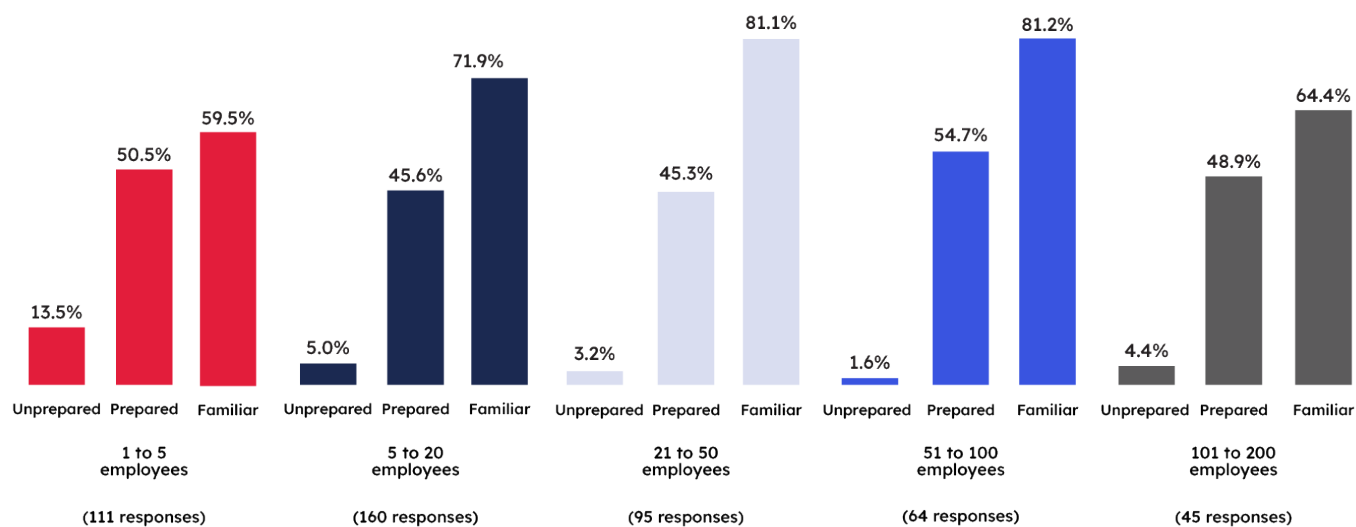
Business owners are considerably less confident than senior leaders working inside larger organisations.



Business owners are 2.3 times more likely than senior leaders to feel unprepared for the Act and are almost 20% more likely to feel negative about its impact on their organisation. This is one of the clearest and most consistent divides identified by the survey. Owners typically carry direct personal and financial responsibility for compliance, which may help explain why they feel more worried than senior leaders working within larger organisational structures with greater access to HR and legal resources.

5.2 By Business Size

Preparedness generally increases with business size. Larger businesses are typically better equipped to manage the changes, while smaller businesses may have fewer HR resources and less capacity to prepare.



Small businesses with 1 to 5 employees feel the least prepared, at 13.5%, and the least familiar with the Act, at 59.5%. However, 50.5% also feel prepared, which is close to the overall average.

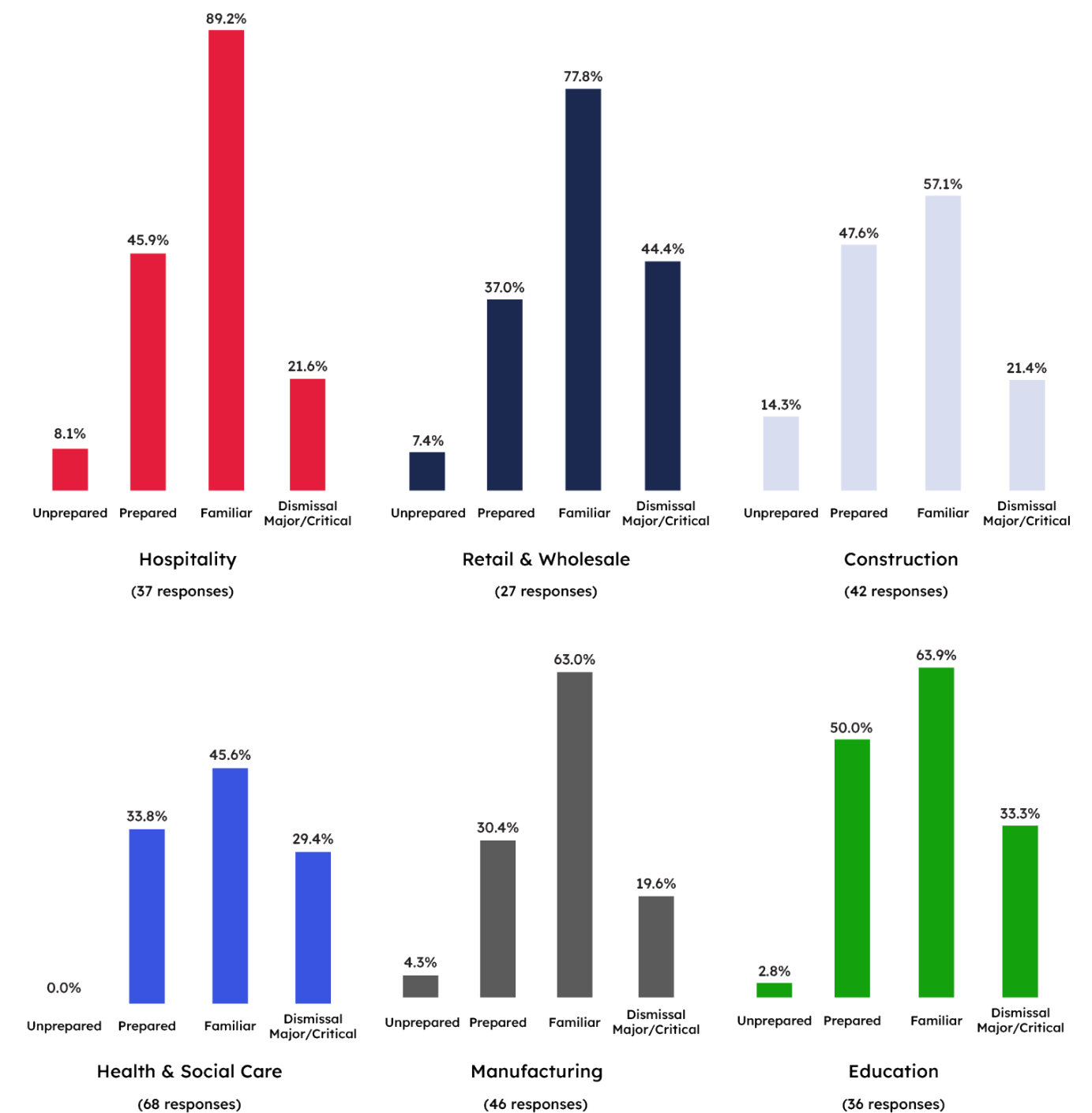
Concern about the risks of hiring also varies by business size. Overall, 43% of businesses are concerned about hiring new staff. This rises to 51% among businesses with 5 to 20 employees, while businesses with 1 to 5 employees are the least concerned.

“The Government has failed to realise the cost implications for small business. Failed to understand we are struggling to recover from covid and damage done to the economy especially with homeworking.”
Survey Respondent



5.3 By Sector

Different sectors face different risks depending on workforce structure and reliance.

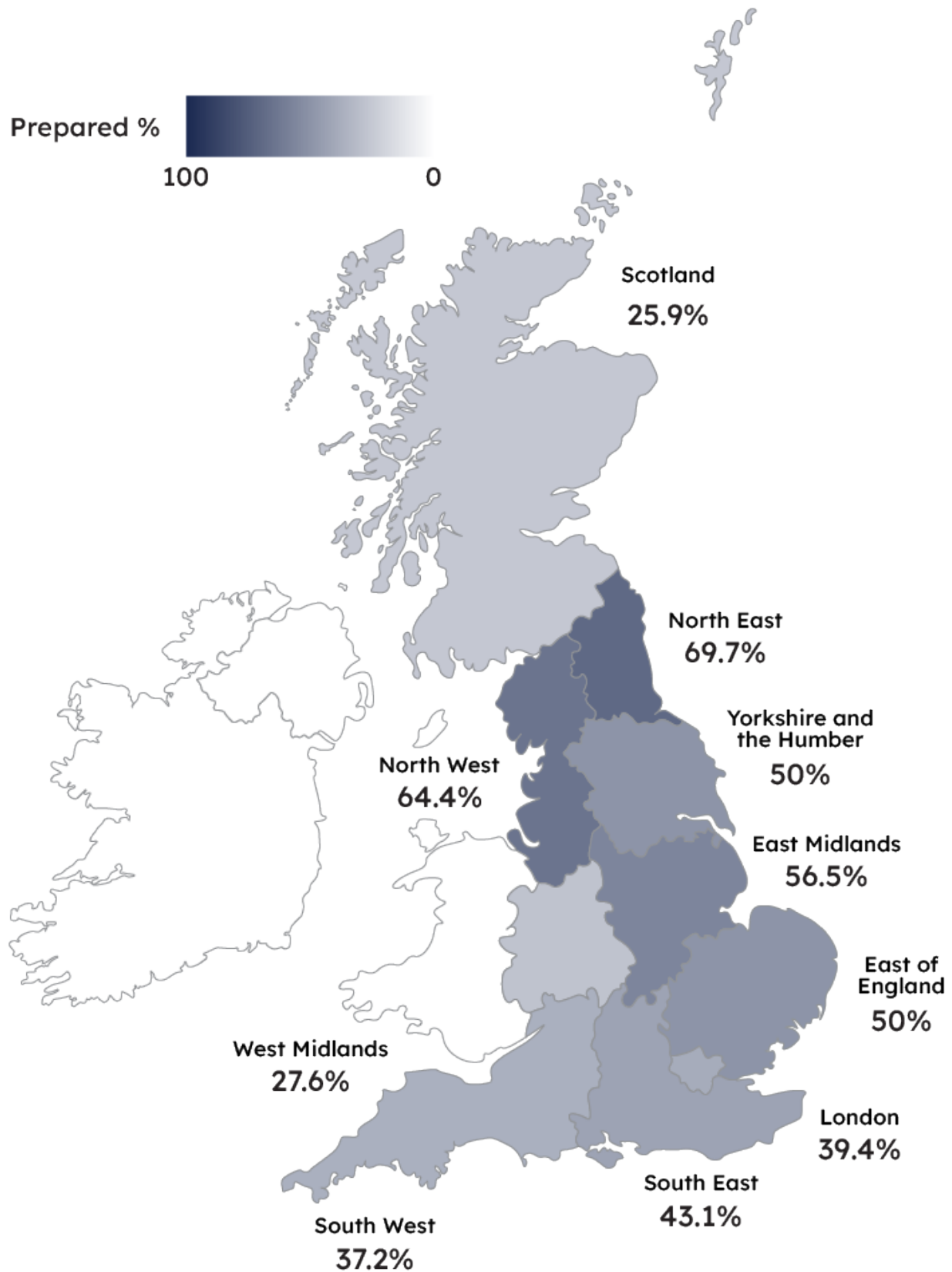


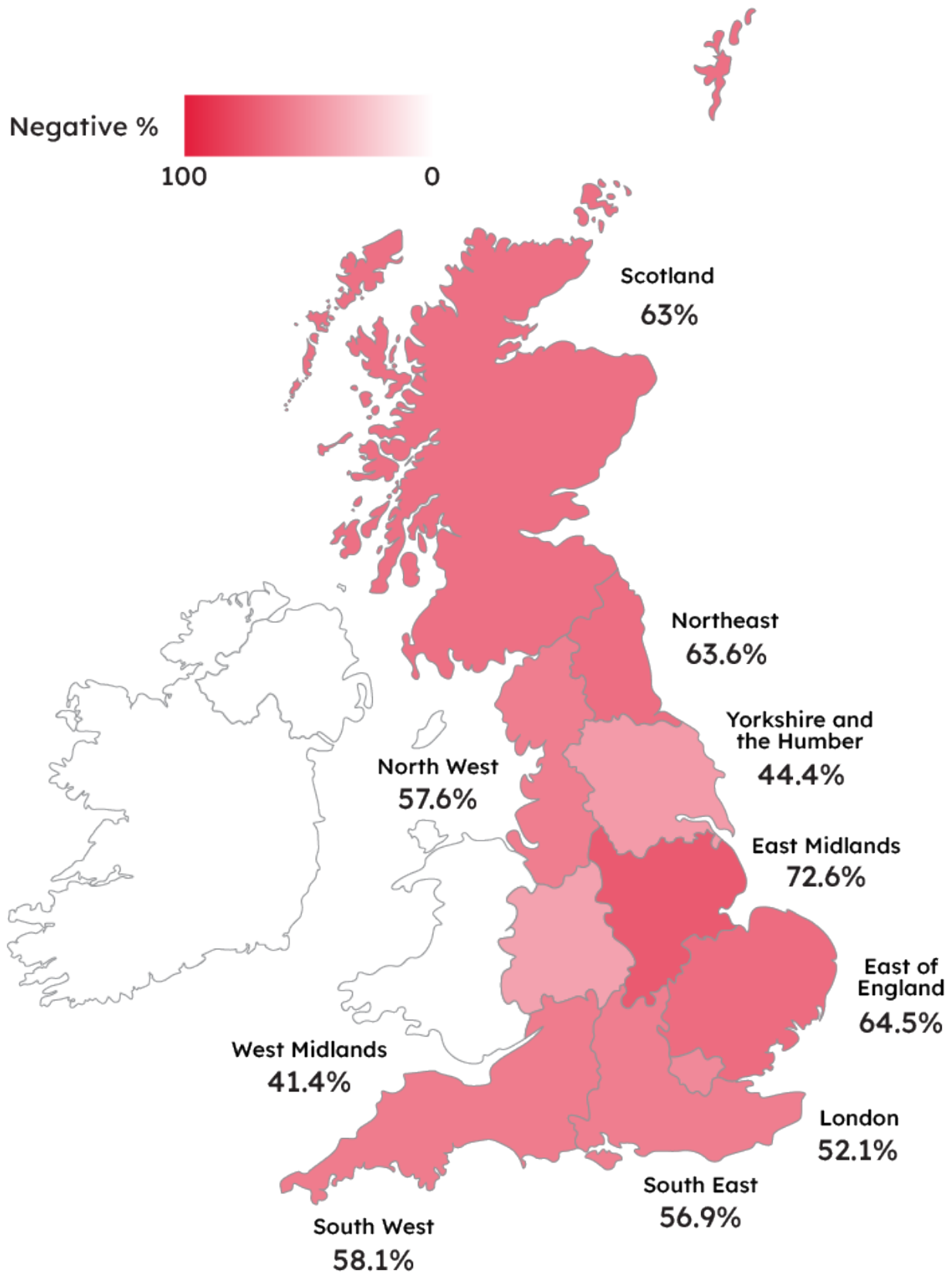
Hospitality shows the highest negative sentiment of any sector, at 89.2%. The industry relies on flexible, often part-time staff, which increases exposure to changes on zero hours contracts and day one rights.

Retail and wholesale show the highest concern, specifically about the unfair dismissal change, with 44.4% saying it poses a major or critical risk. Construction has the highest sector level unprepared rate, at 14.3%. Health and social care have the lowest unprepared rate of any sector, at 0%.

5.4 By Region

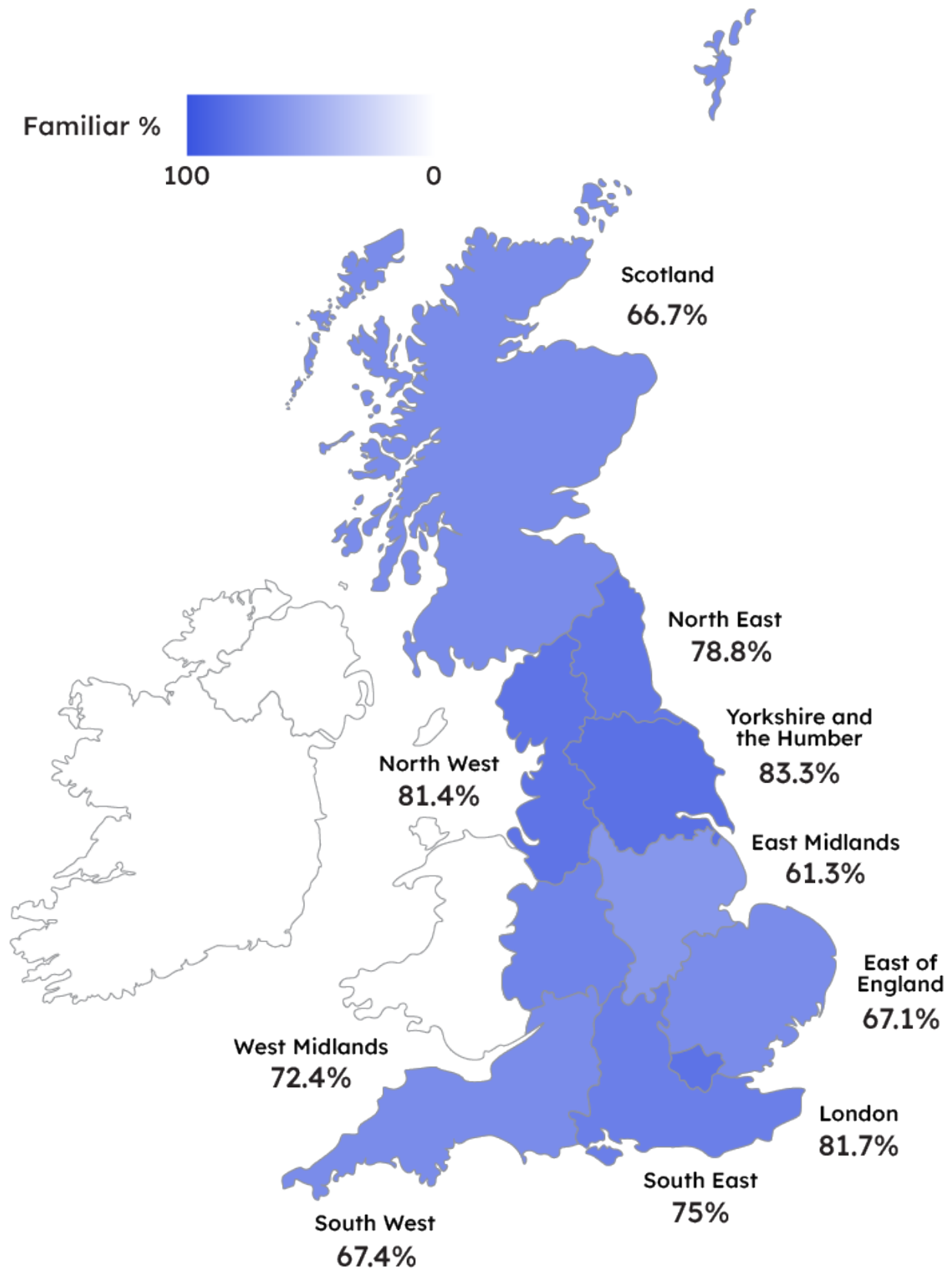
Preparedness and sentiment vary significantly across regions and do not follow the same pattern.





Wales and Northern Ireland have small sample sizes, with 10 and 6 responses respectively.

The North East has the highest level of preparedness at 69.7%, followed by the North West at 64.4%. The East Midlands records the highest negative sentiment at 72.6%, despite having a mid-range level of preparedness. This demonstrates that readiness and sentiment are separate measures: businesses may feel prepared while remaining concerned about the changes.



London has one of the widest gaps between awareness and readiness. Although 81.7% of London businesses are familiar with the Act, only 39.4% feel prepared. This may reflect the complexity of implementing change across larger organisations.

Scotland has the highest level of concern about unfair dismissal changes, with 37% of businesses rating them as a 'major' or 'critical' concern.

Changes Causing Most Concern

The Employment Rights Act 2025 covers 28 areas of law, introduces 75 new rights and requires 173 individual pieces of legislation. Respondents were asked to rate the impact of several key areas of which the day one right to claim unfair dismissal stands out as the single biggest concern nationally.

Unfair Dismissal After Six Months

The qualifying period for claiming unfair dismissal drops from two years to six months. This change is set to take effect from 1 January 2027 and will apply retrospectively.

- 25% of all UK businesses said this is a 'major' or 'critical' risk
- Concern is highest in retail & wholesale (44.4%) and Scotland (37.0%)
- Removes the flexibility that employers previously relied on during the first two years of employment.

Statutory Sick Pay from Day One

From 6 April 2026, under the Employment Rights Act 2025, employers are required to pay Statutory Sick Pay (SSP) from the first full day of absence, instead of after three or more consecutive days of absence. 36% of all respondents say this poses a 'major' or 'critical' risk to their business, down from 46.5% of respondents in 2025.

Changes to Zero-Hour Contracts

The Employment Rights Act 2025 introduces tighter rules on zero-hours contracts, which are likely to have a greater impact on sectors such as hospitality and retail that rely on flexible staffing. National sentiment towards this change is largely negative, with 37% of businesses expressing a negative view compared with 19% who see it as a positive change. In 2025, 30% of respondents felt it would be a negative change, with 25% seeing it as a positive.



“If everyone applied for flexible working we would find it difficult to accommodate everyone. We have a lot of staff who like zero hours contracts.”

Survey Respondent

Restrictions on Fire and Rehire

The Employment Rights Act 2025 introduces significant restrictions on fire and rehire practices, making it unlawful to dismiss employees simply for refusing to accept worse contract terms, except in very specific circumstances. 27% of respondents feel that this will be a negative change, compared to 18% of respondents in 2025.

Enhanced Protection Against Sexual Harassment

The Employment Rights Act 2025 strengthens protection against sexual harassment in the workplace. From 30 October 2026, employers must take all reasonable steps to prevent sexual harassment and must not permit harassment by third parties, such as customers, suppliers or members of the public. This marks a significant change from prior legislation, which did not hold employers liable for third-party harassment unless explicitly stated.

This is the one area that most respondents agree will be a positive change, although interestingly the percentage has dropped from 58% in 2025 to 45% now.

What Businesses Support

The results are not entirely negative. When respondents were asked about specific measures in the Employment Rights Act 2025, the following stood out:

Enhanced sexual harassment protections

45.1% positive vs 23.5% negative. This is the only measure for which positive sentiment overwhelmingly outweighs negative sentiment.

Although businesses generally support stronger protection against sexual harassment, they remain concerned about most of the other proposed measures.

Everything else remains negative

- Day one paternity leave and unpaid parental leave: **24.5% positive vs 35.4% negative**
- Zero hours contract changes: **19.2% positive vs 37.4% negative**
- Strengthening union rights: **10.9% positive vs 26.1% negative**
- Fire and rehire restrictions: **17.4% positive vs 26.9% negative**
- Flexible working as the default: **12.3% positive vs 45.7% negative**
- Employment tribunal time limits: **14% positive vs 33.8% negative**
- Establishing the Fair Work Agency: **12.5% positive vs 26.1% negative**

Although businesses generally support stronger protection against sexual harassment, they remain concerned about most of the other proposed measures. The main concern is the expected cost of implementing the changes.

Specifically, employers are most concerned about the amount of changes, complexity of policy updates, higher operating costs, the increased administrative burden and the additional risk of hiring new employees.



“SSP with a flexible workforce is going to be very hard on the Hospitality Industry.”

Survey Respondent

What This Means For UK Business

The Employment Rights Act 2025 comes at a time when UK businesses are already facing increasingly rising costs, including employer National Insurance Contributions (NICs), energy bills and statutory minimum wage increases. For small businesses, these changes create direct pressure on profit margins and cash flow, with many forced to look for ways to cut costs. This can include hiring freezes or redundancies; we've seen a marked increase in the number of calls regarding this over the last year with many businesses significantly scaling back operations. And with more changes still to come throughout 2027, things are not likely to get easier any time soon.

Each change brings increased time spend on administration, updating documentation and policies and understanding exactly what steps need to be taken to comply.

The ownership gap is the standout finding

The clearest and most consistent trend revealed by this survey is not found by looking at business size, sector or region. It is in the knowledge and sentiment gap between business owners and senior leaders. Owners are more than twice as likely as senior leaders to feel completely unprepared for the changes, and considerably more likely to feel negative about the impact they will have on the business.

This suggests that the Employment Rights Act 2025 is having the greatest impact on those with direct financial and legal responsibility for the business.

Hiring Concern

Businesses are concerned about the impact the Employment Rights Act 2025 will have on the cost of employing people, making them more cautious about hiring. As well as the financial implication, there's also the increased risk of tribunal claims being brought. The qualifying period for unfair dismissal claims from two years to six months may also influence decisions about recruitment and redundancies. Concern is highest among businesses with 5 to 20 employees, at 51%, compared with 43% overall.



“It will lead to more administration for my office staff all of which is unnecessary. It will also restrict future job creation due to overhanded governance!”

Survey Respondent

What businesses need now

- A practical implementation timeline with clear milestones
- Understand what changes are coming and when
- Expert support to audit existing policies and identify gaps
- Updated templates and documentation that reflect the new rules

Businesses that start preparing now can reduce the cost and interruption of last-minute changes.

With consultation exercises happening ahead of almost every change, there is a lot for employers to get their heads around. And the risk of getting things wrong has never been higher, with changes to tribunal limits and increased enforcement through the Fair Work Agency.

Peninsula helps you stay prepared for upcoming Employment Rights Act changes and understand what action you need to take.

Methodology

This white paper is based on an independent online survey of 519 UK business decision makers, conducted in September 2026.

- **519** total respondents across the UK
- **220** senior leaders, 190 business owners, 109 other decision makers
- **47** questions covering familiarity, preparedness, sentiment and expected challenges
- **12** UK regions represented
- **19** industry sectors represented
- **7** business size bands, from 1 to 5 employees through to 1,000 plus

The survey asked employers about:

- Their overall view on the Employment Rights act
- Specific changes and whether they viewed them as positive or negative
- Concerns around costs, administration, and hiring risks
- Differences in perception by region and business size





Kate Palmer, Chief Operations Officer

"12 months on from our original survey, and 10 months since the Employment Rights Act became law, it's clear to see that businesses still have deep concerns about the impact the changes will have. We've already seen several changes take effect, including the strengthening of union rights, removing the lower earnings limit and waiting period requirements for statutory sick pay (SSP), and the establishment of the Fair Work Agency. Tribunal time limits have been extended from three to six months and, later this month, we'll see changes to employers' obligation to prevent sexual harassment as well as trade unions right of access to workplaces with 21 employees and above.

Our survey results show that the main challenge for employers is not whether they understand the Employment Rights Act but the amount of time it will take them to put the changes into practice. Businesses remain unsure how the new rules will affect their ability to recruit, performance manage and dismiss employees. Smaller businesses are feeling increased pressure as higher costs and extra administration reduces confidence in hiring and limits overall growth. And with the Autumn Budget coming at the end of October, along with further changes under the ERA, these pressures are only going to increase. Preparation is key. It's good to see that 82% of businesses have started to prepare for the implementation of the changes, with 15% now feeling 'completely' prepared compared to just 9% in 2025.

Employers should ensure that they are updating contracts, reviewing probation processes, training managers and keeping accurate records in line with the incoming changes. And with potentially the biggest change coming on 1 January 2027 when changes to unfair dismissal protections take effect, it's vital to act early. Employees who were hired on 1 July 2026 will have six months' service and automatically gain the right to claim unfair dismissal from the new year, so those businesses who still have six-month probation periods could easily find themselves caught out. Although most business owners we speak to fully support strong protections and worker rights, the biggest piece of advice we can give is to prepare early. This will help reduce the cost, time and uncertainty involved in ensuring your business complies fully with the Employment Rights Act 2025 changes."



About Peninsula

Escape the red tape with Peninsula's expert HR and health and safety services. Since 1983, we have provided award-winning support to help businesses stay protected, compliant and confident. With 24-hour HR advice, legal protection, health and safety services and expert employment law guidance available whenever you need it, we make it easier to manage your responsibilities and focus on running your business.





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