

Employment Law Briefing: The Employment Rights Bill

October 2024



Labour's Employment Rights Bill

The Labour Government has been talking about its manifesto "Plan to Make Work Pay" (the Plan) since early on in its bid to become the governing party earlier in the year. Now in Government, and right up to the wire with its promise to 'introduce' an Employment Rights Bill (the Bill) as set out in the 2024 King's Speech within the first 100 days in power, the bill finally landed on 10 October 2024.

As we forewarned, the journey from Bill to law is a lengthy one, necessitating approval from both the houses in Parliament. The Government's notes explain that it expects to begin consulting on these reforms in 2025, seeking significant input from all stakeholders, and anticipates that the majority of reforms will take effect no earlier than 2026. Reforms of unfair dismissal will take effect no sooner than Autumn 2026.

In this briefing note, we set out our initial thoughts on the changes the Bill seeks to introduce, together with the current position. We outline what the implications might be and what you can be doing now to prepare. We also set out the changes which the Government intends to deal with "in due course" to provide you with the full picture of the employment law landscape to come. We do not deal with the changes to trade union reform which take up a significant part of the Bill and we will deal with those in a separate note. As we consider the 158-page bill in more detail and as the position becomes clearer we will provide further updates.

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In the Press

"Possibly the most radical change to unfair dismissal law since it was first introduced in 1971"

Partner Daniel Pollard, the Financial Times and the Times, 10 October 2024

"It is interesting to read the compromises in the Bill and it is a particular surprise to see nine months as the suggested probationary period rather than six months. Much of the detail remains subject to consultation but it is not as radical as many of the unions were looking for and even a caveat on the much publicised fire and rehire proposals which won't apply if there is a danger of collapse."

Partner Michael Powner, Personnel Today, 10 October 2024

Employment Rights Bill

Reform	Proposals vs Current Position	Possible Impact	What can or should you be doing now?
'Day One Rights' Unfair Dismissal	The 2-year qualifying period will be repealed giving all employees the right not to be unfairly dismissed from the first day of employment (where employment has already started) but the Government is clear that this reform will not come into effect sooner than Autumn 2026. Employers will still be able to dismiss for a fair reason and operate probationary periods for new hires (current proposal is a 9 month period) during which there will be a "lighter touch" process to follow to dismiss an employee who is not right for the job. What this will be in practice is subject to consultation with relevant stakeholders. Currently, standard unfair dismissal claims can only be brought by employees with 2 years' service. Employers must have one of five fair reasons (conduct, capability, redundancy, statutory restriction and some other substantial reason) and follow a fair process. Redundancy is not one of the named fair reasons in the new law and that is dealt with separately. The Government also intends to consult on the compensation regime for successful claims during the probationary period.	Employees with less than 2 years' service may be at risk of losing their jobs before the Bill becomes law to ensure they do not gain the new rights. Whilst the Government's aim is to enhance job security, employers may bring forward terminations or exit perceived poor performers without giving them the chance to improve. Others may decide to use temporary or agency workers in place of recruiting permanent staff. Whereas employees with less than 2 years' service currently need to frame their claims under the more complex whistleblowing and discrimination legislation in order to circumvent the qualifying service requirement, some claimants may under the new rules be satisfied with "just" an unfair dismissal claim if their concern is fairness. Many employers currently believe that no process at all is required for sub-2 year dismissals which can lead to messy discrimination and whistleblowing claims. Whilst there will undoubtedly be a higher volume of employment tribunal claims, it may be that employers are more prepared to deal with them having had to follow a process albeit a "lighter touch" one and have the justification in place.	Ensure line managers are managing new hires to spot any underperformers at an early stage. Train line managers to apply consistent rules to probationary period reviews and dismissals so that good practices are embedded by the time the new rules are introduced. Update policies on performance, conduct and sickness absences and nip poor behaviour in the bud. Consider adopting more thorough preemployment screening, asking more questions about unexplained employment gaps and follow up on references diligently. Review policies to ensure that procedures are workable in practice and reflect how the business operates. Most policies are based on the ACAS Code of Practice which is not law and there may be scope to deviate. Possible workarounds for businesses might include reduced salaries during probation with a bonus and automatic pay rise on satisfactory completion of the probationary period.

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		The Government recognises concerns from businesses about the potential rise in legal liability and the impact on hiring decisions and unwelcome additional burdens on the already creaking employment tribunal system. It proposes to identify ways to signpost and support employees to ensure they have proper recourse if they are unfairly dismissed but also make clear where bringing claims might be unsuccessful.	
'Day One Rights' Sick Leave	Statutory Sick Pay (SSP) will become available from day one of engagement for all workers. Removing the SSP lower earnings limit and 3-day waiting period and making it available to all workers. SSP will be set at the lower of the full amount (currently £116.75) and a specified percentage of a worker's weekly earnings (to be set out in secondary legislation).	The reforms will increase cost for those employers who rely on the waiting period for certain employees before paying SSP and those who engage very low earners. However, most employers will be pleased that the rules have been simplified and encourage those low earners who are sick to remain out of the workplace rather than spreading illness out of fear of not being paid.	Wait for now but prepare to make updates to sick pay policies and ensure your payroll providers will be up to speed with any changes.
'Day One Rights' Paternity and Parental Leave	Paternity Leave and unpaid Parental Leave will both become day one employment rights under the Bill (rather than the current 26 weeks and 1 year respective service requirements) but the only other change from the existing position will be to permit Paternity Leave to be taken in addition to and following Shared Parental Leave (which is completely absent from the Bill – rather a missed opportunity to deal with a highly complex and under-used	Removal of the qualifying periods will entitle many more employees to take these types of leave. Employees will feel more confident moving jobs when they are new parents and employers will have to accommodate new hires taking leave (and potentially any enhanced company pay) at an earlier point. However, there is unlikely to be a significant impact given the short periods of leave in question.	Wait for now but prepare to amend policies and ensure your payroll providers will be up to speed with any changes. Consider policy question of whether any enhanced payments will be subject to a waiting period.

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	right; it is likely that this will be dealt with in a further more detailed consultation to follow in the next Parliament on the parental leave system).		
'Day One Rights' Bereavement Leave	The Bill converts existing Parental Bereavement Leave legislation into a general entitlement to unpaid Bereavement Leave. The relations to be covered by Bereavement Leave are to be set_out in secondary legislation. Where the deceased is a child, leave remains at two weeks. In all other cases, the leave is limited to one week. Where more than one person has died, the secondary legislation must entitle the bereaved employee 'to leave in respect of each person'.	Most employers already offer some form of family bereavement leave and accordingly there will be little impact on employers. Most will find this an acceptable change.	Wait for now but prepare to amend policies and ensure your payroll providers will be up to speed with any changes. Consider policy question of whether any enhanced payments will be subject to a waiting period.
'Day One Rights' Flexible Working For example: - part-time hours - remote working - working from home - hybrid working	Making flexible working the default from the first day of employment for all workers (not just employees), with employers required to accommodate this unless not reasonably feasible. Since 6 April 2024, employees have been able to request flexible working from day one and are able to make the request twice a year. Under the new proposals, employers can still refuse any such request for one	Flexible working requests are likely to increase because of greater awareness (rather than any great change to the existing right) and employers will need to consider carefully their reasons for refusing any such requests. Currently the test for refusal is entirely subjective i.e. the employer can refuse the application because he considers that one or more of the eight reasons applies.	Prepare to review your flexible working policies and arrangements. The eight statutory reasons remain in place but you will need to consider what your justifications for refusing or amending flexible working requests might be and, in those cases where a flexible working request is to be refused, draft your outcome letter carefully to include:

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	of the original eight broad statutory reasons. However, refusal has to be reasonable and there is a now a requirement for the employer to explain why their refusal is reasonable in writing to the employee. Regulations will be published on the steps employers need to take in order to comply with these requirements. There will be no change to the penalty for breach (8 week's capped pay, currently £5,600).	However, under the new Bill it must be reasonable for the employer to refuse the application on that ground or those grounds. This would require the employer to convince an ET judge and potentially get into questions about band of reasonable responses.	 specific grounds under the legislation for refusal; and an explanation as to why you consider it reasonable to refuse the request on these grounds. Consider what might work for your organisation in terms of operational flexibility and how to justify any future decisions. Generate an evidence base where justifications are based on cost and quality. Carry out an audit of current flexible working practices to assist with the preparations identified above and to consider your recruitment processes to reflect earlier conversations about flexible working. These proposals will encourage the trend towards remote working. Consider long term real estate needs.
Fire and Rehire	It will be <u>automatically unfair</u> to dismiss an employee for refusing a variation to their employment contract. It will be unlawful to dismiss where the principal reason for	If carried out fairly, with legitimate business justifications and proper consultation, the practice of terminating employees and subsequently proposing re-	There is likely to be an advantage in bringing forward any projects to change terms and conditions of employment. The cost and legal risk will increase when these proposals become law.

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	dismissal is either a refusal to agree a variation to their contract or to enable the employer to recruit another person or rehire the employee under new terms to do substantially the same duties. There will be a very limited exception where the reason for the contract variation is a genuine need to avoid serious financial issues that may threaten the ability to carry on the business (essentially, total business collapse) and in all the circumstances the employer could not reasonably have avoided the need to make the variation. This is a high bar. Even if the employer has these grounds, it will be necessary to undertake full consultation with the employees first. Currently, where employers cannot agree changes to terms and conditions with employees, they may need to dismiss employees and offer reengagement on the new terms. To do so, employers would need to give correct notice in accordance with employment contracts, follow a fair procedure to avoid unfairly dismissing	employment under revised terms could be considered a fair dismissal currently. The complete elimination of this procedure could, conceivably, heighten the risk of redundancies (the threshold for which would be easier to justify). These automatic unfair dismissal claims including protective awards may result in uncapped compensation and accordingly, there is a potential for significant uncapped claims in this area. Employers seeking to improve efficiencies by removing outdated working practices will not be able to avoid liability under the new law. This also takes the employment tribunals into new territory having to make judgments on financial and commercial arguments.	Ensure that employment contracts are drafted so that they contain as much inbuilt flexibility as possible.

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	any employee with at least two years' service and, where they are proposing to fire and rehire at least 20 employees, follow a collective consultation procedure in the same way as for a mass redundancy. For now, the statutory guidance on dismissal and re-engagement: code of practice remains in force and failure to follow it could result in a 25% uplift in certain tribunal claims.		
Collective Redundancies	The Bill also expands the scope of obligations relating to collective redundancies. Currently, the duties to consult representatives and notify the Secretary of State regarding collective redundancies are triggered where there are 20 or more redundancies in a 90 day period at <i>one establishment</i> . The reference to a single establishment will be omitted, meaning that redundancies held simultaneously in different locations can be caught by the collective redundancy provisions.	Businesses which carry out regular redundancy processes across individual establishments will need to keep careful note of numbers and are likely to be caught by the need to consult collectively in the future.	Bring forward any restructuring and reorganisations processes which you know now need to be carried out.

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Zero-Hour Contracts, Guaranteed Hours and Reasonable Notice of Change to Shifts	Banning 'exploitative' zero-hour contracts and ensuring that workers have the right to: • a guaranteed hours contract that reflects the number of hours they regularly work (based on a reference period which is currently proposed to be 12 weeks but will be set by secondary legislation) and • reasonable notice of changes in shifts or working time, with compensation proportionate to notice given for cancelled shifts. Those who are offered guaranteed hours under the new proposals will be able to remain on zero hours contracts if they wish (e.g. students and those with caring responsibilities). Workers are entitled to accept or refuse a guaranteed hours contract and it currently appears that if it is rejected by the worker, the employer must continue to make fresh offers at the end of every reference period.	At first blush, these (highly complicated provisions which will be thrashed out over the coming months) would appear to allow zero-hours workers to crystallise the greatest number of hours worked in any given reference period and turn them into a guaranteed hours contract and potentially with a specific schedule of hours. The right to guaranteed hours will be contingent on meeting criteria related to 'number, regularity or otherwise' which are to be set out in future secondary legislation. The Government's efforts to limit the misuse of zero-hours contracts might inadvertently affect workers by reducing the availability of zero-hours contracts for workers who prefer them, as employers might be wary of contracts potentially transitioning into guaranteed hours. These measures could make zero-hours contracts unattractive for employers and reduce flexibility for both employers and employees, increasing costs and creating staffing challenges in industries with fluctuating needs.	Carry out an audit of your contractual arrangements with employees and workers and calculate how many individuals are on such contracts. Consider the use of annualised hours contracts rather than zero hours to reflect fluctuations in demand. Consider whether these contracts are suitable for your needs now and if so, monitor the number of hours each worker works to be prepared when the new rules come in. Consider whether your technology/scheduling platforms are fit or purpose. Consider updating training for managers as and when the new rules come into force.

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	It is not clear what would be considered 'exploitative' over and above what is already outlawed. Currently employers and workers are free to agree contracts under which there are no (or few) guaranteed hours and the worker is free to accept or refuse work when offered. Exclusivity clauses within zero hours contracts (meaning, in this instance, contracts where there are no guaranteed hours at all) are already unenforceable, meaning employers cannot prevent zero hours workers from performing services or doing work under another contract.	The devil will be in the future detail as to the actual conditions for the number or regularity of hours to trigger a guaranteed hours contract and the cap on compensation which is to be consulted on. The Government says that the plans will not prevent employees from working overtime or employers offering fixed term contracts. In relation to the notice to be required for shift changes or hours, there could be added pressure on those dealing with rotas and shift arrangements. Employers may prefer to use more flexible agency workers instead of casual staff with additional rights.	
	The Bill also requires employers to give reasonable notice of any changes or cancellations of shifts to workers with irregular schedules or on zero-hours contracts. Specific notice periods deemed reasonable will be defined in secondary legislation, with employers required to justify shorter notices. Workers will be entitled to compensation for shifts altered or cancelled without sufficient notice,		

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	with details to be outlined in secondary legislation. While there are detailed exceptions to these rights, employers must explicitly state and justify their use of such exceptions at the time of implementation.		
Enhanced protection for pregnant and new mothers	Strengthening protections for pregnant and new mothers by making it unlawful to dismiss a woman who has had a baby for six months after her return to work, except in specific circumstances. Since 6 April 2024, there have been strengthened redundancy protections for pregnant employees and those returning from maternity leave. In a redundancy situation, an employee is entitled to be offered any suitable alternative vacancy (being given preference over her colleagues) while she is pregnant, during her maternity leave, and for the period ending 18 months after her expected week of childbirth (so, typically, an additional 6 months after maternity leave). At present, if no suitable alternative role exists, the employee can be made redundant in the usual way.	This could have the unintended consequence of employers having to select higher performing employees for redundancies in place of new mothers but the devil will be in the detail of the legislation.	Keep a watching brief on the details that will be published. Update management training as part of your training programme on handling dismissals and redundancies.

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	It is not entirely clear what additional protection the new proposal will add during this period and the detail will be set out in regulations.		
Protection from Third Party Harassment	Employers already have a duty to take reasonable steps to prevent sexual harassment of employees by other employees. On 26 October 2024 employers will be under a new preventative duty to prevent sexual harassment in the workplace (see separate briefing note). The Equalities and Human Rights Commission (EHRC) can enforce a slightly abstract duty to prevent third party sexual harassment but the employee who suffers the third party harassment cannot sue individually. The Bill seeks to change this and to strengthen employers' obligations to prevent sexual harassment by changing the duty from taking reasonable steps to all reasonable steps to protect employees against other employees and third parties. It proposes regulations to define these steps, which may include conducting risk assessments, publishing policies, and improving complaint procedures	These changes will impact hospitality and customer facing businesses most directly. Employers who have prepared for the new October duty by putting in place reasonable steps to prevent sexual harassment at work will be in a good position when the duty is strengthened.	Read our briefing note New Duty to Prevent Sexual Harassment in the Workplace (charlesrussellspeechlys.com) and do the following: develop an effective antisexual harassment policy to include dealing with third-party harassment engage your staff and make them aware of how they can report sexual harassment carry out a risk assessment provide clear and accessible channels for employees to voice harassment concerns provide regular training sessions tailored to different groups within the organisation act on any complaints immediately

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	(which are in fact already suggested by the EHRC). A significant change is the Bill's approach to third-party harassment to any form of harassment. Employers are prohibited from allowing third-party harassment of employees during work, with a requirement to take all reasonable steps to prevent it. The definition of what constitutes a reasonable step for third parties, who are outside the employer's direct control, is yet to be clarified. Additionally, the Bill introduces a new protected disclosure category for sexual harassment under the Equality Act 2010 (EqA). However, the practical extension of protection is uncertain, as disclosures of sexual harassment may already be covered under existing whistleblowing legislation.		 monitor and evaluate actions update websites, blogs and internal communications as well as installing clear signage and notices on premises for both employees and visitors, customers and clients to support the culture that no harassment of staff is acceptable.
National Minimum Wage	The Low Pay Commission will take into account the cost of living when setting the rates of the National Living Wage and the National Minimum Wage, and the age bands will be removed, so that the same rate applies to all workers aged 18 or above.	This will be a cost to employers who engage workers on low pay, as wage bills increase.	Ensure you fully understand the complex National Minimum Wage legislation and what is and is not included and deductible.



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	Rates are currently:		
	21 and over £11.44 18 − 20 £8.60 Under 18 £6.40 Apprentice £6.40		
	This will apply from April 2025		

Labour Market Enforcement

The Bill proposes the dissolution of the Gangmasters and Labour Abuse Authority and the Director of Labour Market Enforcement. The Secretary of State will assume the duty to enforce various labour market laws listed in Schedule 4 of the Bill, including regulations on minimum wage, Tribunal penalties, and modern slavery.

The Government is mandated to develop labour market enforcement strategies and produce annual reports, with input from an Advisory Board comprising equal numbers of union representatives, employers, and independent experts. The Bill provides the Secretary of State with investigative and enforcement capabilities, such as the authority to enter premises, access documents and require responses to inquiries. To address suspected labour market violations, the Secretary of State may seek voluntary compliance or court orders to mitigate future breaches. Non-adherence to such orders could lead to a maximum of 2 years' imprisonment. The Secretary of State is authorised to delegate these enforcement responsibilities to a statutory body. The Government's Next Steps Plan indicates the intention to establish the "Fair Work Agency," envisioned as a central entity for enforcing pertinent labour market statutes. Angela Rayner says that this will be an organisation with "real teeth" and that will clearly depend on how joined up these teams are and how much funding and resources they are allocated.

Wider reforms – Next Steps outside of the Employment Rights Bill

Some commitments set out in the Plan are intended to be delivered outside of the Bill via existing powers and non-legislative routes from this Autumn. Such commitments include for example:

- tightening the ban on unpaid internships a Call for Evidence will be launched by the end of the year;
- taking forward the Right to Switch Off through a statutory Code of Practice;
- removing the age bands to ensure every adult worker benefits from a genuine living wage;
- supporting workers with a terminal illness through the Dying to Work Charter;
- modernising health and safety guidance; and
- developing menopause guidance for employers and guidance on health and wellbeing.

Other measures will be also delivered through the Government's Draft Equality (Race and Disability) Bill which will be published later this year for pre-legislative scrutiny:

Proposals	Current Position	Possible Impact	What can or should you be doing now?
Equal Pay	Enshrining in law the full right to equal pay for ethnic minorities and disabled people. Introducing mandatory ethnicity and disability pay reporting for employers with 250 or more employees. Extending equal pay rights to protect workers suffering discrimination on the basis of race or disability. Ensuring that outsourcing of services can no longer be used by employers to avoid paying equal pay. Implementing a regulatory and enforcement unit for equal pay with involvement from trade unions. The current equal pay regime only applies to sex. Pay disparity relating to race or disability would need to be dealt with by way of an ordinary discrimination claim.	Ethnic minorities and disabled employees already have the right to bring discrimination claims where they consider they are being treated less favourably than others. However, this will give another route to bring claims – although the existing equal pay claim route is more complex than the simpler discrimination route and it is questionable what impact this will have. Closing pay gaps (whether connected to gender, ethnicity or disability) addresses only one aspect of workplace inequities and disparities. Arguably, the underlying reasons why pay gaps exist and the systemic issues faced by some groups would remain unchallenged if reporting is limited to pay.	Consider carrying out skills based equal pay audits to ensure fairness in this area. We can provide relevant advice and support through our specialist HR team with or for you. While we wait for further detail on the proposals, you may wish to review the data you currently collect to understand potential gaps in the ethnicity and disability data you hold. Consider consulting the guidance on voluntary reporting, published by the Race Disparities Unit in April 2023 to prepare for the potential extension of pay gap reporting obligations. Carry out monitoring to ensure any improvements are maintained.



Longer-term delivery of reforms

Some reforms will take even longer to undertake and implement and the topics further pushed into the long grass for now include:

Proposed Reform	Stated Aims and Action to be Taken	
Parental Leave Review	To conduct a full review of the parental leave system, alongside the provisions in the Employment Rights Bill to ensure parental leave is right from day 1 of employment.	
Carer's leave review	To review the implementation of carer's leave and examine all the benefits of introducing paid carer's leave, while being mindful of the impact of any changes on employers, particularly small employers.	
Surveillance technologies and negotiations with trade unions and staff representatives	To consult on how to implement these measures in a consultation launched on workplace surveillance technologies.	
Single 'worker' status	To consult on a simpler framework that differentiates between workers and the genuinely self- employed, ensuring that all workers know their rights and have the comfort of protection at work.	
Strengthen protections for the self-employed through a right to a written contract; extending blacklisting protections and extending health and safety protections	To consult on how to implement these measures in the single 'worker' status consultation.	
Transfer of Undertakings (Protection of Employment) (TUPE)	To launch a call for evidence to examine holistically a wide variety of issues relating to TUPE regulations and process, including how they are implemented in practice.	
Review health and safety guidance and regulations	With a view to modernising legislation and guidance, to look at neurodiversity awareness in the workplace, how to modernise health and safety guidance with reference to extreme temperatures, whether existing regulations and guidance is adequate to support and protect those experiencing the symptoms of long COVID, and to ensure health and safety reflects the diversity of the workforce.	
Raising collective grievances	To consult with Acas on enabling employees to collectively raise grievances about conduct in their place of work.	