

# 2026 Horizon Scan

## What employers need to know for 2026

As the dust settles on a headline-grabbing year for UK employment, 2026 is shaping up to be a pivotal period for employers.

The much-debated Employment Rights Act 2025 secured Royal Assent in December 2025. With several significant reforms set to take effect this year, and major changes to unfair dismissal on the horizon for January 2027, now is the time for employers to get ahead of the curve. Below, we highlight the key legal developments you need to know and outline practical steps to ensure your organisation is prepared for the evolving landscape.

### 1 Unfair dismissal reforms

These reforms will fundamentally alter the landscape for employee exits.

Qualifying period	The qualifying period for unfair dismissal is being reduced from two years to six months, so an employee with six months’ service or more on 1 January 2027 will benefit from unfair dismissal protection.
Uncapped compensation	A late amendment to the Employment Rights Act removed the cap on the compensatory award (currently the lower of 52 weeks’ pay and £118,223). The timing for the removal of the cap is currently unclear.

Employers should anticipate a significant increase in claims made to Employment Tribunals, which are already under strain from existing caseloads. The removal of the compensation cap creates the potential for very high awards, particularly for high-earning senior executives. Employers will need to focus more closely on issues such as mitigation, contributory fault, and other factors that can reduce compensation. Employers should also expect more complex and protracted settlement negotiations. Without the comfort of a compensation cap, employers should expect tougher settlement negotiations.



#### Action points

Employers should audit their employment terms and consider amending the contractual probationary period to align with the six-month statutory period. If employers have dismissals on the horizon, they should consider implementing these during the course of 2026. HR teams and managers should receive training on tactics for managing the shift in dismissal risk, with an increased focus on process, effective use of probationary periods, and ways to reduce compensation risk. If you and your HR team would like training or have any other questions on these changes, please provide your contact details [here](#).

### 2 April 2026 reforms

Family leave	Paternity leave and parental leave will each become a “Day 1” employment right, meaning employees will be eligible from the start of their employment. Paternity leave may be taken after a period of shared parental leave without being lost.
Sickness absence	Statutory sick pay (SSP) will become payable from the first day of sickness (rather than the fourth day) and the lower earnings limit will be removed, meaning employees, regardless of earnings, will qualify for SSP.
Whistleblowing	Sexual harassment will become a standalone qualifying disclosure under whistleblowing law, meaning that an employee reporting sexual harassment will more clearly benefit from the relevant protections from dismissal and other detriment.

<b>Collective redundancy consultation</b>	Protective awards (i.e. compensation payable to employees) for failure to consult collectively will rise from 90 to 180 days' per employee. The collective consultation requirement currently arises where an employer proposes to make 20 or more employees redundant at one establishment within a period of 90 days or less.
<b>Trade unions</b>	Reforms aimed at simplifying union recognition will take effect. The 40% of eligible voters ballot threshold will be removed and replaced with simple majority; the membership requirement will be reduced to anywhere between 2% and 10% (subject to consultation); and electronic balloting for industrial action will be introduced. This is in addition to the repeal of the provisions of the Trade Union Act 2016 and related legislation, which placed significant restrictions on the ability of trade unions to organise industrial action.
<b>Fair Work Agency (FWA)</b>	A new government enforcement body will be established in April, although it may take some time before it is operational. It will take over the enforcement of national minimum wage, labour exploitation and modern slavery, unpaid employment tribunal awards and gig economy rights. It will also enforce rights to holiday pay and statutory sick pay.



### Action points

Employers should audit their internal policies and guidance to address the first three reforms. As trade union reforms are expected to increase the number of recognition applications and make balloting more straightforward, employers may want to consider proactively engaging with their workforce to lay the groundwork for a collaborative relationship with any trade union. Employers should also review and update collective redundancy procedures and union recognition protocols to ensure compliance with the new requirements.

## 3 October 2026 reforms

<b>Fire and rehire</b>	The dismissal of an employee for refusing to agree a "restricted variation" (relating to terms such as pay, pensions, working hours, shift times and duration, time off and/or the inclusion of a flexibility clause covering the same) will become automatically unfair, subject to a limited ability to justify the restricted variation where the employer is facing significant financial difficulties. The dismissal will also be automatically unfair if the employer intends to replace the employee with another person on varied terms to do the same role.
<b>Employment Tribunal claims</b>	Time limits for bringing most Employment Tribunal claims will increase from three to six months.
<b>Harassment</b>	The duty to take reasonable steps to prevent sexual harassment will be extended to require "all" reasonable steps. Employers will also become liable for any discriminatory harassment (not just sexual harassment) of their workers by third parties, where they failed to take all reasonable steps to prevent it.
<b>Trade unions</b>	Employers will be required to give workers a written statement advising them that they have a right to join a trade union. Measures are also being introduced relating to access rights for trade union officials (subject to consultation) as well as new protections for trade union representatives and members (subject to consultation).



### Action points

Employers should audit their employment terms to identify whether any terms require variation and implement any variations ahead of October 2026. Harassment policies may also require updates, as well as training for all staff on the new requirements. Written statements and onboarding materials should be updated to reflect employees' rights to join a trade union.

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## Other changes to be aware of:

### 1 2027 Employment Rights Act reforms

Further changes from the Employment Rights Act are due to come into force in 2027, likely split across April and October. The key changes to be aware of include further reforms to collective redundancies, new dismissal protection during pregnancy and family leave and compulsory publication of equality action plans for employers with 250 or more employees. We will provide more detail of these topics closer to implementation.

### 2 Holiday pay records

Although the date for implementation is unclear, the Employment Rights Act imposes an obligation on employers to keep records demonstrating compliance with holiday and holiday pay. These records will need to be kept for six years and failure to comply will be a criminal offence with potentially unlimited fines. Employers should consider auditing their holiday pay records now to ensure compliance at the time of implementation.

### 3 Ethnicity and disability pay gap reporting

The UK government has announced that ethnicity and disability pay gap reporting and the extension of equal pay rights to ethnic minority and disabled people will be addressed in a draft bill expected in 2026.

### 4 Non-compete reform

The UK government has launched a consultation on options to reform non-compete clauses in employment contracts. Please see [here](#) for further commentary.

## Conclusion

2026 will be a busy period for employers as they seek to implement these reforms. Please contact us should you require advice or wish to discuss in further detail.

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## Your key contacts



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