HR & EMPLOYMENT LAW INSIDER: YOUR MONTHLY UPDATE

April 2026

HR Solutions

Contents

RECENT AND FUTURE CHANGES

RECENT CHANGES:

SUMMARY OF LEGAL CHANGES IN APRIL:

At a quick glance, here is a list of the legal changes this month:

- Annual increase to national living wage (NLW) and national minimum wage (NMW)
- Increase to NMW equivalence rates for seafarers
- Increase in NMW rates for agricultural workers in Wales and in Scotland
- Repeal of the Certification Officer's power to raise a levy
- Changes to permitted MATB1 evidence
- Changes to Armed Forces complaints processes

The following change takes effect from **5 April 2026**:

- Annual increase to the rate of Statutory Maternity Pay

The following changes take effect from **6 April 2026**:

- Significant reform of Statutory Sick Pay (SSP), including removal of waiting days and the lower earnings limit
- Annual increase to the rate of SSP
- Introduction of 'day one' rights to parental leave and paternity leave, and removal of restriction preventing employees from taking paternity leave following shared parental leave
- Introduction of a new statutory entitlement to bereaved partner's paternity leave
- New whistleblowing protections covering sexual harassment
- A new requirement, initially on a voluntary basis, on large employers to publish equality action plans
- New annual leave record keeping obligations
- Increased protective awards for collective redundancy breaches
- Increases to employment tribunal compensation limits
- Increased Vento bands
- New rules on umbrella company taxation and PAYE liability
- Annual increases to statutory family-related pay rates (Maternity Allowance (MA), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP), Statutory Shared Parental Pay (SSPP), Statutory Parental Bereavement Pay (SPBP) and Statutory Neonatal Care Pay (NCP))
- Increase in the amount of statutory family leave-related pay that a small employer can recover from HMRC
- Annual increase in the lower earnings limit for the purposes of National Insurance contributions (NICs)
- Increase to the rates of van benefit and car and van fuel benefit
- Revocation of the Code of Practice on reasonable steps to be taken by a trade union to comply with minimum service level rules following repeal of the Strikes (Minimum Service Levels) Act 2023

The following change takes effect from **7 April 2026**:

- Establishment of the Fair Work Agency

The following change take effect from **8 April 2026**:

- Increased fees payable to the Home Office when recruiting and sponsoring foreign nationals

NEW SSP RULES NOW IN FORCE

The new Employment Rights Act 2025 introduced this month new rules for paying and calculating SSP. With effect from 6 April, the new rules are:

- SSP is paid from day one of the sickness absence
- There is no longer a threshold for qualifying. All employees are eligible to receive SSP, regardless of earnings.
- Low earners are paid SSP at the rate of 80% of their normal weekly earnings, or the statutory flat rate of £123.25 – whichever is the lowest.

We recently ran our webinar on the SSP reforms, which you can watch back on demand here, as well as access our webinar slides, and read our FAQ.

The Department for Work and Pensions published technical guidance on the transitional arrangements for these changes, which can be accessed via the Chartered Institute of Payroll Professionals.

NEW STATUTORY LEAVE - BEREAVED PARTNER'S PATERNITY LEAVE

Effective 6 April 2026, a new statutory right—Bereaved Partner's Paternity Leave—has been introduced. This provides unpaid leave for fathers or partners in the tragic event that a child's mother (or primary adopter/surrogate) passes away during childbirth or within the 12 months following the birth or placement.

SIGNIFICANT CHANGES TO REDUNDANCY PAY AND CONSULTATION RULES

If you are currently managing, or due to be managing a redundancy programme, you need to be aware of two significant changes this month which apply to redundancy dismissals taking effect on or after 6 April 2026:

1. The cap on a week's pay when calculating statutory redundancy pay (for employees who have 2 or more years continuous service), is increasing to £751 per week (previously £719)
2. The protective award that a tribunal can make, where there an employer has failed to comply with the statutory collective consultation obligations will double from 90 days to 180 days gross pay.

DISCRIMINATION AWARDS ANNUAL INCREASE

Did you know that for successful discrimination claims, an Employment Tribunal will make an award where a worker has suffered injury to feelings because of a discriminatory act by their employer. The amount of the award is at the discretion of the Tribunal and depends on the facts and evidence of each case. Tribunals use a guide, known as the 'Vento guidelines'. This is a set of bands that set out ranges for injury to feelings awards depending upon the severity of the case.

The 'Vento bands' are reviewed and updated each April, and the latest figures for claims presented on or after 6 April 2026 are as follows:

- A lower band of **£1,300 to £12,600** (less serious cases)
- A middle band of **£12,600 to £37,700** (cases that do not merit an award in the upper band) and,
- An upper band of **£37,700 to £62,900** (the most serious cases) with the most exceptional cases capable of exceeding **£62,900**.

CHANGES TO MATERNITY PAY EVIDENCE

With effect from 1 April 2026, the Social Security and Statutory Maternity Pay (Evidence of Pregnancy and Compensation of Employers) (Amendment) Regulations 2026, allow employees to submit a copy of the proof of pregnancy certificate (MATB1) instead of the original when applying for maternity allowance or SMP.

We advise employers to review and update family leave related policies and to communicate the change to the workforce.

Furthermore, and specific to small employers only, with effect from 6 April 2026, the amount of statutory family leave-related pay small employers can recover from HMRC increased to 109% (previously 108.5%).

FAIR WORK AGENCY ADVISORY BOARD ESTABLISHED

In preparation for the establishment of the new Fair Work Agency (FWA), the Government have published details of its board members, who will advise ministers on the strategy and direction of the Fair Work Agency.

The Board will include independent, employer and Trade Union members.

The FWA came into effect this month, and it is expected that there will be a phased implementation of its operations. The FWA will be an amalgamation of several existing bodies, that include HMRC's National Minimum Wage unit, The Employment Agency Standards Inspectorate and The Gangmasters and Labour Abuse Authority. By combining these under one department, the government is creating a unified strategy.

A significant area of enforcement that the FWA will also be responsible for, is holiday pay and SSP. The FWA will have the power to proactively investigate and enforce many areas of employment rights, and they will have a single, strengthened set of powers that will allow them to inspect workplaces, issue notices of underpayment, apply hefty penalties as well as recover costs.

Read our latest article 'Fair Work Agency' to find out more about this new enforcement body.

https://www.gov.uk/government/organisations/fair-work-agency

RECORD KEEPING CHANGES

Starting 6 April 2026, the Employment Rights Act 2025 mandates employers maintain records for six years to prove compliance with paid annual leave entitlements under the Working Time Regulations 1998.

Please be aware that failure to adhere to these record-keeping requirements will constitute a criminal offence and may result in a fine.

Our advice to employers to ensure compliance:

1. Audit & review systems

- **System check:** Evaluate your current HR and payroll software to ensure it accurately tracks holiday accrual, usage, and the calculation of holiday pay.
- **Complex contracts:** Conduct a specific audit for 'non-standard' workers, such as those on zero-hours, irregular hours, or term-time contracts, to ensure their pay calculations meet the legal standard.

2. Internal communication

- **Staff engagement:** Actively remind and encourage employees to take their full holiday entitlement throughout the year.
- **Policy updates:** Revise your holiday and leave policies to clearly state how leave is recorded and what evidence is required.

3. Data retention & privacy

- **Update policies:** Modify your document retention policies and data protection privacy statements to explicitly include annual leave records.
- **The six-year rule:** Implement a rolling six-year retention period specifically for these compliance records.

4. GDPR & data governance

- **Legal justification:** Update your GDPR records to cite 'legal obligation' as the lawful basis for retaining this data for six years.
- **Secure disposal:** Define and implement secure deletion protocols to ensure data is permanently destroyed once the six-year period expires.

Since failure to comply is now a criminal offence, ensuring these digital and physical 'paper trails' are airtight is no longer just best practice—it's a legal necessity.

THE GOVERNMENT ARE TO PROCEED WITH MANDATORY ETHNICITY AND DISABILITY PAY GAP REPORTING

The Government have confirmed that it will proceed with introducing mandatory ethnicity and disability pay gap reporting for large employers, aiming to increase transparency, tackle workplace barriers, and ensure fair pay and progression for all employees regardless of their background or physical abilities.

The new legislation, when in force, will require employers with 250 or more employees to publish six key pay-gap metrics along with new workforce composition data. While this builds on the existing framework for gender pay gap reporting to keep the process simple for businesses, it marks a significant step forward in legislative requirements for large organisations.

As the Bill progresses through Parliament, we will continue to keep you informed.

ARE YOUR WORKERS SUPPLIED THROUGH UMBRELLA COMPANIES?

Effective this month (6 April), Part 2 of the Income Tax (Earnings and Pensions) Act 2003 came into force. This Act now makes recruitment agencies accountable for Pay As You Earn (PAYE) on payments made to workers supplied through umbrella companies (or the end client, where there is no agency).

It will make the agency and umbrella company jointly and severally liable and allowing HMRC to pursue either or both.

If there is more than one agency in the supply chain, the rules will apply to the agency that has the direct contract with the end client to supply the worker. Where there is no agency, or whether the agency holds a material interest in the umbrella company, the liability will fall directly on the end client.

FUTURE CHANGES

LEGISLATION – BY IMPLEMENTATION DATE

2026

October 2026 – Employment Rights Act 2025

- Establish the Fair Pay Agreement Adult Social Care Negotiating Body in England
- Tightening tipping law by requiring employers to consult with workers to ensure fair tip allocation
- Requiring employers to take 'all reasonable steps' to prevent sexual harassment of their employees
- New obligation on employers not to permit the harassment of their employees by third parties
- Introducing a power to enable regulations, that specify steps that are to be regarded as reasonable to determine whether an employer has taken all reasonable steps to prevent sexual harassment (the actual steps to specify what is to be regarded as reasonable is due in 2027)
- Introducing a new duty to inform workers of their right to join a trade union
- Strengthen trade unions' right of access
- Unfair practices in the trade union recognition process
- New rights and protections for trade union reps
- Extending protections against detriments for taking industrial action
- Two tier procurement

Not before October

Employment tribunal time limits extended from 3 months to 6 months

December 2026 – Amendment to the Seafarers Wages Act 2023

The Employment Rights Act 2025, section 56, scheme 5 strengthens workers' rights at sea in relation to wages, terms and conditions of employment or engagement and working conditions.

New regulatory framework to bar NHS managers for misconduct (mid-late 2026/early 2027)

Legislation to introduce a new regulatory framework for NHS managers is expected in 2026. The framework will establish a statutory barring system for board-level directors who commit serious misconduct, with new powers granted to the Health and Care Professions Council to disbar senior leaders. The regulations aim to prevent managers found guilty of misconduct from taking other NHS roles and include specific protections for whistleblowers.

2027

1 January 2027 - Employment Rights Act 2025

- 6-month qualifying service for ordinary unfair dismissal protection
- Removal of the compensatory cap.
- Dismissals connected to an employer seeking to vary an employee's contract, but the employee does not agree will be automatically unfair

January 2027 - Employment Rights Act 2025

- Gender pay gap and menopause action plans to become mandatory
- Enhanced dismissal protections for pregnant workers, and those on and returning from family leave
- Specifying steps that are to be regarded as 'reasonable', to determine whether an employer has taken all reasonable steps to prevent sexual harassment
- Updated rules relating to protections from blacklisting due to trade union membership or activity
- Industrial relations framework
- Changes to the threshold for when collective redundancy consultation applies
- Enhanced redundancy protections against dismissal or redundancy
- An employer's reason for refusing a flexible working request must be reasonable
- A new statutory entitlement to bereavement leave, including pregnancy loss
- The regulation of umbrella companies
- Right to guaranteed hours and the right to reasonable notice and short notice payments
- Electronic and workplace balloting for recognition and derecognition ballots
- Provision of information relating to outsourced workers, a requirement for private and voluntary sector employers with at least 250 employees in Great Britain, and public authorities, to publish information about the service providers that they contract with for outsourced services.
- Extends the scope of the Employment Agencies Act 1973 to cover other types of business, such as umbrella companies, that participate in arrangements under which people are supplied by their employer to work for other people or organisations.
- Non-disclosure agreements (NDAs) and confidentiality provisions in employment making void a contractual provision that purports to preclude a worker from making an allegation or disclosure about relevant harassment or discrimination (or an allegation or disclosure relating to the employer's response).

April 2027 - Mandatory Payrolling Benefits

From April 2027, all employers will be required to payroll benefits in kind. A P11D will still be required for the tax year 2025/26 and 2026/27, but from 2027/28 onwards, it will be mandatory for benefits to be payrolled. Until such time, it continues to be voluntary, and we expect draft legislation and guidance to be provided in due course. The Government have published a timeline in preparing for this change, available here.

Date to be confirmed (must be by June 2027) - The Terrorism (Protection of Premises) Act 2025 (Martyn's Law)

This Act received royal ascent on 3rd April 2025 however the regulator (Security Industry Authority - SIA) have said that there will be at least 24 months required in preparing for the law to come into force.

In the meantime, premises and events seeking advice on preparing for Martyn's Law should continue to look for Home Office updates. They can also access free technical guidance and operational advice on protective security on the government partner websites of the National Protective Security Authority and ProtectUK.

2028

6 April 2028 – Pension age increase
The new normal minimum pension age will become 67 years from 2028, following the amendment to Part 4 of the Finance Act 2004 (pension schemes etc).

LEGISLATION DATE UNKNOWN

Pensions (Extension of automatic enrolment) Act 2023 (date to be confirmed)
This legislation removes the current age requirements for eligible workers to be automatically enrolled into a workplace pension. The current minimum age is 22 years, but this will be reduced to 18 years. No date has been set for when this legislation comes into force.

Sunday trading – Protection for shop workers
The right of shop workers to opt out of working Sundays on religious or family grounds is to be extended to any 'additional' hours above their normal hours which they may normally be obliged to work if requested. The duty of employers to advise workers of these rights is also to be extended.

The Enterprise Act 2016 contains provisions to strengthen certain aspects of the protections given under the Employment Rights Act 1996 specific to shop and betting workers. This Act received Royal Assent, i.e. became law on 4 May 2016, but the provisions making the Sunday working amendments have not yet been brought into force.

In addition, the amendments to ERA 1996 envisaged the making of regulations as secondary legislation to fill in the detail of how the revised legislation would work, and that secondary legislation has not yet been published, although the power to make it is in force. With a change in Government since this came into force, the current government have not given any indication that it intends to enact this legislation and so we have no precise indication as to when these changes will take effect, or if they will ever come into force.

Children and Social Work Act 2017 Whistleblowing – Protection for children's social care applicants

Section 32 of the Children and Social Work Act 2017 when it commences will allow the Employment Rights Act of 1996, s 49C to enable the introduction of regulations that prohibit relevant employers from discriminating against an applicant for a children's social care position because it appears that they have made a protected disclosure. At this time, draft regulations are yet to be published.

KEY EMPLOYMENT BILLS PROGRESSING THROUGH PARLIAMENT

Bullying and Respect at Work Bill
This private members Bill if passed, would introduce a statutory definition of bullying at work. In addition, it would make a provision relating to bullying at work that includes enabling claims relating to workplace bullying to be considered by an employment tribunal. It would also introduce a Respect at Work Code that would set minimum standards for positive and respectful work environments and give powers to the Equality and Human Rights Commission to investigate workplaces and organisations where there is evidence of a culture of, or multiple incidents of, bullying and to take enforcement action. The Bill had its first reading in the House of Commons on 21 October 2024 and the second reading is expected 27 March 2026.

Children's Wellbeing and Schools Bill
This Bill is about the safeguarding and welfare of children, support for children in car, the regulation of care workers, establishments and agencies and independent educational institutions and inspections of schools and colleges, as well as dealing with teach misconduct. This Bill is near the end of its parliamentary process waiting for the House of Commons consideration of amendments/reasons on 25 March 2026. After which point, it will pass over for being given Royal Assent (date unknown).

Company Directors (Duties) Bill
If passed, this Private Members' Bill, would amend section 172 of the Companies Act 2006 to require company directors to balance their duty to promote the success of the company with duties in respect of the environment and the company's employees. It is early in the process and currently waiting a date for the next stage which is its second reading.

The Domestic Abuse (Safe Leave) Bill
This Bill proposes to provide employees who are victims of domestic abuse with up to 10 days paid leave each year to support in dealing with the many challenges experienced when trying to leave the relationship. This is currently at the 2nd reading stage in the House of Commons and is scheduled to take place 17 April 2026.

Equality (Race and Disability) Bill
We know through the Employment Rights Bill, that the Government are seeking to reform areas of equality relating to race and disability. A standalone Bill is expected to be launched in 2026 following a period of public consultation. It is expected that the Bill will include:

- Introducing mandatory ethnicity and disability pay gap reporting, modelled on the existing gender pay gap framework.
- Extending equal pay rights to ethnic minority and disabled workers, allowing claims on contractual equal pay grounds.
- Potential establishment of a specialist enforcement or regulatory body to oversee compliance and coordinate action plans.

CONSULTATION AND GUIDANCE

CONSULTATIONS

OPEN CONSULTATIONS

NEW CONSULTATION LAUNCHED ON THE DRAFT CODE OF PRACTICE ON THE RIGHT OF TRADE UNIONS TO ACCESS WORKPLACES

Employers now have the opportunity to participate in a public consultation on the recent publication of a new draft Code of Practice on the rights Trade Unions will have from October 2026 for accessing workplaces under the Employment Rights Act 2025.

All businesses employing 21 or more workers (including associated employers) regardless of whether they recognise a trade union will be impacted by this law change. The new legal right will allow a Trade Union the right to access a workplace – either physically, or digitally and it will not matter if the workplace doesn't recognise a trade union.

The aim of this new right is for a trade union to meet, support, represent, recruit, or organise workers (regardless of union membership) and to facilitate collective bargaining. This right will not give unions access to private dwellings, though hybrid workplaces will be in scope.

The draft Code includes:

- How access requests should be made;
- How access agreements should be negotiated and implemented across different types of workplaces;
- How and when an application may be referred to the Central Arbitration Committee (CAC) if negotiations on access terms are unsuccessful; and
- How the CAC will make decisions on whether access should take place, including the principles it must apply and the factors it will consider.

This reform is perhaps one of the most significant changes being introduced under the Employment Rights Act 2025. We encourage all employers to take part in the public consultation as feedback helps to drive the final drafting of key guidance, Codes of Practice and secondary legislation.

Consultation closes: 20 May 2026

How to participate: Respond online here or via email to tradeunionpolicy@businessandtrade.gov.uk. Alternatively, your response can be sent via post to:

Trade Union Policy, Employment Rights Directorate
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY.

MAKE WORK PAY: TRANSFER OF UNDERTAKINGS (PROTECTION OF EMPLOYMENT) REGULATIONS

The Government have opened a public call for evidence on the 2014 Transfer of Undertakings (Protection of Employment) (TUPE) Regulations.

It is seeking to strengthen existing rights and protections for employees subject to TUPE processes while simultaneously improving the efficiency of the regulations for businesses. By updating these rules, the government hopes to facilitate smoother mergers and acquisitions, creating a stable environment for business expansion.

The call for evidence invites feedback on several critical aspects of the current framework:

- Balancing needs: Whether the regulations strike the right balance between employer flexibility and employee rights.
- Clarity of transfers: How clear it is to determine when a 'relevant transfer' has taken place.
- Varying terms: The circumstances under which an employer can change contract terms for Economic, Technical, or Organisational (ETO) reasons.
- Consultation requirements: Whether current requirements are sufficient to ensure employees are adequately informed and consulted during a transition.
- Business impact: The navigation challenges and overall costs to businesses associated with TUPE-protected transfers

We encourage all employers to participate in these key processes as the responses help to formulate final Codes of Practices, guidance and any secondary legislation required.

Consultation closes: 1 July 2026

How to participate: Respond online here or via email to TUPEpolicy@businessandtrade.gov.uk.

MAKE WORK PAY: THRESHOLD FOR TRIGGERING COLLECTIVE REDUNDANCY

The Department for Business and Trade (DBT) have published a public consultation seeking views on the level and methods by which employers must collectively consult when proposing redundancies. In particular, what threshold should be in place for triggering collective redundancy consultations.

Under current rules, employers only must fulfil collective redundancy obligations when making 20 or more redundancies at a single establishment. The government notes this has led to instances where large numbers of employees are not consulted because redundancies are spread across multiple sites. The Employment Rights Act 2025 will change this by requiring consultation based on the total number of redundancies across an employer's entire organisation.

The Government has narrowed the focus to two specific options for setting the new threshold:

1. A single fixed number: This would be a set threshold within the range of 250 to 1,000 redundancies across the organisation.
2. Tiered obligations: This approach would involve tiering the obligation based on the total number of employees in the organisation.

The government is currently seeking responses from all interested parties on these two proposals, which will eventually require Parliamentary approval before taking effect. We encourage all employers to participate in all these consultations, as this helps the Government in developing UK wide policy.

The consultation runs until 21 May 2026. It applies to England, Scotland, and Wales and you can participate online or via email to collectiveredundancy@businessandtrade.gov.uk.

MAKE WORK PAY: MODERNISING THE AGENCY WORK REGULATORY FRAMEWORK

The Government has launched a consultation as part of its 'Make Work Pay' reforms, focusing on updating the rules that govern agency work and the wider temporary labour market. The consultation is seeking views on how to modernise the regulatory framework for agency work, particularly in light of the growing use of umbrella companies.

Key aims include:

- bringing umbrella companies fully within regulation for the first time,
- Improving transparency around pay, contracts and employment rights
- Strengthening protections for agency workers while maintaining labour market flexibility
- Updating outdated legislation to reflect modern working practices and reduce unnecessary admin burdens

The Government is trying to strike a balance between worker protection and business agility in a labour market that has evolved significantly since the current rules were introduced.

The consultation is open to employers, agencies, workers and stakeholders involved in the temporary labour market. We encourage all employers to participate in public consultations, as your views help influence and direct UK policy. You can respond either via an online response form on GOV.UK or via email agencywork@businessandtrade.gov.uk.

The consultation is open through to 1 May 2026.

REMINDER OF OTHER OPEN CONSULTATIONS

In our previous newsletters, we have shared details of other public consultations that remain open. As a reminder, and if you would like to participate, the following remain open:

Make Work Pay: improving access to flexible working

The reform in this area is aimed at shifting the focus of workplace discussions from why flexibility isn't possible to exploring creative solutions that benefit both staff and productivity. It is anticipated that this will be achieved by the introduction of a new legal 'reasonableness test' which will require employers to accept statutory flexible working requests that are 'reasonable and feasible'. You can respond online, or via email to flexibleworking@businessandtrade.gov.uk. Deadline for responding is 30 April 2026.

CLOSED CONSULTATIONS: RESPONSES BEING ANALYSED

Key consultations waiting formal response.

The following consultations are now closed. The relevant authorities are currently analysing the responses and will issue formal updates on next steps shortly. These findings will inform the development of future regulations and updated Codes of Practice.

- Extending the Right to Work Scheme
- Fair Pay Agreement process in adult social care
- Information commissioner – Consultation on draft complaints guidance for organisations
- Information commissioner – Consultation on draft recognised legitimate interest guidance
- Make Work Pay:
    - Call for evidence on unpaid internships
    - Draft Code of Practice on Electronic and Workplace Balloting for Statutory Union Ballots
    - Duty to inform workers of right to join a union
    - Enhanced dismissal protections for pregnant women and new mothers
    - Fire and rehire – changes to expenses, benefits and shift patterns
    - Leave for bereavement including pregnancy loss.
    - Trade Union Recognition code of practice and e-balloting unfair practices
    - Strengthening the law on tipping
    - Trade Union Right of Access
- Acas Consultation on draft Code of Practice on time off for trade union duties and activities
- Migration Advisory Committee launches stage 2 Review of Temporary Shortage List
- Parental leave and pay review - call for evidence
- Welsh Government: Draft disabled people's rights plan 225 to 2035
- Work and Pensions Inquiry: Employment support for disabled people
- Working in the UK - earned Settlement
- Working paper on options for reform of non-compete clauses in employment contracts.

GUIDANCE

UPDATED CODE OF PRACTICE FOR SERVICES, PUBLIC FUNCTIONS AND ASSOCIATIONS

The Equality and Human Rights Commission (EHRC) has submitted a significantly revised Code of Practice for Services, Public Functions, and Associations to the UK government for final approval. This update follows a landmark 2025 Supreme Court ruling in *For Women Scotland*, which clarified that 'sex' in the Equality Act 2010 refers to biological sex rather than gender identity.

The new draft code aims to provide service providers with clear guidance on how to lawfully provide single-sex spaces, such as toilets and changing rooms, while balancing the rights of trans people with the privacy and dignity of other service users.

A key focus of the updated code is the provision of single-sex facilities, which the EHRC suggests should generally be provided on a biological basis to meet health and safety requirements. While the guidance affirms that service providers can lawfully exclude trans individuals from single-sex spaces if it is a 'proportionate means of achieving a legitimate aim', it also emphasises that trans people should not be left without adequate, non-discriminatory alternatives, such as gender-neutral or private lockable facilities. Although this specific update focuses on service provision, the EHRC has indicated that a review of the Employment Code of Practice will follow to ensure consistency across the workplace.

DRAFT CODE OF PRACTICE ON THE RIGHT OF TRADE UNIONS TO ACCESS WORKPLACES

This month, the Government published a draft Code of Practice on the rights Trade Unions will have from October 2026 for accessing workplaces under the Employment Rights Act 2025.

All businesses employing 21 or more workers (including associated employers) regardless of whether they recognise a trade union will be impacted by this law change. The new legal right will allow a Trade Union the right to access a workplace – either physically, or digitally. It will not matter if the workplace doesn't recognise a trade union.

The aim of this new right is for a trade union to meet, support, represent, recruit, or organise workers (regardless of union membership) and to facilitate collective bargaining. This right will not give unions access to private dwellings, though hybrid workplaces will be in scope.

CASE RULINGS

WHEN DOES A JOB OFFER EQUAL A CONTRACT OF EMPLOYMENT?

The Employment Appeal Tribunal case Kankanalapalli v Loesche Energy Systems Ltd EAT 49 concerned a breach of contract claim following the withdrawal of a job offer.

The central legal dispute was whether an employment offer made 'subject to' certain conditions created a binding contract upon acceptance (its legal term known as 'condition subsequent') or if the contract only came into existence once those conditions were fully satisfied (its legal term known as a 'condition precedent').

What Happened

Mr. Kankanalapalli (the claimant) applied for a Project Manager position with Loesche Energy Systems Ltd (the respondent). On September 23, 2022, the respondent issued an offer letter via email for a start date of November 1, 2022. The letter stated the offer was 'subject to receipt of satisfactory references, a right to work check and a successful six-month probation period'.

The claimant accepted the offer via email on September 26, stating, 'Please take it that I accept the offer,' which the respondent acknowledged as 'excellent news'. By October 6, the claimant had provided his referee details and copies of his right-to-work documents. However, on October 7, the respondent informed the claimant that a delay in their own 'notice to proceed' on a specific contract meant the role would not start until January 2023. Shortly after, on October 11, the respondent withdrew the offer entirely due to the project delay.

The claimant brought a claim for breach of contract, arguing the offer was withdrawn without appropriate notice. The original ET dismissed the claim, finding that because the references hadn't been received and the original right-to-work documents hadn't been physically inspected, the offer remained conditional and no binding contract existed.

The claimant appealed the original Employment Tribunal ruling.

Ruling

The EAT ultimately overturned the initial Employment Tribunal (ET) decision, ruling in favour of the claimant, confirming that a binding contract had been formed and that the employer was liable for failing to provide reasonable notice.

The EAT's findings included:

- The EAT determined that the conditions in the offer letter were 'conditions subsequent' not 'conditions precedent'. These are two legal phrases; the latter is when events must occur before a contractual obligation or duty arises, whereas 'conditions subsequent' are events that occur after a contract is in force.
- In this case, the Judge noted that the offer letter contained all key terms (salary, start date, etc.) and, importantly, grouped the probationary period, which can only occur *after* employment starts, with the references and right-to-work checks. This therefore implied that these were grounds for terminating an existing contract, and not barriers to forming one.

- The contract was binding but silent on a notice period, however under UK law, there is an implied term of notice which requires an implied term of 'reasonable notice'.
- The EAT rejected the respondent's argument that notice should be zero or one week. Given the seniority of the Project Manager role, the lengthy interview process, and the fact the claimant was expected to relocate, however, the EAT ruled that three months constituted a reasonable notice.
- The respondent was found in breach for terminating the contract without this three-month notice period and was ordered to pay the claimant accordingly for breach of contract.

Learnings for Employer

- Clarity in offer letters: Employers must be explicit if they intend for a contract to only exist *after* conditions are met (precedent) versus forming a contract that can be terminated if conditions aren't met (subsequent). Using 'subject to' is not enough to guarantee an unrestricted right to withdraw.
- The 'probation' trap: Grouping pre-employment checks like references, with a probationary period in the same clause can lead a court to view all of them as conditions subsequent, meaning a binding contract is formed the moment the offer is accepted.
- Explicit notice periods: To avoid the uncertainty of 'reasonable notice,' employers should specify the notice period applicable before the start date and during the probationary period within the initial offer letter.
- External factors: A delay in a business project (such as a 'notice to proceed') does not automatically grant an employer the right to rescind an accepted job offer without notice unless that specific contingency was a clearly stated condition of the offer.
- Reasonable notice for senior roles: Courts will look at the seniority of the post, the duration of the recruitment process, and the impact on the candidate (e.g., relocation) when determining 'reasonable notice,' which can significantly exceed statutory minimums.

APPLYING THE 'POLKEY' PRINCIPLE

Overview

In the case of *KJ v British Council* [EAT 46], the Employment Appeal Tribunal (EAT) reviewed whether it was lawful for an Employment Tribunal (ET) to reduce a claimant's discrimination compensation by 35%.

The original tribunal had applied this reduction based on the 'Polkey' principle, arguing there was a significant chance the claimant would have left her role regardless of the discrimination she faced.

What Happened

The claimant, K J, was a senior employee of the British Council in Morocco. Between October 2020 and April 2021, she was subjected to harassment and sexual harassment by a colleague. After she filed a formal grievance in June 2021, the British Council's 'Speak Up Committee' (SUC) issued a report on November 15, 2021.

The ET found the SUC report to be 'perverse and unreasonable.' Specifically, the report attributed blame to the claimant for 'mixed messages,' 'romanticised' the harasser's behaviour as that of a 'spurned lover,' and failed to recognise that unwanted physical touching constituted sexual harassment.

The claimant resigned on November 22, 2021, stating that the handling of the grievance was her primary reason for leaving.

Initially, the ET upheld her claims but applied a 35% deduction to her compensation under the *Polkey* and *Chagger* principles. The ET reasoned there was a chance she would have left anyway as there was some evidence which included her applying for external roles, responding to a head-hunter, considering a move back to the UK, and a restructuring exercise.

Ruling

The EAT allowed the claimant's appeal regarding the deduction and dismissed the employer's cross-appeal on jurisdiction:

- The EAT ruled that the harassment was not an isolated incident but part of a 'continuing state of affairs' that culminated in the SUC report. Because the report itself was issued within the three-month time limit, the earlier acts of harassment were also deemed to be 'in time' and therefore continuing acts.
- The EAT found the ET erred by not asking if the claimant's thoughts about leaving were influenced by the harassment. To apply a deduction, the tribunal must consider a hypothetical reality where none of the discriminatory wrongs occurred. The ET failed to determine whether the claimant would have still looked for other jobs or been unsettled by the restructure if she had never been harassed.
- While the restructure was 'independent' of the harassment, the EAT noted that the claimant's willingness to accept new, less favourable terms might have been compromised by the discriminatory treatment she received.

Learnings for Employer

Grievance handling as a 'continuing act'

Employers cannot view a harassment incident and the subsequent grievance investigation as entirely separate events. A flawed or discriminatory investigation can link past, out-of-time incidents to a current timeframe, exposing the employer to liability for the entire period of conduct.

Avoid victim-blaming in reports:

The SUC's attempt to 'attribute blame' to the claimant for 'mixed messages' was cited as a major factor in the finding of direct sex discrimination. Investigations must remain objective and avoid 'romanticising' or excusing harassing behaviour based on the harasser's mental health or perceived 'tone.'

High threshold for compensation deductions:

If an employer seeks a *Chagger* or *Polkey* reduction based on the chance an employee would have left anyway, they must prove that this desire to leave was completely independent of any discrimination. If the discrimination 'unsettled' the employee or 'opened their eyes' to other jobs, the deduction likely cannot stand.

Limited term contracts:

Simply having an employee on a limited term contract (also known as fixed-term contract) does not automatically guarantee a deduction in compensation for the period after the contract would have ended, as tribunals must consider the likelihood of renewal in a non-discriminatory environment.

CALCULATING AWARDS FOR SUCCESSFUL UNFAIR DISMISSAL CLAIMS – A WARNING FOR CHANGES COMING JANUARY 2027

Overview

The case of Mr M Ageli v Sabtina Ltd (6009382/2024) involves a high-value claim for unfair dismissal and unpaid holiday entitlement. The judgment (issued on March 9, 2026), resulted in a substantial financial award for the claimant, totalling nearly £500,000. The case is particularly notable for the scale of the accrued holiday pay and the significant Acas uplift applied due to the employer's procedural failures.

The significance of this case is heightened by the Employment Rights Act 2025, as it highlights the current mechanics of calculating awards for successful unfair dismissal claims. Under existing rules, these payouts are subject to specific limits that can often fall short for those with higher salaries.

However, a major shift is approaching in January 2027, where it is expected that the cap on compensatory awards will be completely removed. This case serves as a vital benchmark for employers to realise just how substantial future payouts could become, particularly for high-earning employees who will soon be able to claim for their full projected losses.

What Happened

The claimant, Mr. Mohamed Ageli, was a high-earning employee with a gross annual salary of £123,185.76. Following his dismissal, he brought multiple claims against Sabtina Limited. While the specific details regarding the reason for dismissal are not fully clear, the Tribunal found that the claimant's own actions contributed to his dismissal, leading to a 33% reduction in his basic and compensatory awards.

Crucially, the claimant had accumulated an extraordinary amount of untaken holiday over the course of his employment - a total of 1,518.75 days. After accounting for days taken and previous payments made by the employer, the claimant was still owed 827.25 days of pay at the time of his dismissal.

Additionally, the Tribunal found that the employer had totally failed to comply with the Acas Code of Practice on Disciplinary Procedures when dismissing him.

Ruling

The Tribunal ruled in favour of the Mr Ageli, ordering Sabtina Ltd to pay the following:

- Basic Award: £14,070 (calculated at £21,000 and reduced by 33% for contributory conduct).
- Compensatory Award: £91,489.73. This was based on projected earnings until a likely retirement date of March 18, 2025, less a 33% reduction for conduct, and then increased by a 25% Acas uplift.
- Holiday Entitlement: A gross sum of £391,942.77. This was the most significant portion of the award, covering the 827.25 days of accrued but untaken leave.

The Tribunal notably determined that although Mr Ageli had not looked for alternative work, he would have been unlikely to find comparable earnings before his intended retirement, making his claim for loss of earnings reasonable.

Learnings for employer

- **Manage holiday accrual rigorously:** This case serves as a stark warning about the financial liability of allowing holiday leave to roll over indefinitely. Employers must ensure employees take their statutory and contractual leave annually to avoid 'accrual debt' that can reach hundreds of thousands of pounds for senior staff.
- **Mandatory ACAS Compliance:** A 'total failure' to follow the Acas Code of Practice on Disciplinary Procedures can lead to the maximum 25% uplift in compensation. Regardless of the employee's conduct, failing to follow a fair process is a costly mistake.
- **Seniority increases liability:** Because the claimant was a high earner, even routine awards like holiday pay and notice periods translated into massive financial penalties for the business. This is also a start warning for the forthcoming removal of the compensatory award cap in unfair dismissal cases. From January, under the Employment Rights Act 2025 there will no longer be a cap for calculating the compensatory award element – which clearly, for high earners this could have serious implications for small employers.
- **Contributory conduct is a partial shield:** While the employer was ordered to pay significant sums, the **33% reduction** for the claimant's own conduct highlights that Tribunals would penalise employees if their behaviour played a role in their own dismissal.
- **Retirement intentions impact compensation:** The Tribunal used the claimant's stated intent to retire as a 'cutoff' for loss of earnings. Clear documentation of an employee's career plans can be a vital factor in limiting the duration of a compensatory award.

WORKPLACE STRESS, EMPLOYER LIABILITY, PSYCHIATRIC INJURY, AND FORESEEABILITY – A RULING ABOUT AN EMPLOYER'S DUTY OF CARE

Trigger warning of suicidal thoughts

Overview

In a landmark ruling that serves as a stark wake-up call, the High Court has awarded nearly £1 million to a former marketing manager following a catastrophic mental health breakdown caused by workplace stress.

The case, *Foxton-Duffy v Jockey Club Racecourses Ltd*, highlights the severe legal and financial consequences of failing to act when employees show visible signs of psychological distress.

What happened

Matthew Foxton-Duffy, a high-performing regional marketing manager responsible for iconic tracks such as Aintree and Cheltenham, saw his workload escalate dramatically following an internal restructure. Despite intentions to centralise certain functions, the burden on regional teams remained high, and Mr. Foxton-Duffy was tasked with additional projects that his colleagues described as 'entirely unrealistic.'

From April 2021 onwards, Mr. Foxton-Duffy and his colleagues repeatedly raised concerns about the unsustainable pressure.

Between April and November 2021, witnesses described Mr. Foxton-Duffy displaying warning signs:

- Visible distress: he was frequently tearful in front of colleagues and lost his composure during public meetings.
- Formal warnings: he and his counterpart managers raised written and oral concerns regarding unhealthy stress levels and excessive workloads.
- Direct disclosure: he explicitly informed his line manager that the pressure was affecting his health and strained his professional relationships.
- Untaken leave: he had over 20 days of untaken annual leave because he felt the workload made it impossible to take time off.

Mr Foxton-Duffy disclosed his health struggles to his manager in November 2021, who considered these to be behavioural issues, a combination of personality issues, a resistance to change and a negative attitude toward the restructure. His manager ultimately responded with a formal, 'warning-style' email.

The situation reached a tragic tipping point in November 2021 when, overwhelmed by despair, Mr Foxton-Duffy attempted to take his own life.

Ruling

The Deputy High Court Judge found there had been a failure to act by the Jockey Club, and it had breached its duty of care. Crucially, the court rejected the defence that the employer 'did not know' the extent of his suffering. The judge ruled that by November 2021, the risk of psychiatric harm was 'reasonably foreseeable.'

The court criticised the organisation for failing to take 'obvious' and 'easy to implement' steps, including:

- Conducting a stress risk assessment: despite standard practice, no assessment was carried out.
- Occupational health referral: no referral was made, even as signs of distress became public.
- Workload management: There was no meaningful attempt to review resources or reduce tasks.
- Encouraging annual leave: Mr. Foxton-Duffy had over 20 days of untaken holiday, citing his workload as the reason he couldn't take a break.

Mr. Foxton-Duffy was awarded approximately £990,000 which included general damages for psychiatric injury (Complex PTSD and depression), over £211,000 for past loss of earnings, and a significant £684,000 for future loss of earnings. Because the injury was deemed 'indivisible'—meaning the employer's negligence was a material cause of the entire breakdown—the Jockey Club was held liable for the full extent of the damages.

Learnings for employer

This case clarifies that employers cannot simply wait for an employee to 'self-report' a formal illness. If the signs of stress are visible to a 'reasonable employer,' the legal duty to intervene is triggered.

- Don't ignore the 'soldier': High performers often 'soldier on' until they break. A lack of prior sick leave does not mean an employee is not at risk.
- Act on observations: If a manager or colleague reports that someone is tearful, irritable, or struggling, this must be documented and addressed immediately.
- Use your tools: risk assessments and occupational health referrals are not just administrative hurdles; they are vital preventative measures that protect both the employee's health and the company's liability.
- Monitor annual leave: a failure to take leave due to workload is a major red flag that requires management intervention.

As we move toward 2027 and the removal of compensatory caps under the Employment Rights Act 2025, this ruling serves as a timely reminder - the cost of ignoring workplace stress is no longer just a matter of morale—it is a significant balance-sheet risk.

PAYROLL

NEW STATUTORY RATES EFFECTIVE THIS MONTH

Each April, the Government increases the statutory pay rates. The key ones to note:

5 April 2026

The flat rate of statutory maternity pay –£194.32 per week.

6 April 2026

The flat rate of statutory adoption pay, neonatal care pay, paternity pay, parental bereavement pay and shared parental pay all increase to

The flat rate of SSP is £123.25 per week.

New national minimum pay rates from 1 April 2026:

- New national minimum wage rates, to take effect on 1 April 2026:
- 21 years old and above - increases from £12.21 to £12.71 per hour
- 18-20 year olds – increases from £10.00 to £10.85 per hour
- Apprentice under 18 years = £8.00 per hour
- Apprentice 19+ in first year = £8.00 per hour
- Apprentice 19+ in second year = the NMW for their age (£10.85 or £12.71 per hour).

SSP EMPLOYMENT REFORMS

The new Employment Rights Act 2025 introduces changes to how SSP is paid and calculated from 6 April 2026:

- The current 'waiting days' will be removed, meaning, statutory sick pay will be paid from the first day of sickness absence.
- There will be a new method for calculating SSP. The current lower earnings limit will be removed, meaning all employees will be eligible, regardless of how much they earn.

To calculate SSP, it will be either at 80% of the employees' normal weekly earnings, or the statutory flat rate (set to become £123.25 from April 6), whichever is the lowest.

The Department for Work and Pensions have also published technical guidance on the transitional arrangements for introducing the Statutory Sick Pay (SSP) reforms. We encourage that you read the guidance as it sets out practical examples of how to deal with the calculation of SSP in different scenarios. You will find the full guidance via the Chartered Institute of Payroll Professionals.

APRIL 2026 CHANGES AHEAD FOR WORKERS SUPPLIED VIA UMBRELLA COMPANIES

Changes to rules on engaging workers supplied via umbrella companies came into force on 6 April 2026.

From 6 April 2026, new legislation introduces joint and several liability for both the end-client and the umbrella company regarding PAYE and National Insurance Contributions (NICs).

Under this framework, HMRC has the authority to pursue either the client or the umbrella company for the full amount of any unpaid taxes. If one party is forced to pay the total debt, they must then seek reimbursement from the other independently. Consequently, clients now face significant financial exposure for the compliance failures of other entities within their contractual chain.

APRIL 2027: MANDATORY PAYROLLING BENEFITS

A note for your diary – is the mandating of Payrolling Benefits in Kind (BIK), which has been delayed until April 2027. Mandating payrolling of BIK is the inclusion of the estimated value of non-cash employee benefits directly in the regular payroll instead of reporting separately on an annual P11D form. Until such time, it continues to be voluntary, and we expect draft legislation and guidance to be provided in due course.

HEALTH AND SAFETY

STRESS AWARENESS MONTH

April is Stress Awareness Month, a timely reminder of the impact that work-related stress can have on people, performance, and overall business success. Managing stress is not only a moral responsibility, but also a key part of effective health and safety management.

Understanding work-related stress

Work-related stress occurs when the demands of the job exceed an employee's ability to cope over a sustained period. Common causes include excessive workloads, tight deadlines, unclear roles, lack of control over work, poor communication, and limited support from managers or colleagues. In fast-paced environments or during organisational change, these pressures can quickly build if not properly managed.

Recognising early warning signs is vital. These may include reduced performance, withdrawal from colleagues, irritability, changes in mood, or frequent sickness absence. Spotting these indicators early allows managers to step in, open a conversation, and offer support before issues escalate.

Employer responsibilities

Employers have a duty to assess and manage risks to employees' health, including those linked to stress. A proactive approach can significantly reduce the likelihood of problems developing. Practical steps include reviewing workloads, clarifying roles and responsibilities, encouraging open communication, and creating a culture where staff feel able to speak up about pressures and concerns.

Regular one-to-ones, team meetings, and clear reporting routes help surface issues early. Listening to employees' feedback and acting on it shows that wellbeing is taken seriously and that concerns will be addressed.

Supporting managers and employees

Line managers are often the first point of contact for employees experiencing difficulties, so training them to recognise and respond to signs of stress is essential. Giving managers the skills and confidence to have supportive conversations, signpost help, and make reasonable adjustments can make a real difference.

Providing access to wellbeing resources, employee assistance programmes, mental health support services, or internal wellbeing champions gives employees clear avenues for help. Making sure people know what is available and how to access it is just as important as having the support in place.

Promoting positive wellbeing

Preventing stress also means building a positive, healthy working environment. Encouraging regular breaks, supporting a healthy work–life balance, and recognising and valuing employees' contributions all help create a more supportive culture.

Simple initiatives, such as wellbeing campaigns, awareness sessions, toolbox talks, or sharing practical stress-management tips (for example, around sleep, exercise, and time management), can reinforce the message that mental health is taken seriously within the organisation.

Take action this month

Stress Awareness Month is an ideal time to review your existing policies, risk assessments, and wellbeing initiatives to check they are still effective and relevant. Engaging with employees about their experiences can highlight areas for improvement and opportunities to strengthen your approach.

You can access our stress risk assessments on our Knowledge Base. It is also important to review your wellbeing strategy and to introduce initiatives that can help support your managers in addressing work-related stress. Proactively managing stress supports employee wellbeing and helps build a more productive, engaged, and resilient workforce for the future.

ASBESTOS AWARENESS WEEK: 1–7 APRIL

Global Asbestos Awareness Week runs from 1–7 April and focuses on the ongoing risks from asbestos and how to prevent exposure at work and at home. Despite being banned in the UK more than 25 years ago, asbestos still causes around 5,000 deaths each year and remains in many buildings constructed before 2000.

Why asbestos still matters

Asbestos was widely used in insulation, fire protection and building materials, so it can still be found in houses, schools, hospitals, factories and offices built before 2000. When asbestos-containing materials are damaged or disturbed, tiny fibres can be released

and inhaled, leading over time to serious diseases such as mesothelioma, asbestos-related lung cancer, asbestosis and pleural thickening.

Typical higher-risk jobs include trades such as electricians, plumbers, joiners, maintenance staff, demolition and refurbishment workers, but anyone disturbing a building's fabric could be exposed. Symptoms of asbestos-related disease often only appear decades after exposure, which is why prevention is critical.

Key messages for your workplace

- Do not disturb what you cannot positively identify as asbestos-free; always check building information or the asbestos register before drilling, cutting or refurbishing.
- If you suspect asbestos has been damaged or disturbed, stop work, keep others away, and report it immediately so specialists can assess and manage the area.
- Remember that asbestos in good condition and left undisturbed is generally low risk; the danger comes when it is cut, drilled, sanded, broken or removed without controls.
- Only trained and competent people should work on or near asbestos-containing materials, and some higher-risk work requires a licensed contractor under UK regulations.

Legal duties and training

Under the Control of Asbestos Regulations, those responsible for non-domestic premises must identify and manage asbestos, keep an up-to-date asbestos management plan and share clear information with anyone who may disturb it. Employers must also provide suitable asbestos awareness training, so workers know where asbestos is likely to be found, understand the health risks and know what to do in an emergency.

What you can do this week

- Ask your workers to take 10 minutes to read your asbestos policy and any relevant asbestos survey or register for the areas they work in.
- If their role involves disturbing building materials, ensure your asbestos awareness training is in date.
- Share key messages with colleagues and contractors and challenge unsafe practices such as drilling without checking for asbestos first.

By staying informed and following simple precautions, you can significantly reduce the risk of asbestos exposure.

RIDDOR CONSULTATION

The HSE have opened a public consultation, to propose amendments to the existing Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 and guidance. The consultation seeks stakeholder views on a range of legislative and non-legislative proposals to help reduce work-related ill health. Proposed changes include:

- Make key terms clearer (e.g. work-related, injury, routine work).
- Update the list of reportable occupational diseases to better capture serious ill health.
- Allow diagnoses from a wider range of qualified health professionals, not just GMC-registered doctors.
- Update the list of dangerous occurrences to reflect modern workplace risks.
- Simplify the online reporting system to improve accuracy and usability.

Consultation closes on the 30th June and you can have your say here

HSE FEE FOR INTERVENTION

Effective from 1st April 2026, the Health and Safety Executive will increase its fee for intervention (FFI) from £183 per hour to £188.

FFI means that the duty holder (usually the employer) must pay for the time the HSE spends investigating a breach, helping you put it right and in taking enforcement action. It's essentially a cost-recovery system, so taxpayers don't cover the cost of non-compliance.

The fee is only charged when an inspector identifies a material breach, meaning there is a clear failure to comply with health and safety law, and the issue is serious enough that it requires formal action (e.g. written advice, improvement notice). If no breach is found, no fee is charged.

INTERESTING HR STATISTICS

LATEST LABOUR MARKET DATA

HR Insights: UK Labour Market Update – March 2026

This report summarises the latest findings from the Office for National Statistics (ONS) released on March 19, 2026, providing a vital snapshot of the UK's current employment landscape to help inform your HR and people strategies.

Employment and participation trends

The UK employment rate for those aged 16 to 64 was estimated at 75.1% for the period of November 2025 to January 2026. While this represents an increase over the latest quarter and the previous year, employment remains below pre-pandemic levels. Conversely, the unemployment rate has risen to 5.2%, which is above both the previous year's estimates and pre-pandemic figures.

A positive trend is the continued decline in economic inactivity, which fell to 20.7% this quarter. This suggests that more individuals are re-entering the labour market, though the rate remains higher than it was prior to the coronavirus pandemic.

The recruitment landscape

The demand for new talent appears to be stabilising, with the estimated number of vacancies remaining broadly flat. Early estimates for the period between December 2025 and February 2026 suggest there were approximately 721,000 vacancies across the UK, a slight decrease of 6,000 from the previous quarter.

In terms of specific job types, workforce jobs rose to 36.6 million in December 2025. This was driven by an increase in employee jobs, which offset a notable 5.6% annual decrease in self-employment roles. This shift may indicate a growing preference for the security of payrolled employment over independent contracting in the current economic climate.

Earnings, inflation, and industrial relations

Annual growth in regular earnings (excluding bonuses) was 3.8% between November 2025 and January 2026. However, when adjusted for inflation (CPIH), real-term wage growth was significantly lower at just 0.4%. This narrow margin highlights the continued pressure on household 'real' purchasing power despite nominal pay increases.

Sectoral differences in pay remain stark:

- Public Sector: Annual regular earnings growth reached 5.9%.
- Private Sector: Annual regular earnings growth lagged at 3.3%.

The high public sector growth is partially attributed to the timing of pay rises in 2025, a 'base effect' that is expected to phase out in coming months. Additionally, industrial relations remain a factor for consideration, with 31,000 working days lost to labour disputes in January 2026 alone.

ESSENTIAL UPDATE: NEW NATIONAL MINIMUM WAGE RATES FOR 2026

As of 1 April 2026, new rates for the National Minimum Wage (NMW) and National Living Wage (NLW) have come into effect following recommendations from the Low Pay Commission (LPC). These changes are designed to provide a real-terms pay increase for the UK's lowest-paid workers while moving toward a more unified wage structure across different age groups.

To accompany the implementation of these new rates, the Government published estimates of some of the immediate impacts of the recently introduced minimum wage rate increases. This report examines the increase in the value relative to inflation, the impact on household income and the likely number of jobs impacted.

Real-terms pay and inflationary impact

The 4.1% increase in the NLW is expected to outpace current inflation forecasts, which sit between 1.8% and 2.0% for the coming year. This should result in a genuine increase in real hourly pay for minimum wage workers.

From an employer's perspective, the LPC suggests that the inflationary impact of this specific uprating will be minimal. Because minimum wage workers represent a relatively small portion of the total economy-wide wage bill, the Bank of England anticipates a 'negligible' effect on overall wage growth and national inflation.

Household income and tax interactions

The actual 'take-home' benefit for employees will depend heavily on their interaction with the tax and benefit system.

- Universal credit (UC) recipients: These workers may see a more significant boost, as the Government has implemented an above-inflation increase of 6.2% to the UC standard allowance.
- Non-UC recipients: For those paying tax but not receiving benefits, the gain may feel smaller because tax thresholds remain frozen, leading to higher average tax rates as nominal wages rise.

Bridging the youth gap

A key feature of the 2026 rates is the substantial 8.5% increase for 18-20-year-olds. This is part of a deliberate strategy to reduce and eventually eliminate the gap between the youth rate and the adult NLW. Currently, the 18-20 rate sits at 85% of the adult rate, the highest proportion since the NMW was first introduced.

While there have been concerns regarding the impact on youth employment, the LPC found that employment for this age group has remained resilient in sectors where coverage is highest, such as hospitality.

Looking ahead: 2027 and beyond

The Government's remit for 2027 maintains the target of keeping the NLW at two-thirds of median hourly earnings. Early projections suggest the 2027 NLW will likely fall between £13.02 and £13.34, with a central estimate of £13.18. Furthermore, the LPC has been given the flexibility to determine the pace at which the NLW age threshold is lowered from 21 to 18.

GALLUP INSIGHTS – HOW DOES AI RESHAPE THE CORPORATE AND HUMAN INTERACTION

In Gallup's latest *State of the Global Workplace* report, they provide a critical look at the employee experience, examining how workers feel about their lives and jobs as a predictor of organisational resilience.

As artificial intelligence (AI) reshapes the corporate landscape, Gallup's research highlights that human factor, specifically engagement and management, remain the primary constraints on productivity.

The global engagement slump

Global employee engagement has declined for the second consecutive year, reaching its lowest level since 2020. Currently, the global workforce is categorised as follows:

- 20% engaged: These employees are highly involved, enthusiastic, and drive innovation.
- 64% not engaged: These individuals are 'quietly quitting,' putting in time but neither energy nor passion.
- 16% actively disengaged: These workers are 'loudly quitting,' acting out their resentment and potentially undermining the accomplishments of their colleagues.

The manager engagement crisis

The recent downturn in engagement is driven primarily by declining engagement among managers. Since 2022, manager engagement has dropped by nine points to just 22%. Historically, managers enjoyed an 'engagement premium,' but they are now increasingly only as engaged as the teams they lead. This is a major concern for HR, as direct managers are the strongest predictor of employee AI adoption. Gallup's research shows that even the most sophisticated technology cannot overcome an indifferent team leader.

AI readiness and productivity

While AI technology is proven support research, a significant disconnect remains at the organisational level. 89% of leaders report no impact of AI on labour productivity over the past three years. Success in the AI era depends on 'organisational readiness,' which is measured by employee engagement. Engaged organisations navigate disruptions more successfully, whereas disengagement erodes potential productivity gains and can create serious security risks.

Wellbeing

In a positive turn, global employee wellbeing improved in 2025 for the first time in three years, with 34% of employees considered 'thriving' in their lives. However, negative daily emotions remain elevated compared to pre-2020 levels. The report finds that wellbeing increases when employees:

- Find their work intrinsically rewarding.
- Believe their work improves the lives of others.
- Feel they have choices in the work they do.

A shifting job climate

Job market optimism has fallen sharply in previously resilient regions. Confidence dropped by 10 points in the United States/Canada (to 47%) and by 12 points in Australia/New Zealand (to 60%). In this 'no hire, no fire' climate, upskilling has become an essential component of employee hope for the future.

Key takeaways

- Prioritise manager engagement. The quadruple-higher engagement rates (79%) in 'best-practice' organisations prove that manager disengagement is avoidable through long-term business strategy.
- Bridge the AI divide. Focus on manager-led AI adoption rather than just technical integration.

- Focus on choice. When employees feel they have choices in their work, they are 50% more likely to be optimistic and report higher engagement.

You can access the report in full, via the Gallup website

About Gallup

Gallup Inc. is a renowned global analytics and advisory company in which through its public opinion polls, the Gallup world poll, they provide data driven insights on worker engagement, customer experience and human potential to companies worldwide.

In their report, Gallup positions themselves as

'committed to bringing the voice of the employee to the decision-making table as we help global leaders solve their most pressing problems. In this report, we feature annual findings from the world's largest ongoing study of the employee experience. We examine how employees feel about their work and their lives, an important predictor of organizational resilience and performance.'

Their research was conducted primarily through the Gallup World Poll, using randomly selected samples of the global adult population since 2005, collected from more than 160 countries and areas. To ensure the results are nationally representative, Gallup applies data weighting to match national demographics and minimise bias.

The full trend of data for this report, which spans 2009 through 2025, includes:

- a total of 5,754,327 global respondents, of whom 2,616,488 were employed.
- specific data for 2025 alone includes 263,810 total respondents, with 141,444 of those being employed individuals.
- Gallup typically surveys 1,000 individuals per country, and in the context of this global research, every percentage point accounts for approximately 21 million employees.

EQUALITY, DIVERSITY AND INCLUSION

VOLUNTARY MENOPAUSE ACTION PLANS

For organisations employing 250+, the Employment Rights Act 2025 (ERA25) introduced this month voluntary menopause action plans. This is the first step in promoting women's health in this area because from April 2027, under the ERA25, they will become mandatory for businesses employing 250+ employees.

To accompany this area of reform, the Government have published guidance for employers on how to create an action plan and support employees experiencing the menopause.

UPDATE ON GUIDANCE RELATING TO SINGLE SEX FACILITIES

As mentioned in our 'Consultation and Guidance' section, the Equality and Human Rights Commission (EHRC) has submitted a revised draft Code of Practice for Services, Public Functions, and Associations to the UK government for final approval in which it aims to provide service providers with clear guidance on how to lawfully provide single-sex spaces, while balancing the rights of trans people with the privacy and dignity of other service users.

In terms of the updated code, a key focus is the provision of single-sex facilities, which the EHRC suggests should generally be provided on a biological basis to meet health and safety requirements. While the guidance affirms that service providers can lawfully exclude trans individuals from single-sex spaces if it is a 'proportionate means of achieving a legitimate aim', it also emphasises that trans people should not be left without adequate, non-discriminatory alternatives, such as gender-neutral or private lockable facilities. Although this specific update focuses on service provision, the EHRC has indicated that a review of the Employment Code of Practice will follow to ensure consistency across the workplace.

Navigating the balance between the rights of transgender employees and others, especially, those with other protected characteristics requires a nuanced, person-centred approach grounded in the Equality Act 2010. Employers must create an inclusive environment where trans staff feel respected and affirmed in their identity, while also creating an inclusive environment for colleagues whose protected characteristics—such as religious beliefs or sex—may lead to conflicting needs.

The key lies in identifying 'proportionate means of achieving a legitimate aim', ensuring that any policy implemented to protect one group does not unfairly disadvantage another. Clear communication and a commitment to dignity for all staff are essential to maintaining a cohesive workplace culture.

To achieve this balance effectively, organisations should move away from 'one-size-fits-all' mandates and instead focus on practical, inclusive solutions. For instance, providing a mix of single-sex and gender-neutral facilities can often satisfy the privacy and dignity requirements of all employees. Furthermore, fostering a culture of mutual respect through robust anti-harassment policies and diversity training helps mitigate friction before it arises. By prioritising individual risk assessments and open dialogue, employers can uphold their legal obligations to all protected groups, ensuring that the workplace remains a safe and productive space for everyone, regardless of their background or identity.

A CASE STUDY OF TRANSFORMING PARENTAL LEAVE POLICY

Jaguar Land Rover (JLR) has announced a significant transformation of its parental leave policy, moving away from traditional maternal and paternal structures in favour of a unified, gender-neutral approach.

Under the new 'Global Family Care Policy,' all employees—regardless of gender or how they become a parent—will be eligible for the same enhanced period of paid leave. This shift is part of the company's broader strategy to foster a more inclusive culture and in attracting a diverse generation of talent.

The policy overhaul is designed to dismantle the 'mother as primary caregiver' stereotype, which the company identifies as a major barrier to career progression for women. By offering equal leave, the company is encouraging all parents to play an active role in early childcare, which in turn helps normalise career breaks for men and non-birthing parents.

The aim of this policy change for JLR is about creating a workplace where family responsibilities are shared equally, reducing the 'motherhood penalty' and supporting long-term retention across its global workforce.

This redesign of managing family leave is a compelling case study on how benefit packages can be used as a lever for cultural change. By separating leave from gender, JLR is not only supporting employee wellbeing but also future proofing its employer brand in a market where 'flexibility' and 'equity' are top priorities for candidates.

It is also an example that illustrates the importance of aligning corporate benefits with modern societal values.