



2026

What Changing Employment Laws Mean for Your Hiring Strategy

**Hiring in 2026:
New Employment Laws Are
Reshaping Businesses**

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A message from our founder

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For businesses, these changes are not a compliance exercise to hand to HR and forget. They directly affect how you structure job descriptions, how you manage probation, how you evaluate candidates, and how much a poor hiring decision will cost you if things go wrong.

The organisations that understand what is changing, and adapt their hiring models before they have to, will find themselves in a stronger position for talent attraction, workforce planning, and legal risk management. Those that wait will face increased tribunal exposure, higher payroll costs, and reputational risk.

This report sets out the changes that matter most for hiring in 2026, what the practical implications are, and what you should be doing now.



The employment law changes coming through in 2026 and 2027 have one practical implication: the employers who will be best positioned are the ones who invest more deliberately at the front end of hiring.

A handwritten signature in black ink that reads "Sarah Bishop". The signature is fluid and cursive, with the first letters of "Sarah" and "Bishop" being capitalized and prominent.

**SARAH BISHOP
FOUNDER & CEO**

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The Employment Rights Act 2025 - What It Is and Why It Matters Now

The Employment Rights Act 2025 received Royal Assent in December 2025 and is being phased in across 2026 and into 2027. It introduces over 28 individual reforms, broadly designed to shift the balance of power in the employment relationship toward workers, particularly those in variable-hours, lower-paid, or insecure roles.

The commercial reality is stark. [Research by the CIPD](#) found that 37% of organisations to reduce permanent hiring as a direct result of ERA reforms, and 74% expect the Act to increase their employment costs. The net employment balance had already dropped to its lowest level outside the pandemic.

The changes are deliberately staggered. Most of the enforcement and compliance obligations land in April 2026. The most consequential changes for hiring decisions land in January 2027. But the January 2027 changes are already live in their implications for anyone hiring today.

Wage Increases: April 2026

From 1 April 2026, the National Living Wage for workers aged 21 and over rose from £12.21 to £12.71 per hour, a 4.1% increase confirmed in full by the government. For a full-time employee working 37.5 hours, that is an annual salary of approximately £24,784. The rates for younger workers increase more sharply still, with the 18 to 20 bracket rising 8.5% to £10.85.

For employers recruiting at entry level and frontline roles, these increases compound the broader cost pressure created by the rest of the Act. Candidate salary expectations need to be recalibrated, and employers who have structured pay bands around the old minimums will need to review their entire entry-level and early-career pay structure.

Day-One Family Leave and Statutory Sick Pay: April 2026

From 6 April 2026, employees gain day-one access to Paternity Leave and Unpaid Parental Leave. The previous requirement of 26 weeks' continuous service before paternity leave could be taken disappears entirely. Any employee joining on or after 6 April 2026 can take paternity leave from their first day.

Statutory Sick Pay is also reformed on 6 April 2026, becoming payable from the first day of sickness rather than the fourth. The lower earnings limit is also removed, bringing workers who previously earned below the threshold into scope for the first time.

For workforce planning, both changes mean that resource assumptions built on historic patterns may no longer hold. Managers need to factor potential early absences into team capacity models, particularly in smaller organisations and project-based environments. The SSP change has the most direct cost impact for employers of large numbers of part-time or variable-hours workers.

The Fair Work Agency: April 2026

The Fair Work Agency launched on 7 April 2026 and represents perhaps the most structurally significant shift in UK employment law enforcement in decades. It consolidates the enforcement functions of HMRC's National Minimum Wage team, the Employment Agency Standards Inspectorate, and the Gangmasters and Labour Abuse Authority into a single body with significantly expanded powers.

Critically, the FWA is designed to move away from a complaints-led model toward proactive investigation. Its powers include the ability to enter premises, access pay records, issue notices for underpayment of holiday pay, SSP, and the National Minimum Wage, and impose financial penalties of up to 200% of underpaid sums.

Employers who have relied on fixing problems only when employees raise complaints will need to transition to proactive payroll auditing, accurate record-keeping, and robust internal compliance processes. For businesses using agency workers or variable-hours staff, this is a direct signal that those arrangements will face scrutiny.

Flexible Working: Stronger Obligations

The ERA 2025 introduces a stronger test for refusing flexible working requests. Employers will only be able to refuse where it is reasonable to do so on business grounds, not merely technically possible to cite one of the eight existing grounds. The tribunal will now test whether the refusal itself was reasonable, not just whether a ground existed.

Flexible working is also confirmed as a day-one right for all workers. For hiring managers, this changes how offer conversations work. Candidates will raise flexible working requests from day one, and employers who cannot clearly articulate and defend their position will lose talent to competitors who can.

Unfair Dismissal Reform: The Most Urgent Action Point

The most consequential change in the ERA 2025 does not take legal effect until 1 January 2027, but its implications are live today. The unfair dismissal qualifying period reduces from two years to six months for dismissals from 1 January 2027. The statutory cap on unfair dismissal compensation is removed at the same time, creating potentially unlimited tribunal exposure.

Why this matters now: Anyone hired before 1 July 2026 will gain unfair dismissal protection on 1 January 2027. Anyone hired after 1 January 2027 will gain protection after six months. The current two-year window, which allowed employers to manage out unsuitable hires without following a full fair process, is gone.

Research indicates approximately 6.3 million additional workers will gain unfair dismissal protection as a result of this change. The removal of the compensation cap has particular significance for claims involving senior or specialist employees.

What to do now:

- Rebuild probation as a substantive assessment, not a formality. Structured reviews, documented feedback, and clear criteria from week one are now a legal risk management tool, not just good practice
- Start documenting performance and conduct issues from the earliest weeks of employment. Contemporaneous, factual records will be essential
- Improve the quality of hiring decisions at the front end. The cost of a poor hire is no longer absorbed by a two-year safety window
- Train managers on fair processes, early intervention, and what constitutes a documented and defensible probationary outcome

Zero Hours Contracts: The Direction of Travel

The guaranteed hours obligation for zero-hours workers is not expected to take legal effect until 2027, but the direction is clear. From 2027, employers will be required to assess hours worked over a reference period of approximately 12 weeks and offer a contract reflecting those regular hours to qualifying workers.

The Work Foundation has noted that nine in ten zero-hours workers in 2023 would have qualified for guaranteed hours under the proposed reference period. The number of workers on such contracts reached 1.23 million in late 2025, an all-time high, as employers moved to lock in flexibility before the reforms land.

For businesses whose staffing models depend on variable-hours arrangements, the strategic response requires an honest workforce audit now. Which roles involve truly irregular demand, and which have become structurally dependent on variable hours for cost purposes? The latter will require a rethink before 2027 forces the issue.

What This Means for Your Hiring Strategy

Whatever market you operate in, four themes run through these changes and apply to every hiring decision you make in 2026.

1. The Cost of a Poor Hire Is Rising

The reduction of the unfair dismissal qualifying period to six months compresses the window in which a hiring mistake can be managed quietly. Removing the compensation cap creates exposure for claims involving senior or specialist employees that previously carried a ceiling.

The strategic response is this: invest more in the front end of hiring. Better job design, structured and documented selection processes, rigorous pre-offer assessment, and reference checks conducted within the legal framework. A specialist recruiter who understands the legislative landscape adds direct value at this stage, not just by finding candidates but by helping build a process that produces defensible decisions.

2. Compliance Behaviours Are Becoming Visible to Candidates

Day-one rights in the UK mean new joiners will ask about family leave, sick pay, and flexible working from their first day, and their expectations will be shaped by statutory minimums that are now higher.

The organisations that communicate their people practices clearly and generously will attract stronger candidate slates. Employer branding strategies should be updated to explicitly reference enhanced statutory entitlements as features of the employment offer. Communicating a proactive approach to flexible working, generous sick pay provisions above the statutory minimum, and genuine career development signals alignment with what candidates increasingly value.

3. Temporary Versus Permanent Is Not a Simple Answer

Some employers plan to increase use of temporary workers as a buffer against the ERA's permanent employee protections. However, the ERA extends protections to temporary and agency workers through the zero-hours provisions from 2027 and the Fair Work Agency's enforcement scope.

The underlying tension, employers wanting flexibility and workers wanting security, will not resolve neatly. Businesses that get the best outcomes will be those that design compliant, flexible staffing models deliberately rather than defaulting to temporary arrangements as a cost measure without understanding the legal trajectory.

4. AI Governance in Hiring Is No Longer Optional

The UK is moving towards a position where AI tools used in recruitment must be governed, audited, and documented. Existing data protection obligations and the Equality Act create analogous pressures regardless of whether specific AI legislation has yet been passed.

For any organisation using AI-powered screening, CV resume parsing, or algorithmic scoring in hiring, 2026 is the year to conduct a formal governance review. Who owns the tools? What are they selecting for? How are outcomes monitored for unintended bias?

Compliance cannot be outsourced to the vendor. The employer remains liable for the outcomes, wherever the tool came from.

Staying Ahead of the Curve in Hiring

The pace of change in employment law in 2026 is significant. But the employers who will feel it most are not those who understand it best. They are the ones who are still operating as if the rules are the same as they were two years ago.

The changes outlined in this report reward precision, preparation, and investment in the front end of hiring. They reward employers who are clear about what roles require, who they are looking for, and how they will manage people in the early weeks of employment. And they reward the decision to work with recruitment partners who understand both the talent market and the legal landscape.

Note: This report is intended as a strategic overview and does not constitute legal advice. Employment law is subject to ongoing change, and specific situations should be assessed with qualified legal counsel in the relevant jurisdiction.

A little about Sarah Bishop and Recruit Recruit Ltd



Whether you're a sole trader hiring your first team member, a VC-backed startup needing to scale fast, or a corporate looking for top-tier C-suite talent, one thing stays true:

Your business grows when your people grow.

I help founders, CEOs and business leaders build brilliant teams through:

- Recruitment: finding and placing the right people for the right roles or embedding a talent team into growing businesses
- Sales & Leadership Training: developing high-performing teams that sell, lead and deliver
- Speaking & EmCeeing: energising events and conferences with insight, humour and practical takeaways
- Coaching: supporting leaders to grow confidently, communicate better, and build culture that sticks

Over the years, I've supported businesses at every stage, from bedroom startups to scale-ups and established firms navigating change. What they all have in common? A vision to grow and the ambition to get the right people on board to make it happen.

I bring no-nonsense advice, energy, empathy and results, whether I'm:

- Hiring a game-changing leadership role
- Training a founder-led team to sell with confidence
- Speaking on stage about team-building, fearless follow-up, or people strategy
- Coaching a business owner through their first ever hire

So, let's talk if:

- You're ready to grow and want to hire with confidence
- You need training or coaching to get more from your team (or yourself!)
- You're planning an event and want a speaker or EmCee who brings both energy and value

Drop me a message or connect - let's build something brilliant together.

Email: sarah@recruitrecruit.co.uk or call 01902 763066



Now - #1 Bestseller on Amazon - "Scale Up!: The Founders' Guide to Accelerating Growth by Building Dream Teams" by Sarah Bishop