



## ***Employment Rights Act 2025***

Adult Social Care Scrutiny

Date of meeting: 23<sup>rd</sup> April 2026

Lead directors: Kate Galoppi

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## Useful information

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- Report version number: 1.0

### 1. Summary

1.1 The Employment Rights Act reforms represent one of the most significant changes to employment protections in recent years. Implementation will be phased across 2026 and 2027. For adult social care providers, these reforms have implications for: Workforce costs Recruitment and retention Rota planning and staffing resilience Payroll compliance Governance and inspection readiness While CQC does not enforce employment law directly, workforce governance impacts both the Safe and Well-led domains. Providers should treat these reforms as both a legal and operational priority.

### 2. Recommendations

2.1 For ASC Scrutiny members to receive this update on new legislation which is a welcome improvement for the rights of people working in this sector, but noting the potential risks and implications that will need careful management.

### 3. Report

#### Background and Context

#### 3. Supporting information:

##### 3.1 Introduction

This briefing note summarises the significant UK employment law reforms due to take effect between February 2026 and January 2027, with a specific focus on what these changes mean for adult social care providers in Leicester and Leicestershire. The Employment Rights Act (ERA) will bring new obligations and responsibilities for social care employers across England, this report focuses on the initial challenges and support that may be required to help manage the quality & stability of social care provision within Leicester City.

The adult social care sector already faces high vacancy and turnover rates, alongside significant operational pressures. Therefore, understanding the upcoming legislative changes is essential for providers to ensure compliance, mitigate risks, and maintain workforce stability.

Note timelines are subject to change and guidance from Central Government or ACAS relating to some aspects has not yet been issued.

### **3.2 Overview of Key Legislative Changes (2026–27)**

From April 2026, a series of major employment law changes will come into effect. All workers will become eligible for Statutory Sick Pay (SSP) from the very first day of absence, with payments set at either 80% of their weekly earnings or the standard flat rate, depending on which is lower. At the same time, employees will gain a day one entitlement to unpaid parental leave, provided they give 21 days' notice, and paternity leave will also become a right from the first day of employment.

A new entitlement will also be introduced for bereaved partners, allowing fathers or partners of a deceased mother or primary adopter to take up to 52 weeks of leave during the first year following the death. In addition, whistleblowing legislation will be expanded so that disclosures relating to sexual harassment are explicitly recognised as qualifying protected disclosures.

Enforcement activity will be strengthened through the creation of a new Fair Work Agency, which will bring together the functions of several bodies—including HMRC's National Minimum Wage Enforcement, the Employment Agency Standards Inspectorate, and the Gangmasters and Labour Abuse Authority. Its remit will span areas such as Statutory Holiday Pay, Statutory Sick Pay, umbrella companies, and modern slavery.

Finally, employers who fail to consult collectively on redundancies will face a significantly increased liability, as the maximum protective award will double from 90 days' pay to 180 days' pay.

The forthcoming changes are likely to have a noticeable impact on adult social care services, particularly in relation to workforce pressures. As Statutory Sick Pay becomes available from the first day of absence, providers may see an increase in SSP claims and short term sickness, which could further strain staffing levels. Given that social care rotas must operate continuously and many services already face workforce shortages, any rise in unplanned absence may place additional pressure on workforce stability and increase reliance on agency staff.

In addition to sickness absence, the expansion of day one entitlements, such as paternity leave and unpaid parental leave, will contribute to greater levels of unplanned or short notice leave. To manage this effectively, providers will need to strengthen their approach to rota planning and develop more resilient staffing models. This will require improved rota management processes, better coordinated bank staff arrangements, and a greater emphasis on using real time workforce data to respond quickly to emerging staffing gaps.

By October 2026, several further reforms will come into effect that will shape employment practices across the adult social care sector. The period will see the establishment of the Adult Social Care (ASC) Negotiating Body alongside the infrastructure required for the Fair Pay Agreement (FPA). Together, these bodies are intended to introduce nationally agreed standards for pay, terms and conditions, and

training across the sector, setting a more consistent framework for workforce expectations and rights.

At the same time, the time limit for bringing Employment Tribunal claims will be extended to six months, giving employees a longer window in which to raise legal challenges related to workplace disputes.

Employers will also face a strengthened duty to prevent sexual harassment. This duty will require them to take all reasonable steps to protect staff, including from harassment perpetrated by third parties such as people drawing on support, clients, and customers. This represents a significant expansion of employer liability and places greater emphasis on robust organisational policies and preventative measures.

Additionally, new public sector outsourcing rules will be introduced to ensure fairer treatment of employees. These measures aim to prevent divergence in terms and conditions between former public sector workers transferred under TUPE and private sector staff later employed on the same contracts. In practice, this means that private sector employees working on outsourced public sector service contracts will have their terms and conditions aligned with those previously transferred from the public sector, reducing inequalities and inconsistencies within the workforce.

The introduction of the Adult Social Care (ASC) Negotiating Body and the Fair Pay Agreement (FPA) is expected to have a significant impact on the sector. These arrangements may require providers to offer higher rates of pay, more secure contractual hours, and improved terms and conditions for staff. Although these reforms aim to strengthen and stabilise the workforce, there is a risk that the changes will not be supported by sufficient central government funding. As a result, providers may face difficult financial decisions relating to staffing levels, service viability, and their ability to meet new employment obligations.

In response to these pressures, some providers may seek to renegotiate their contracts with commissioning authorities. This is likely to be particularly evident in the Home Care sector, where tight margins may force organisations to hand back care packages, restructure their workforce, or, in extreme cases, close services altogether.

To demonstrate compliance with the new statutory requirements, providers will need to ensure that they have robust documentation, transparent processes, and strong management capability in place. This includes maintaining fair procedures, accurate employment records, and appropriate training for managers. As compliance requirements increase, commissioners will also face greater demands, with more complex contract monitoring arrangements potentially adding pressure to their own staffing and capacity.

Alongside these changes, sustainability is expected to play a more prominent role in procurement evaluations, requiring providers to demonstrate ethical workforce practices, financial resilience, and long-term viability. Over time, providers with stronger employment practices and more stable governance are likely to become more competitive within the market. This could contribute to gradual consolidation, with larger or more financially secure organisations absorbing smaller providers struggling to adapt to the new landscape.

Although the reforms seek to create a more resilient and sustainable adult social care market, achieving this will come at a higher baseline cost for both providers and commissioners.

By January 2027, a further set of significant employment law reforms will come into force, bringing substantial changes to dismissal rights, contractual practices, and workplace protections. The qualifying period for bringing an unfair dismissal claim will be reduced to six months, and the existing cap on compensation will be removed entirely. This change will considerably increase employers' exposure to potential claims and heighten the importance of robust and compliant HR processes.

At the same time, new restrictions on "fire and rehire" practices will be introduced. Where an employee refuses to accept a restricted contractual variation, such as changes to pay, pensions or working hours, any subsequent dismissal will be treated as automatically unfair. This creates a much higher threshold for employers seeking to restructure terms and conditions.

Bereavement protections will also be strengthened. From day one of employment, workers will have the right to unpaid bereavement leave, including in cases of pregnancy loss before 24 weeks. In addition, flexible working arrangements will be bolstered by a new requirement that refusals must be based on "reasonable" grounds, raising expectations for transparency and fairness in decision-making.

Further protections will be introduced for new or expectant mothers, providing enhanced safeguards against dismissal during pregnancy and the period following childbirth. Workers on zero hours contracts will also benefit from new rights: after a vesting period, anticipated to be around 12 weeks, employers will be required to offer them a permanent contract that reflects their average hours. Employers will also be obliged to give reasonable notice of shift changes or cancellations, ensuring greater stability for workers previously reliant on unpredictable schedules.

Finally, new requirements for organisations to develop menopause action plans and gender pay gap action plans will come into effect, signalling a stronger focus on workplace equality, wellbeing, and long term workforce inclusion.

### **3.3 Local Context**

The significance of these reforms is amplified by the already challenging workforce landscape across Leicester and Leicestershire. Leicester is currently reporting a vacancy rate of 7.1%, illustrating the persistent difficulties providers face in recruiting sufficient staff. In Leicestershire, the turnover rate stands at 22.8%, highlighting ongoing challenges with workforce retention. In addition, approximately 87% of the adult social care workforce is employed within the independent sector, where many small and medium-sized providers have limited HR capacity. This will make it especially difficult for them to absorb and implement the substantial new responsibilities introduced through the Employment Rights Act.

Together, these factors underline the need for providers to prepare proactively for the forthcoming legal changes. For organisations already operating in a tight labour market, meeting new obligations around leave entitlements, Statutory Sick Pay, and pay related reforms is likely to be particularly resource intensive. Some smaller providers may struggle to adapt and could consolidate or exit the market altogether,

increasing the risk of sudden reductions in capacity and the need for emergency placements by the local authority.

### **3.4 Recommendations for Contracted Social Care Providers**

To effectively manage the risks and opportunities arising from the 2026–2027 employment law reforms, providers are encouraged to take a proactive and structured approach to organisational readiness. This begins with reviewing and updating all employment contracts, policies, and staff handbooks to ensure they fully reflect the new legal requirements. Strengthening HR governance will be essential, particularly in areas such as sickness management, dismissal procedures, and the accuracy and consistency of employment record-keeping.

Providers will also need to prepare for expanded leave entitlements by improving their rota planning systems and developing more resilient contingency staffing models. Making greater use of real time workforce data will support more effective decision making during periods of unplanned absence or increased demand. Alongside this, managers must receive appropriate training to ensure they understand their responsibilities in preventing harassment and responding appropriately to whistleblowing concerns.

Given the potential future impact of the Fair Pay Agreement (FPA), providers should remain alert to national developments and undertake financial scenario planning to understand how any changes to pay and conditions may affect their operating costs. Finally, fostering open and constructive engagement with trade unions will be an important factor in supporting positive workforce relations and helping organisations navigate these significant sector wide reforms.

### **3.5 Support Requirements for Quality & Contracts & Commissioning**

Providers will require substantial support to navigate the changes introduced through the new employment legislation. Leicester City Council commissions providers support services from the Leicestershire County Council Inspired to Care team, a jointly funded initiative designed to strengthen recruitment, retention, and workforce capacity across the local social care sector. Inspired to Care offers a comprehensive package of free support, including exclusive access to its online Members Area, which hosts a wide range of recruitment and retention tools and resources. Providers also receive invitations to fully funded bimonthly conferences featuring workshops, training sessions, expert speakers, and networking opportunities. Additional support includes free advertising through Inspired to Care’s website and social media platforms, links to other no-cost advertising outlets, and tailored one to one visits to help organisations address specific challenges.

Providers benefit from priority booking for events such as career fairs, access to a dedicated LinkedIn group, opportunities to join a staff discount scheme, and participation in funded recruitment pilots. Regular newsletters, vlogs, blogs, and best practice guidance further enhance providers’ access to workforce development insights and advice.

In direct response to the Employment Rights Act, Inspired to Care has commissioned a specialist Human Resources company to support local providers in adapting their

HR practices. Conferences have already been delivered to explain the legislative changes in detail and briefing notes have been produced to assist with implementation. The commissioned HR specialists offer a range of services, including compliance audits, risk reviews, updated HR policies and documentation, management training for social care leaders, and ongoing HR advisory support. Although this enhanced HR support comes at a cost to providers, larger organisations with established HR teams may be able to manage the changes independently. The offer will, however, be particularly valuable to the many smaller standalone providers that form a significant part of the city's residential care market.

Inspired to Care will continue to expand its support, developing new fact sheets and workshops tailored to the upcoming legislative changes. At the same time, Leicester City Council will strengthen its risk matrix and Quality Assurance Framework by incorporating data relating to providers' compliance with the new HR requirements. This will help identify early warning signs of potential provider failure and reduce the likelihood of disruption for people drawing on care, such as emergency moves or sudden contract terminations.

In addition, the Council will update its Business Continuity Guidance for providers and deliver further workshops through the Quality Improvement Team within the Quality & Contracts Service. These sessions will help providers assess the increased pressures arising from the legislation and consider how best to identify, manage, and mitigate associated risks.

#### **4.1 Conclusion**

The impact of the ERA will be wide ranging but the effects are yet to be determined. As stated earlier in the report, providers may approach LCC with requests for additional fees to help them meet the new legislative requirements and this will need to be considered in the fee reviews that are conducted annually. There are no guarantees within the legislation or guidance that these will be adequately funded by central government which may result in additional financial pressures for LCC going forward.

Further reports will be produced as the situation develops and challenges are identified.

## **5. Financial, legal and other implications**

### **5.1 Financial implications**

This report provides an overview of key legislative changes relating to UK employment law. Government have not provided full details but some aspects are due to come into effect from April 2026 and some later on in October 2026. The impact will therefore be across financial years 2026/27 and 2027/28.

As part of these reforms, there will be the introduction of the Adult Social Care Negotiating Body and a Fair Pay Agreement (FPA). The introduction of the FPA may mandate higher levels of pay and improved employment conditions for workers in the sector. Any increase in pay will lead to higher costs for adult social care providers and may lead them to request price increases from the council. The financial impact of this cannot be quantified because any pay increases haven't been agreed yet.

This report flags up the risk that government may not provide full funding for any future care worker pay increases. The council budgets for a modest increase in independent sector package costs. If costs increase beyond our budgets, it will lead to a financial pressure for Adult Social Care. Commissioning teams will need to be prepared to have tough negotiations with providers if the council cannot afford to meet requests for price increases.

The right for some workers on zero hours contracts to move to permanent contracts may lead to substantial costs for providers and may need to additional future costs such as redundancy, annual leave, sick pay, etc. If zero hours contracts are reduced or phased out, it will reduce the desired flexibility that works for certain people.

It must be made clear to providers that the Human Resource Company is a paid for service. This may make it prohibitive to smaller providers so an alternative way to provide them with the necessary information will be helpful.

If higher pay and improved employment conditions are achieved through these reforms, the adult social care may become more attractive as a sector to work in and could potentially reduce the recruitment and retention challenges that are widely felt in the sector.

Mohammed Irfan, Head of Finance  
01 April 2026

## 5.2 Legal implications

Employment Law Implications:

The Employment Rights Act 2025 will bring complex challenges for employers both financially and procedurally.

The report has identified the potential changes that are likely to affect the adult social care sector.

Leicester City Council is not the legal employer of staff within outsourced care services, rather the service providers themselves are the contractual employers of those staff. Accordingly, employment law obligations rest with these providers, who are responsible for ensuring compliance with any legislative changes.

However, these changes may result in increased operational costs for providers (eg changes to sick pay etc) which may affect the financial viability of contracts. It is unclear whether further assistance will be given by central government or whether the Council will be expected to assist.

In light of this, further advice should be sought from finance and from the commercial team in legal if service providers request further funding or changes to their existing contracts as a result of the employment changes.

From an employment perspective the City Council is not the employer.

Suraiya Ziaullah  
Senior Solicitor, Education & Employment Law  
0116 454 1487

Commercial, contract and procurement

There are no apparent adverse implications of this report from a commercial legal perspective.

As noted above, in the longer term, there is likely to be an impact on commissioning in the ASC sector, as providers seek to renegotiate contracts to accommodate increased and/or new pay and employment obligations. The report also highlights it is probable that contracts will need more robust monitoring processes and tenders/contracts may need to emphasise sustainability and employment practices to a greater degree.

Any work commissioned by the Council from third parties (such as Inspired to Care) will need to follow the usual procurement and internal processes to ensure compliance with the Procurement Act 2023 and LCC's Contract Procedure Rules.

Emma Young, Senior Lawyer, Contract and Commercial  
1 April 2026

### 5.3 Climate Change and Carbon Reduction implications

There are no significant climate emergency implications associated with this report.

Phil Ball, Sustainability Officer, Ext 372246  
1<sup>st</sup> April 2026

### 5.4 Equalities Implications

The Employment Rights Act 2025 (enacted in December 2025) will impact on local authorities and adult social care (ASC) departments, significantly changing employment standards and equality obligations starting in April 2026.

The report has potential equalities implications for both providers and people drawing on care and support. The proposed reforms to employment rights may have a positive impact on workers with protected characteristics, particularly women, disabled people, and those with caring responsibilities, through improved access to leave, flexible working, protection from harassment, and greater employment security.

There is, however, a risk that smaller providers may experience increased cost and administrative pressures in implementing the changes. Where providers are unable to absorb these pressures, there may be an indirect impact on the availability and

continuity of services, which could affect service users with protected characteristics if market instability leads to reduced capacity or provider failure.  
It is important that the council continues to take equalities considerations into account through its commissioning, contract monitoring and quality assurance arrangements, and work with providers to support implementation. Where appropriate, the Council should use equality impact assessment processes to identify and mitigate any disproportionate impacts arising from the changes.  
Equalities Officer, Surinder Singh, Ext 37 4148  
Dated 1 April 2026

### 5.5 Other Implications

No other implications

### **6. Background information and other papers:**

N/A