

Get Ready For Big Employment Law Changes In UK This Year

By **Matthew Howse, Louise Skinner and Jennifer Connolly** (January 21, 2025, 6:03 PM GMT)

Although arguably true of any year in the employment law sphere, 2024 was truly a year of significant change.

The year brought about big shifts in U.K. employment law, including with respect to flexible working, paternity leave, the protection from redundancy for pregnant employees and employees on maternity leave, a new firing and rehiring code of practice and a new anticipatory duty to prevent sexual harassment.

Further, the Employment Rights Bill was published in October, which represents the biggest change to employment law in decades.

In this article, we summarize some of the key developments for employers to look out for in 2025.

The Need to Prepare

In many respects, 2025 looks set to be a year for employers to prepare for a whole host of proposed employment law changes.

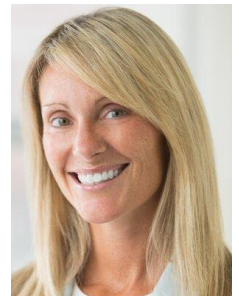
Most notably, while the provisions of the Employment Rights Bill are not expected to come into force until 2026 — and, in fact, the government has expressly stated that the changes concerning unfair dismissal will take effect no earlier than autumn 2026 — employers should consider proactively reviewing the bill's implications and keeping abreast of the multiple amendment papers, accompanying regulations and consultation exercises that will be published and take place throughout 2025 and into early 2026.

The bill proposes reforms in 28 broad areas, including unfair dismissal, fire and rehire practices, collective redundancies, trade unions and industrial action, flexible working, sexual harassment and third-party harassment, equality action plans, zero-hour contracts, and pregnancy discrimination.

As further details on each proposed reform become published throughout 2025 and early 2026, we expect many organizations to begin rolling out new policies and procedures, and training human



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resources departments, managers and all employees, where appropriate, on the new reforms before they take force.

Further, employers with employees in the European Union should also consider preparing for the EU Pay Transparency Directive, which must be implemented across the region by June 7, 2026. The directive provides wide-ranging pay transparency obligations, which apply irrespective of headcount, except for the gender pay reporting obligations.

For example, one of the most significant obligations on employers is the requirement to make sure pay structures are in place that enable comparison of workers with regard to the value of work on the basis of objective, gender-neutral criteria, approved by workers' representatives where relevant. Moreover, those larger employers — organizations with 150 or more employees — will have gender pay reporting obligations under the directive in 2027.

Many employers are starting to conduct trial run pay equity analysis in line with the directive's requirements. This is an important step to provide employers with the opportunity to remediate any pay gaps of 5% or more before such gaps trigger onerous joint pay assessments under the directive, and there remain only a couple of payroll cycles left to do so.

AI in the Workplace

Employers are increasingly integrating artificial intelligence-driven tools across a wide range of functions. We expect this trend to increase exponentially in 2025. While such tools undoubtedly introduce a wide range of new opportunities, their use could present risk in several ways.

From an employment law perspective, the primary risk to bear in mind is discrimination, which could present itself in an AI context because of the biases that AI solutions may exhibit, and which might affect decision-making if appropriate guardrails are not implemented.

The risk can potentially be significant because not only can AI-driven tools convey human bias in the way they are operated, but they can also perpetuate inequalities that may be baked into the code and data sets themselves.

In this regard, human oversight is important to be factored in whenever AI-enabled solutions are used in the workplace. For instance, giving managers final responsibility for any decisions that have significant effects on employees and HR teams and providing training on how the tool's algorithm works and how to appropriately integrate the resulting data could mitigate potential risk.

At a practical level, transparency with employees about the use of any AI-driven tools could mitigate against the risk of employees feeling as if the trust between them and their employer has been undermined, owing to the "black box" nature of AI-driven technologies when viewed from the employee's perspective. Transparency can also ensure that the nature of the solution is well understood during the due diligence and procurement phases.

Employers should, of course, consider their obligations under the EU's General Data Protection Regulation if they implement such solutions in the workplace. In this respect, key points for employers to bear in mind above and beyond the usual GDPR compliance requirements when processing personal data are the restrictions around solely automated processing, data protection impact assessments and ensuring at the due diligence and procurement stages that the tool is designed in a manner that can

facilitate responding to a data subject access request.

Organizations with employees in the European Union also should consider whether their use of AI tools triggers obligations under the EU Artificial Intelligence Act, which came into force on Aug. 1. Certain uses of AI systems in a workplace context may constitute "high risk" activities under the act, including AI systems intended to be used for recruitment and those intended to be used to make decisions affecting terms of work-related relationships.

Users of such AI systems will potentially be subject to various requirements, including assigning human overseers who have the necessary competence, training and authority, as well as the necessary support, taking appropriate technical and organizational measures to ensure that the use of the AI system is in accordance with the provider's instructions for use and reporting obligations to the provider if any serious incidents are identified, and subsequently to the importer or distributor, and the relevant market surveillance authorities.

Key Legislative Changes in 2025

As of Jan. 20, if an employer unreasonably fails to adhere to the fire-and-rehire code of practice, it may face increased penalties if it breaches collective redundancy consultation obligations, as tribunals will have the power to increase protective awards for employees by up to 25% in this context. Protective awards are limited to up to 90 days' uncapped pay per affected employee. The changes, therefore, mean that employers could potentially be exposed to protective awards of up to 112.5 days' pay going forward.

As a reminder, the fire-and-rehire code of practice was published by the prior Conservative government and came into force on July 18. While the code does not create any new legal obligations, it is admissible in legal proceedings, and compensation awards in certain types of claims can be increased or decreased by up to 25% depending on the extent of an employer's compliance with the code.

Claims for a protective award for failing to comply with collective consultation obligations are now in-scope.

The Neonatal Care (Leave and Pay) Act of 2023 is expected to take effect this year. This new law will provide for an additional statutory leave entitlement for employees who have a parental or other personal relationship with a child who is receiving or has received neonatal care. The amount of the entitlement is yet to be defined, but it is expected that the benefit will apply without any qualifying period of employment.

In 2025, we are also expecting the U.K. government to publish in draft form for consultation the Equality (Race and Disability) Bill, which will cover two main areas: (1) the right to equal pay for ethnic minorities and disabled people; and (2) the reporting of mandatory ethnicity and disability pay by employers with 250 or more employees.

What to Expect in U.K. Immigration Law This Year

Although the current government has introduced significant changes in employment law, it has been slower to release a detailed immigration policy. Employers should, however, expect a continued focus on compliance.

While specific immigration policy changes for 2025 are still to be announced, the government's focus is expected to align with its goal of reducing overall net migration.

No set target for a reduction in net migration has been released, and the government is not expected to introduce any caps for work visas. In 2024, significant increases to salary thresholds were implemented for many types of immigrant workers.

Starting April 4, the salary threshold for the skilled worker increased from £26,200 (\$32,022) to £38,700 (\$47,667) or the "going rate" for the specific occupation, whichever is higher, based on a 37.5-hour workweek. For applicants with a relevant Ph.D., the minimum salary is now £34,830.

For those with a Ph.D. relevant to the role in a science, technology, engineering or mathematics subject; for those whose role is on the immigration salary list; or if the applicant is a "new entrant" — under the age of 26 or with a student or graduate visa — the minimum salary increased to £30,960. The minimum thresholds also increased under the Global Business Mobility route for senior or specialist workers to £48,500 and £25,410 for graduate trainees. Lastly, for scale-up workers, it has increased to £36,300.

The current government is not expected to reverse any of these changes, but we are not expecting any further increases. While recent increases have been a challenge for many employers, it will be welcome news that the salary requirements will not be raised even further.

Instead of expanding access to the work visa categories, the government has stated its intention to focus on filling shortages in the U.K. market by training workers on advanced skills and training the domestic workforce. The government aims to reduce the reliance on overseas workers for critical roles in the U.K.

In September, the home secretary commissioned the Migration Advisory Committee to undertake a review of the financial requirements for family visas. This route is for family members such as the partner, children or parents of a British, Irish or "settled" individual from the EU, Switzerland, Norway, Iceland or Liechtenstein who were living in the U.K. as of Dec. 31, 2020.

The route provides employers with more flexibility, as this type of work permission allows the holder to work in any role without the same sponsorship obligations that accompany the skilled worker. The review will assess both the minimum income requirement and adequate maintenance tests, and the committee's findings are expected by June.

There has been increased compliance and sponsor enforcement action, and we expect this trend to continue into 2025. Particularly for sponsors in higher-risk industries, such as healthcare, agriculture and hospitality, there is an increase in audits carried out by the U.K. Home Office and more severe penalties for breaches in immigration compliance.

Employers should be diligent with their compliance and sponsor obligations, as penalties can include hefty fines and the downgrading, suspension or revocation of sponsor licenses. Any action on the sponsor license can have an effect on sponsored migrants and employees, putting businesses in reputational risk.

In 2025, we will see the impact of the U.K.'s major shift from physical biometric residence permits to digital eVisas. The change has been rife with technical problems and concerns that migrants will not be able to prove their status when traveling to the U.K. When working well, the eVisa is a streamlined and

secure way of holding visa status. However, when issues arise, migrants can experience massive disturbances to travel and their ability to prove their right to work and rent in the U.K.

Finally, on the horizon for early 2025 is the expansion of the U.K. electronic travel authorization, a digital permission to travel to the United Kingdom, similar to the Electronic System for Travel Authorization system in the United States. The program first launched in October 2023 to cover select Persian Gulf nationals.

As of Jan. 8, permission is required for all eligible non-Europeans traveling to the U.K. Starting June 2, eligible Europeans are also required to have an electronic travel authorization to travel to the U.K. The scheme will affect all visitors who do not need a visa to travel to the U.K., except for British and Irish citizens. Travelers will need to ensure that have their electronic permission in place before journeying to the U.K.; otherwise, they risk delays or even denial of entry.

Conclusion

2024 has undoubtedly been a year of unprecedented change. We expect employers shall remain busy throughout 2025, and the biggest focus will likely inevitably be on planning for the upcoming reforms contained within the Employment Rights Bill. For employers with immigration requirements, a review of staffing needs, anticipating upcoming business travel and communicating changes to staffers as early as possible should all be a focus.

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