



ActifHR

Where people matter..

January 2026 Update

Welcome to this month's update - where we discuss the latest guidance and legislation.

In this Edition we report on:

- The Employment Rights Act has come into force
- Unfair dismissal compensation
- New Statutory rates

The Employment Rights Act has come into force

Small businesses are likely to be hit the hardest by Labour's Employment Rights Bill, which received Royal Assent in December 2025 and is now the Employment Rights Act.

Some of the key changes are:

- Removal of the 2-year qualifying period for unfair dismissal
- Changes to Paternity leave and Parental leave entitlement
- Changes to Statutory Sick Pay
- Making it harder to vary contracts of employment

What should employers do practically?

Look at your recruitment and hiring processes as these will need to be tightened.

As it will be a lot harder to dismiss employees, small businesses will need to make sure they are bringing in the right candidates with the right skillsets.

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New employees should also be given more support in their induction periods with clear objectives and regular reviews.

Make sure that employment contracts and handbooks are up to date, as well as appraisal and performance management processes.

Employers: update your employee documents and keep on top of regular reviews.

Contact us: we are running a seminar at Silverstone Circuit Innovation Centre for employers on the 5 February from 8.45 to 9.45 am.

Unfair dismissal compensation

The final point of debate in the Act's passage through Parliament before Christmas related to the government's proposal to remove the compensation cap on unfair dismissal claims. Currently this stands at the lower of 52 weeks' gross pay or £118,223.

It is not yet clear when the compensation cap will be removed.

It seems likely that this will happen at the same time as the reduction of the qualifying period (we think January 2027), but this is not guaranteed.

The consequences of the removal of the cap could include:

- An increase in the number of claimants alleging career-long / long-term losses.
- Needing more complex exit negotiations with high-earning employees and executives.
- Greater emphasis on mitigation evidence in unfair dismissal claims (ie showing what the claimant has done to reduce their losses).
- More investigation into certain types of losses, such as pensions losses

Employers: follow clear performance management and/or disciplinary processes.

Contact us: we can assist with informal discussions, performance and disciplinary procedures.

New Statutory rates

The Government has set out its proposed new statutory rates for statutory sick pay and family leave pay to apply from 6th April 2026.

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Old Rate

Statutory maternity pay	£187.18 per week
Statutory paternity pay	£187.18 per week
Statutory shared parental pay	£187.18 per week
Statutory adoption pay	£187.18 per week
Statutory parental bereavement pay	£187.18 per week
Statutory neonatal care leave pay	£187.18 per week
Statutory sick pay	£118.75 per week

New Rate

£194.32 per week
£194.32 per week
£194.32 per week
£194.32 per week
£194.32 per week
£194.32 per week
£123.25 per week

The average gross weekly earnings needed to qualify for the various forms of family leave pay is proposed to increase from £125.00 or more per week, to £129.00 or more per week from 6th April 2026.

Employers: make sure your payroll is updated accordingly.

Contact us: we can support employers with policies and guidance.



Caroline has a wealth of experience supporting business clients with practical hands on HR and Employment Law advice. Caroline's pragmatic approach helps businesses of all sizes deal with complex HR situations. She qualified as a Solicitor in 1999 and now acts as a specialist Human Resource / employment Law Consultant to business.

Caroline Robertson, Director



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