# EMPLOYMENT RIGHTS ACT 2025 BRIEFING

## JULY 2026

# RETAIL

Retailers are among the employers most exposed to the changes under the new Employment Rights Act 2025 (ERA).

Large, dispersed workforces across multiple sites with high proportions of part-time and casual staff, customer-facing roles, and inconsistent management practices across stores create compliance risks that need a structured approach.

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# EMPLOYMENT RIGHTS ACT | RETAIL

Five key areas and changes under the ERA that your business needs to be aware of and prepared for:

| THE CHANGE AND WHEN? | WHAT THIS MEANS FOR YOUR BUSINESS | RECOMMENDED ACTIONS |
|---|---|---|
| **STATUTORY SICK PAY (SSP) FROM DAY-ONE, NO WAITING DAYS**<br><br>**FROM APRIL 2026** | SSP is now payable from day one of sickness with no waiting days, and the lower earnings limit has been abolished. With large numbers of workers previously below the lower earnings limit, this change brings many more staff into SSP eligibility. Day-one payment with no waiting days means a material increase in absence costs, particularly during peak trading periods. | • Update your sickness absence policy and contracts across all sites immediately.<br>• Remove all references to waiting days and update store managers on the new rules.<br>• Review absence triggers and return-to-work procedures.<br>• Model the cost impact of day-one SSP across your workforce. |
| **EXTENSION TO EMPLOYMENT TRIBUNAL TIME LIMITS**<br><br>**FROM OCTOBER 2026** | The time limit for bringing most Employment Tribunal claims will double from three to six months from the date of dismissal or act complained of.<br><br>This extension will apply to claims for unfair dismissal, whistleblowing and discrimination.<br><br>In our experience, employers are already facing a Tribunal system under real strain, with increasing claim volumes and substantial backlogs. Extending the time limit to 6 months is likely to prolong litigation risk even further — claims may arrive later, take longer to resolve, and be more fully prepared by the time they are issued. | • Review document retention processes to ensure key HR and operational records are retained for longer.<br>• Preserve evidence early, including witness statements from decision makers, relevant documents and records supporting key employment decisions.<br>• Train managers on effective record keeping.<br>• Build the extended 6-month claim period into your risk management. |
| **THIRD-PARTY HARASSMENT**<br><br>**FROM 30 OCTOBER 2026** | Retail staff can regularly be exposed to abusive behaviour or harassment from customers and other third parties.<br><br>The ERA reinstates employer liability for third-party harassment with a compensation uplift of up to 25% where the employer has failed to take 'all reasonable steps'. A generic anti-harassment policy is unlikely to be sufficient. | • Conduct a harassment risk assessment specific to customer-facing roles.<br>• Update your policy to cover third-party conduct and harassment explicitly.<br>• Train staff and managers on de-escalation and reporting.<br>• Document the steps taken – this is your evidence of 'all reasonable steps'.<br>• Consider regular focus groups involving front line staff to help identify risk situations and assist in finding best practices for dealing with them and to demonstrate awareness of evolving threats. |
| **REDUCED UNFAIR DISMISSAL QUALIFYING PERIOD AND UNCAPPED AWARDS**<br><br>**FROM 1 JANUARY 2027** | The qualifying period for unfair dismissal is being reduced from two years to six months emphasizing the importance of good process from a much earlier stage. Compensatory awards are now uncapped. | • Consider whether training is up to date for managers on probationary and performance processes and fair dismissal procedures.<br>• For anyone who is going to have six months' service by 1 January 2027, consider now scheduling a robust probationary review to take place by the end of November/early December. If such staff are unlikely to make the grade, consider termination at that point. |
| **GUARANTEED HOURS FOR ZERO-HOURS AND CASUAL WORKERS**<br><br>**FROM 2027** | Workers on zero-hours, or variable-hours contracts will soon be entitled to guaranteed hours based on actual working patterns. New shift-notice rules require adequate notice and compensation for late cancellations. For retailers with seasonal staff, flexible contracts, and varied shift patterns across multiple sites, this is a major operational change. | • Audit your casual and zero-hours workforce across all sites.<br>• Map actual working patterns against contractual arrangements.<br>• Redesign contracts to comply with guaranteed-hours rules.<br>• Implement new rostering procedures and train store managers on shift-notice obligations. |

# FIND OUT MORE

## THE COST OF INACTION

- A multi-site retailer operating with outdated casual contracts and a generic harassment policy faces significant exposure.
- Without compliant arrangements in place, a single guaranteed hours claim per site quickly becomes multiple claims for the employer.
- At the same time, a failure to evidence “reasonable steps” in a third-party harassment claim can result in an automatic 25% compensation uplift.

**Action - acting now to update your contracts, policies and processes is more cost effective than the risk of defending claims in the future.**

## ARE YOU READY?

Gordons' Employment Team offers focused ERA audits and compliance reviews for retail businesses. A short initial discussion with us can help identify the key employment risks and priority areas for your organisation.

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