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United Kingdom
Employment and Labour Law

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This country-specific Q&A provides an overview of employment and labour laws and regulations applicable in United Kingdom.

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United Kingdom: Employment and Labour Law

1. Does an employer need a reason to lawfully terminate an employment relationship? If so, state what reasons are lawful in your jurisdiction?

Generally, yes. Although an employer may effectively bring an employment relationship to an end without giving a reason, the risk of doing so is high. In particular, currently an employee who has two years or more of continuous service (and in some cases, employees with less than two years' employment), has a right to bring an unfair dismissal claim if there is no 'fair' reason for the dismissal. So yes, an employer should identify a potentially 'fair' reason to lawfully terminate an employment relationship. Importantly, note that the qualifying period for an employee to be eligible to bring an ordinary unfair dismissal claims will reduce from two years (the current period) to six months from 1 January 2027 (note, the originally proposed 'day one' right was not taken forward in the final legislation). So the risk and therefore the importance of identifying a fair reason and following a fair process will become much more significant.

A potentially 'fair' reason to lawfully terminate employment can be one of the following:

1. Conduct (including one-off acts, if serious enough);
2. Capability (this includes not having the skills or ability to do the role but could also be an ongoing health issue which means the employee is no longer able to perform their duties or role);
3. Redundancy (meaning there is no longer a need, or there is a reduced need for employees to do particular work, in a particular location, or at all);
4. Illegality (for example, if there is a statutory restriction on employing or continuing to employ an individual in a certain role); and
5. Some other substantial reason that is sufficient to justify dismissal (this is quite broad but should be treated with caution – it could include, for example a fundamental breakdown in a relationship, or when continuing to employ an individual would lead to reputational damage for the business).

Even if an employer has a potentially fair reason for terminating an employment relationship, the employer must also follow a fair procedure in terminating the employment relationship. The correct procedure will depend on the reason for the dismissal and the particular circumstances. For example, for a redundancy situation, individual or collective consultation obligations will apply, depending on the number of employees whose roles are at risk. Or if the reason is misconduct, for example, the process should usually involve a fair investigation, and reasonable opportunity for the employee to understand and respond to the allegations before any decision is made.

Where an employee does not have two years' continuous service (or six months' service, from the start of 2027), they are not usually able to bring an ordinary 'unfair dismissal' claim and as such, the risk for an employer is lower (even if they do not have a fair reason to dismiss, or do not follow a fair procedure to terminate an employment relationship). However, other substantial risks do still exist and should be assessed (these are addressed elsewhere in this guide) – so an employer may wish to follow an appropriate procedure as best practice and to minimise the risk of any Tribunal claims. Employers should also check internal policies, contractual obligations and notice entitlements.

2. What, if any, additional considerations apply if large numbers of dismissals (redundancies) are planned? How many employees need to be affected for the additional considerations to apply?

When large numbers of redundancy dismissals are proposed, an employer must consider and comply with collective consultation obligations. These currently apply where an employer proposes to dismiss as redundant, 20 or more employees within a 90-day period at one establishment. From 2027 a new threshold test under the Employment Rights Act is planned, with the details being set out in future regulations. It is expected that the test may be based on either a percentage of the workforce or a number higher than the current 20 employee threshold (for example, the lower of 10% of a workforce or 100 employees). So, it will be important to carefully check the up to date rules, if considering any redundancy process.

Importantly, the collective consultation obligations apply in addition to the individual consultation obligations; they are not a substitute.

The additional considerations that apply for an employer in larger-scale redundances (currently those affecting 20 or more employees) include:

- The duty to inform the Secretary of State for Business and Trade about the proposed redundancies, noting that a failure to do so is a criminal offence.
- The duty to collectively consult with the representatives of the affected employees (not just at-risk employees but also those affected by the proposed redundancies, for example due to a change in reporting line or having to take on extra work). Appropriate representatives may be trade union representatives or, in the absence of a trade union representative, elected employee representatives. The relevant legislation, the Trade Union and Labour Relations (Consolidation) Act 1992 sets out the procedure to be followed in appointing employee representatives, which is done by an election.
- Consultation should then start at a 'formative' stage so, as at the time consultation starts, no decisions should have been made about the redundancies. The employer should be open to and able to receive and consider proposals to avoid them, from that formative stage.
- Where an employer proposes to dismiss between 20 and 99 employees, consultation must start at least 30 days before the date of the first dismissal; and this increases to at least 45 days before that date, where an employer proposes to dismiss 100 or more employees (again, all within a 90-day period). However, looking ahead, the government's forthcoming consultation on collective redundancy reform is expected to consider whether the minimum consultation period for proposals to dismiss 100 or more employees should be doubled from 45 to 90 days.
- The consultations should effectively be about ways to avoid the redundancies (including looking at the business rationale for the proposed redundancies), reducing the number of employees to be dismissed, and mitigating the effects of any dismissals. Consultation must be carried out "with a view to reaching agreement with the appropriate representatives".
- The duty to inform – an employer should also provide written information to the relevant employee representatives, including the reasons for the proposed redundancies, how many employees are involved and the categories, the number of employees in each category, how the employer proposes to select employees for redundancy (for example, any proposed scoring matrix), the proposed timeframe for the process and the formula for calculating any redundancy payment (whether statutory or enhanced).

If an employer fails to comply with the collective consultation rules, employees may seek to recover an award from the Employment Tribunal for that failure. The maximum protective award for failure to comply with collective consultation obligations increased from 90 days', to 180 days' pay per affected employee with effect from 6 April 2026. So, the cost of a breach can be very high.

3. What, if any, additional considerations apply if a worker's employment is terminated in the context of a business sale?

One of the first considerations on a sale, is the nature of the sale. If it is a share sale, the employer is likely to remain the same. If it is a sale of a business, or a part of a business, that is not simply a share sale, employees' rights are protected by legislation known as the Transfer of Undertakings (Protection of Employment) Regulations 2006 (also referred to as 'TUPE').

If TUPE applies, the employment and employment contracts of employees employed immediately before the sale by company A (the transferor whose business or assets are being sold to company B, the transferee) will automatically transfer to company B on the same terms and conditions that they previously had with company A. Any employee dismissed for a reason connected with such a transfer will therefore have been dismissed unfairly (unless there is an ETO reason, discussed below) – although the right to bring such a claim usually remains subject to having two years' continuous employment (reducing to six months from the start of 2027), and also remains subject to certain exceptions.

Employment will not transfer if an employee formally 'objects to the transfer'. Also, an employee may be fairly dismissed if there is an economic, technical or organisational reason (an 'ETO reason') that justifies redundancies. Changes to an employee's terms and

conditions may also be justified by an ETO reason.

An employer is also subject to a duty to inform and (if relevant) consult with representatives of affected employees (which can be a larger group than just those whose employment will transfer to company B). This involves:

- Duty to inform – representatives (similarly to redundancy, this is either trade union or employee representatives) must be provided with certain information, including the following: -That a transfer is to take place _When the transfer is set to take place – Why the transfer is taking place – How the transfer will affect employees and which employees - The legal, economic, and social implications – Any "measures" which the transferor or transferee thinks may be taken (see below)
- Duty to consult – this is required if employers envisage taking "measures" in relation to affected employees. "Measures" is a broad concept and can include any changes to working conditions or practices that an employer intends to introduce in connection with a transfer. Similarly to redundancy, consultation must be carried out with a view to seeking the representative's agreement to the measures envisaged.

Significantly the obligation to inform and consult lies with both the transferor and the transferee. Each should consult with appropriate representatives of their own employees, and this should be carried out well before the business sale, to allow for a sufficient period of consultation.

There is an exception for employers who employ less than 10 employees. In such cases if there are no employee representatives, the transferor can inform and consult with the employees directly.

Importantly, a TUPE transfer can also arise after a sale, or simply on a reorganisation within a group structure, if this involves the consolidation of teams within different group entities, for example.

The law is complex in this area, and it is important to obtain specialist advice.

4. Do employees need to have a minimum period of service in order to benefit from termination rights? If so, what is the length of the service requirement?

In some cases, yes. Generally, employees need a minimum period of two years' continuous service (reducing to six months, from 1 January 2027) before they are able to bring a claim for ordinary unfair dismissal. See question 1, above.

Employers should proceed with caution, however, as some employment protections (including some automatic unfair dismissal rights) are 'day one' rights and are not conditional on the employee having any qualifying period or continuous service. For example, 'day one' protections include circumstances where the reason for the dismissal is 'automatically unfair', such as (non-exhaustively) where the reason for the dismissal is:

- The employee has made a protected disclosure i.e., 'whistleblowing';
- Discriminatory, by reference to one of the protected characteristics under the Equality Act;
- Being pregnant or on maternity leave or wanting to take a type of family leave such as parental, paternity or adoption leave;
- Making a flexible working request.

5. What, if any, is the minimum notice period to terminate employment? Are there any categories of employee who typically have a contractual notice entitlement in excess of the minimum period?

Notice periods are typically agreed and set out in a contract of employment. However, this will be subject to a minimum notice period, set by statute. Generally, an employer must give:

- At least 1 weeks' notice for an employee employed between one month and 2 years;
- 1 weeks' notice for each year of service for an employee employed between 2 and 12 years; and
- 12 weeks' notice for an employee employed for 12 years or more.

Senior employees or directors are likely to have a longer contractual notice period to ensure protection of certain roles and duties, and to ensure a smooth transition and handover.

6. Is it possible to make a payment to a worker to

end the employment relationship instead of giving notice?

Yes. This is referred to as a “payment in lieu of notice” often shortened to ‘PILON'.

However, an employer's entitlement to make a payment in lieu of notice should be recorded in the employee's contract of employment and the employer should be careful to comply with the contractual arrangements that are recorded. The contract should also stipulate whether payment in lieu of notice includes just the employee's basic pay, or whether it also includes certain benefits.

If there is no contractual entitlement for an employer to make a payment in lieu of notice, an employer seeking to end the employment relationship could be in breach of contract by ending it with immediate effect and paying an employee in lieu of their notice period. A breach such as this can have implications for the enforceability of other contractual provisions, such as any post-termination restrictions or restrictive covenants.

7. Can an employer require a worker to be on garden leave, that is, continue to employ and pay a worker during their notice period but require them to stay at home and not participate in any work?

Similarly to PILON, an employer can place an employee on garden leave during their notice period. However, to avoid contractual uncertainty, it is important to include and then comply with an express entitlement to do so within an employee's contract of employment and to describe the terms, duties and obligations that will apply during garden leave.

8. Does an employer have to follow a prescribed procedure to achieve an effective termination of the employment relationship? If yes, describe the requirements of that procedure or procedures. Is an employee entitled to appeal against their termination?

Whilst there is no single, legally mandatory process that an employer must follow in order to effectively terminate an employee's employment, the risk of employment claims and related liabilities is higher if an employer does not follow a fair and appropriate process and this can also have implications for the value of employment claims.

What is fair and reasonable will depend on factors such as the employee's length of service and the reason for the dismissal. For example:

- If the reason for the proposed dismissal is misconduct, an employer should usually explain the allegations, provide the employee with time and the opportunity to consider them, meet with the employee and consider relevant evidence and mitigating factors, before reaching a decision. Employers should also follow the ACAS Code of Practice on Disciplinary and Grievance Procedures and compensation for any successful unfair dismissal claim may be increased if they fail to do so.
- If the reason for the proposed dismissal is redundancy, an appropriate level of consultation must be undertaken.
- If the reason is capability, the employer will often follow a detailed review process to assess performance or capability over a period of time (which can last for several months, or longer). Or, if the issue is related to medical incapacity, it is important to consider what medical evidence should be obtained and considered before reaching any decisions.

Generally speaking, however, if an employee has less than two years of service (reducing to six months from January 2027), the risk of adopting a shorter and simpler process will be much reduced, unless there are particular unlawful reasons for the dismissal.

Whilst there is no statutory obligation to provide an appeal in every circumstance, the ACAS Code recommends that employees should be able to appeal disciplinary outcomes, including dismissal, and a failure to offer this may contribute to a finding of procedural unfairness and the risk of an uplift to compensation. It is best practice to also offer a right of appeal if relying on capability, illegality or some other substantial reason for dismissal. A right of appeal is less common when redundancy is the reason for dismissal, but in some circumstances it can be appropriate.

All of the above must be considered alongside any policies or procedures included in any staff handbook which may define particular rights, duties or expectations and in some cases, may be contractual.

In all cases the appropriate notice for termination must be provided, save where the reason for dismissal is gross misconduct allowing for summary dismissal.

9. If the employer does not follow any prescribed procedure as described in response to question 8, what are the consequences for the employer?

If an employer has failed to identify a fair reason for dismissal and / or has failed to follow a fair process in reaching the decision to dismiss, an employee with the relevant period of continuous service (which will reduce from the current qualifying period of two years, to become just six months with effect from 1 January 2027), or more, may bring an unfair dismissal claim before the Employment Tribunal. Note that there are some circumstances in which an employee may be able to bring this claim, even without the relevant qualifying period of service.

If an unfair dismissal claim succeeds before the Employment Tribunal, the potential remedies include:

- Reinstatement or re-engagement – if granted, an employee is treated as if they had never been dismissed and they are reinstated to their employment on the same terms and conditions, or an employee is re-engaged by the employer in a role that is comparable to that which they were dismissed from (which means terms must be as favourable as reasonably practicable). This would also include an order to be paid for the period from dismissal to the date on which the reinstatement or re-engagement is effective.
- Compensation – this consists of two limbs in an unfair dismissal claim: – The first is a basic award which is calculated using a formula based on an employee's age at the date of dismissal, their length of service (capped at 20 years) and their weekly pay (currently capped at £719 from 6 April 2025 onwards, to be increased again from April 2026). – The second element is a compensatory award, and the Tribunal will determine this based on what is just and equitable in all the circumstances; it is however, until 1 January 2027, capped at the lower of the statutory cap (currently £118,223) and an employee's yearly gross pay. From 1 January 2027, this cap will be removed allowing Tribunals to award compensation reflecting loss of earnings in full. Until then, for unfair dismissal claims, the compensation is only uncapped in certain circumstances, including where the reason for dismissal was that the employee made a protected disclosure (i.e., they blew the whistle), amounts to unlawful discrimination or certain other reasons.

An employee has a duty to take reasonable steps to mitigate their losses, for example by seeking to secure new employment.

10. How, if at all, are collective agreements relevant to the termination of employment?

Collective agreements are more common in the public sector than in the private sector. If a collective agreement is in place, it may include agreed procedures that define the process that must be followed, or certain agreement as to enhanced payments or benefits (such as enhanced redundancy payment formulae).

11. Does the employer have to obtain the permission of or inform a third party (e.g local labour authorities or court) before being able to validly terminate the employment relationship? If yes, what are the sanctions for breach of this requirement?

In most cases, the ability of the employer to validly terminate the employment relationship is not contingent on permission from or notification to any third party, although for larger-scale redundancies, an employer is under a legal obligation to inform the Secretary of State for Business and Trade.

12. What protection from discrimination or harassment are workers entitled to in respect of the termination of employment?

Under the Equality Act 2010 it is unlawful to discriminate against workers on grounds of their age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation ("protected characteristics").

There are various types of protections from discrimination that exist, and this is a complex area, so the following is only a very brief overview. It is important to seek specialist advice, as the relevant rights and obligations will usually be very fact specific:

- **Direct discrimination:** Workers are protected from being treated less favourably because of one or more of the protected characteristics. For example, dismissing someone because of their race would be direct discrimination.

- **Indirect discrimination**: Workers are protected from being disadvantaged by an unjustified provision, criterion or practice that puts people with the same protected characteristic at a particular disadvantage. For example, a requirement to work full-time may put women at a particular disadvantage because they generally have greater childcare commitments than men. Such a requirement would be discriminatory unless it can be objectively justified.
- **Harassment:** Workers are protected from sexual harassment or harassment related to a protected characteristic that has the purpose or effect of violating their dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for them.
- **Victimisation:** Workers are protected from being treated less favourably or victimised because they have complained or given information about discrimination or harassment or supported someone else's complaint. For example, if an employee raises a grievance about discrimination and is dismissed as a result.
- **Disability discrimination:** Workers are protected from direct and indirect discrimination, any unjustified less favourable treatment because of the effects of their disability and failure to make reasonable adjustments to alleviate the disadvantages caused by their disability.

Workers are protected from discrimination prior to starting their employment (e.g. any discrimination in recruitment), throughout the duration of their employment, and following termination of their employment (for example, any victimisation with regard to the giving of references).

13. What are the possible consequences for the employer if a worker has suffered discrimination or harassment in the context of termination of employment?

If a worker has suffered discrimination or harassment, they can make a claim regardless of how long they have been employed, either following termination of their employment or whilst they remain in employment.

The claim can be made against their employer, who can also be held vicariously liable for discrimination perpetrated by their employees in the course of their employment (and if the employer has not taken all reasonable steps to prevent such discrimination).

If a discrimination claim is successful, an employee or worker may be awarded:

- Uncapped compensation for any financial loss they suffered due to their discrimination. For example, if they have been dismissed for a discriminatory reason, they could be awarded any loss of earnings flowing from the termination of their employment.
- An award for injury to feelings, suffered due to their discrimination. This is calculated against a range or 'band' of potential awards (known as the "Vento bands") which are updated in April every year.
- Compensation for any personal injury they suffered due to their discrimination. For example, if they became clinically depressed.
- Potentially, "aggravated" or "exemplary" damages to punish the employer in the most serious cases, although these awards are rare.

The Employment Tribunal could make a declaration to confirm that the worker suffered discrimination. It could also make a recommendation, that the employer should take specific steps to eliminate or reduce the adverse effect on them. For example, that senior staff undergo further training or by making workplace adjustments.

If the employee has been dismissed, the Tribunal could also make an order for their reinstatement or re-engagement, although such orders are rare.

Additionally, from 26 October 2024, employers have been under a new duty to take reasonable steps to prevent sexual harassment in the workplace. If an employee is successful in their claim for sexual harassment and the employer failed to meet the new duty, their compensation could be increased by up to 25%.

From October 2026, this duty is strengthened so that employers must take ALL reasonable steps to prevent sexual harassment. At the same time, employers will also be liable for third party harassment unless they can show they took all reasonable steps to prevent it, and this duty applies to harassment related to any protected characteristic.

14. Are any categories of worker (for example, fixed-term workers or workers on family leave) entitled to specific protection, other than

protection from discrimination or harassment, on the termination of employment?

Under the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, fixed-term employees have a right not to be treated less favourably than a comparable permanent employee, if it cannot be objectively justified. They also have a right not to be subjected to detriment or be dismissed on the grounds that they have complained about their treatment as a fixed-term employee.

Under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, part-time employees have a right not to be treated less favourably than a comparable full-time employee (on a pro-rata basis), if it cannot be objectively justified. They also have a right not to be subjected to a detriment or be dismissed on the grounds that they have complained about their treatment as a part-time employee.

Employees who are on maternity leave, adoption leave, or shared parental leave (for six consecutive weeks or more) have additional protections on redundancy. If their post is affected by a redundancy situation occurring during their leave, they have a right to be given first refusal on any suitable alternative vacancies that are appropriate to their skills for a period of 18 months from the child's birth or adoption.

The Employment Rights Act 2025 also gives the government new powers to introduce additional protections against dismissal for pregnant employees, employees on maternity leave, and employees in a six month return to work period, extending beyond the current redundancy specific protections. The Act also enables the government to extend similar protection to employees on other forms of family leave, including adoption leave, shared parental leave, neonatal care leave and bereaved partners' paternity leave.

The detail of these protections has not yet been finalised. The government is consulting on the limited circumstances in which dismissal would still be permitted, and on when these enhanced protections should begin and end. It is also consulting on whether similar safeguards should be extended to other new parents. This will be an important area to continue to monitor for anyone with employees in England and Wales.

15. Are workers who have made disclosures in the public interest (whistleblowers) entitled to any special protection from termination of employment?

Yes, under the Public Interest Disclosure Act 1998 and the Employment Rights Act 1996 whistleblowers are protected from a dismissal or detriment on the grounds that they had made a “protected disclosure” (i.e. blown the whistle).

In order for a disclosure to be protected it must convey information, either verbally or in writing, and the worker has to have a reasonable belief that the disclosure of information:

- tends to show one or more of the six specified types of wrongdoing has taken place or is likely to take place, namely: a criminal offence, breach of any legal obligation, miscarriage of justice, danger to health and safety, damage to the environment, the occurrence of sexual harassment, or that any of the above is being deliberately concealed; and
- is made in the public interest.

A worker can bring a claim for detriment on the grounds that they had made a protected disclosure, either following termination of their employment or whilst they remain in employment. If an Employment Tribunal finds that their protected disclosure has materially influenced their detrimental treatment, they will succeed in their claim and could be awarded uncapped compensation for any financial loss they suffered due to the detriment as well as an award for injury to their feelings.

If the Tribunal finds that a protected disclosure was the sole reason or the principal reason for an employee's dismissal, they will be successful in a claim for automatic unfair dismissal and could be awarded uncapped compensation for any financial loss they suffered flowing from the termination of their employment. The Tribunal has a power to make a declaration or a recommendation. Additionally, the Tribunal could also make an order for their re-engagement or reinstatement, although such orders are rare.

In rare cases, the Tribunal could grant an employee interim relief by making an order for the continuation of their employment, provided such an application is made by the employee within 7 days of the employee's last day of employment.

16. In the event of financial difficulties, can an employer lawfully terminate an employee's

contract of employment and offer re-engagement on new less favourable terms?

There have been developments in this area of law recently, as well as proposed future reforms. The direction of travel is that it will become more difficult for employers to dismiss and re-engage employees on less favourable terms.

The current position is that employers can do so, but with extreme caution. This practice tends to be used as a last resort where changes are not possible under the contract and/or the employees do not agree to proposed changes. There does not have to be a specific reason, e.g. financial difficulties.

Assuming contractual notice is served, there will usually be no breach of contract. However, 'fire and rehire' practices will still be a dismissal in law and therefore may give rise to an unfair dismissal claim or a redundancy situation and collective consultation obligations may apply.

Since 18 July 2024, employers are required to comply with the statutory Code of Practice on Dismissal and Re-engagement. There is no stand-alone claim for breach of the Code, but it must be taken into account by Employment Tribunals in relevant cases, including unfair dismissal. The Code gives Tribunals the ability to uplift compensation by up to 25% if an employer unreasonably fails to follow it. The key provisions of the Code include that 'fire and rehire' should only be treated as a last resort, employers should explore alternatives, and employees need to be consulted for as long as possible.

The Employment Rights Act 2025 will now, significantly restrict employers' ability to use fire and rehire. Once in force in January 2027, it is likely to become automatically unfair to dismiss an employee to force changes to key contractual terms (such as pay, working hours, pensions, shift patterns, time-off rights and certain benefits, described as "restricted variations"), if the employee did not agree to the change, or because the employer intends to employ someone else, or re engage the employee on varied terms to carry out substantially the same role.

The new law under the Employment Rights Act 2025 also prevents employers from trying to introduce new flexibility clauses that would allow them to alter those protected terms in future. There is, however, a very limited exception for employers facing serious financial trouble. To rely on it, an employer must show that it is experiencing severe financial difficulties that threaten its ability to keep trading, and that the contractual change was genuinely necessary to deal with those difficulties and could not reasonably have been avoided.

17. What, if any, risks are associated with the use of artificial intelligence in an employer's recruitment or termination decisions? Have any court or tribunal claims been brought regarding an employer's use of AI or automated decision-making in the termination process?

Using AI in recruitment may raise issues of compliance with the Equality Act 2010. For example:

- Applicants who are disabled may require reasonable adjustments if they are put at substantial disadvantage by an AI recruitment tool. In some cases, it may be appropriate to remove the AI recruitment tool from the recruitment process altogether to alleviate any disadvantage.
- There could also be an inherent bias in an AI recruitment tool trained on particular data sets, which favours applicants from certain backgrounds. This could give rise to an indirect discrimination claim by any excluded applicants.

Since any AI recruitment tool will process individuals' personal data, there are also risks under the Data Protection Act 2018 and UK GDPR. For example:

- There could be risks associated with how the individuals' personal data is stored and processed, especially any sensitive personal data.
- There are also specific restrictions on automated decision taking and profiling, which will be particularly relevant.

To date, there have been very few Employment Tribunal claims brought examining an employer's use of AI or automated decision making in recruitment or termination process, but it is possible that this may change as the use of AI and automated decision-making becomes more prevalent.

18. What financial compensation is required under law or custom to terminate the employment relationship? How is such compensation calculated?

On termination of employment, employees are entitled to receive:

- notice under their contract, subject to the minimum notice required by law (provided that they did not commit a repudiatory breach of their employment contract which would entitle their employer to dismiss them without notice or payment in lieu); and
- a payment in respect of any accrued untaken holiday entitlement on termination of their employment.

If the reason for termination is redundancy, employees who have two complete years' service or more, will also be entitled to receive a statutory redundancy payment, calculated in accordance with a statutory formula, based on the employee's age, length of service and week's pay (subject to a statutory limit). (Note, this qualifying period for a right to a statutory redundancy payment will not reduce from 2027, it will remain the same).

Some employers may offer an enhanced redundancy payment (which tends to be inclusive of any statutory redundancy payment) and/or other contractual entitlements on termination of employment (e.g. a guaranteed termination payment).

19. Can an employer reach agreement with a worker on the termination of employment in which the employee validly waives his rights in return for a payment? If yes, in what form, should the agreement be documented? Describe any limitations that apply, including in respect of non-disclosure or confidentiality clauses.

An employer and employee can record the agreed terms on which employment will terminate, within a Settlement Agreement (or a COT3 Agreement, which is more common when there are Employment Tribunal proceedings which are also being withdrawn and settled). In either case, it is common to include the waiver of the employee's employment rights. This also, generally includes a termination payment to the employee, but could include some other incentive.

There are specific requirements that must be met for a Settlement Agreement (and the waiver of claims) to be legally valid:

- it must be in writing and signed by the employee;
- the employee must receive independent legal advice on its terms and effect, from an insured and qualified legal adviser (such as a solicitor or certified trade union adviser);
- it must identify the legal adviser;
- it must identify the specific legal claims being waived; and
- it must state that the conditions regulating settlement agreements under the relevant statutory provisions have been satisfied.

A COT3 Agreement is an agreement where a dispute has been settled following conciliation by ACAS. There are certain types of claims (such as relating to failure to collectively consult) which can only be waived via a COT3.

It is usual to see non-disclosure and confidentiality provisions recorded in these agreements, however there are limitations on these. For example, it is not permitted to restrict an employee's rights to make protected disclosures, report certain wrongdoing or to report a criminal offence.

The #MeToo campaign has also increased scrutiny on sexual harassment in the workplace and the inappropriate or oppressive use of non-disclosure provisions ('NDAs') to cover up misconduct, and this has resulted in a more detailed legal and regulatory framework which solicitors now have to follow when drafting and advising on such provisions. Although it is not yet clear precisely when it will come into force, the Employment Rights Act 2025 will specifically restrict an employer's ability to enforce NDAs which prevent workers from making disclosures relating to harassment and discrimination.

20. Is it possible to restrict a worker from working for competitors after the termination of employment? If yes, describe any relevant requirements or limitations.

Yes, it is possible to agree contractual terms that restrict a worker from working for competitors following termination of their employment. However, preventing competition must not be an end in itself. Restrictions having the sole aim of preventing competition will rarely be upheld by the court.

To be enforceable a post-termination restriction must be designed and drafted to protect a legitimate proprietary interest of the employer for which the restraint is reasonably necessary. Legitimate interests may include an employer's trade connections with clients or protection of trade secrets or sensitive confidential information. Any restriction must also be no wider or longer than is reasonably necessary to protect the relevant interest. If it is too wide (e.g. too long), it will be

unenforceable as an unreasonable restraint of trade.

The UK government has been consulting on the reform of non-compete restrictions in employment contracts and various suggestions have been made, including the possibility of a statutory cap of three months on non-compete restrictions (although it would not introduce the same cap for confidentiality provisions and other restrictions, such as non-solicitation and non-dealing with clients). However, as things stand, it has ruled out the possibility of employers being required to pay mandatory compensation for the duration of the enforcement period of non-compete restrictions. That said, if the restrictions are also intended to operate outside the UK, employers should consider local requirements in any relevant jurisdictions.

The current government's employment law reform proposals do not refer to these reforms, so any future change to the law in this area remains uncertain at this point.

21. Is it possible to restrict a worker from soliciting customers or clients, or employees of the employer, after the termination of employment? If yes, describe any relevant requirements or limitations (including any payments that must be made to the worker for the restriction to be valid and enforceable).

Yes, it is possible to restrict a worker from soliciting customers or clients, or employees of the employer, after the termination of employment, through post-termination restrictive covenants such as non-solicitation or non-poaching clauses. However, as with non-compete provisions, these are only enforceable if they do no more than is reasonably necessary to protect a legitimate business interest, such as confidential information, key client relationships or workforce stability.

With any restrictions, it is important that the language is clear and carefully drafted, as the Courts are unlikely to enforce overly broad restrictions.

There is currently no requirement that any consideration or payment must be made for a restriction to be valid. However, if the restrictions are also intended to operate outside the UK, employers should consider local requirements in any relevant jurisdictions.

22. Can an employer require a worker to keep information relating to the employer confidential after the termination of employment?

Generally, an employee has implied duties during their employment that they will conduct themselves with fidelity and good faith, which involves respecting the confidentiality of the employer's commercial and business information.

These duties tend to be supplemented by express contractual duties, which clearly define the information that the employer considers to be “confidential” and give it wider protections.

Following the termination of employment, if information can be properly categorised as a trade secret, the employee will be prevented from using or disclosing it, even if there is no provision in the employment contract to that effect.

However, in order to clearly define what the employer believes to be a “trade secret” and to protect other categories of confidential information, it is advisable to include express confidentiality provisions in employment contracts, which are tailored to the business.

23. Are employers obliged to provide references to new employers if these are requested? If so, what information must the reference include? What duties apply to employers giving references?

Generally, there is no obligation on employers to provide references when requested. However, employers should be mindful that withholding a reference (or providing a negative reference) can be an act of victimisation if it is done in response to someone having complained or given information about discrimination or harassment or supported someone else's complaint (e.g. by way of an Employment Tribunal claim).

Most employers will provide a so-called “tombstone” reference which will be brief and factual, only confirming the position and dates of employment.

If employers provide a reference, they are under a duty to ensure that the reference is accurate and not misleading, hence the reluctance to include more than basic factual details.

In the financial services sector, certain regulated employers must also provide a reference in a prescribed form.

24. What, in your opinion, are the most common difficulties faced by employers in your jurisdiction when terminating employment and how do you consider employers can mitigate these?

Terminating an employee's employment for capability reasons when they have a long-term sickness can be challenging, particularly if the employee is disabled under the Equality Act 2010. If the dismissal is because of something arising from that disability (such as a disability-related absence), the decision must be objectively justified, to avoid a claim for disability discrimination. Employers also have a duty to make reasonable adjustments to alleviate any disadvantage suffered by the employee at work or in connection with the dismissal process as a consequence of their disability. Medical evidence and advice are often needed where an employer is proposing to dismiss an employee who may be disabled.

Problems also frequently arise when an employer tackles an employee's performance at work. A variety of issues can become relevant and challenging, from failing to honestly communicate performance issues (e.g., written appraisals may have little, if any record of the issues the employer later wishes to rely on), not communicating such issues early on or failing to do so in a professional and polite manner. Performance management should be conducted in a way that is timely (including in relation to giving an employee sufficient time to improve), open and honest. A botched or pre-determined process can result in a claim for unfair dismissal.

It is also common to have to manage parallel grievance issues and complaints from employees, which are triggered by the threat of a disciplinary or capability process and this needs very careful handling.

Finally, the landscape for employment rights is changing very significantly with the new Employment Rights Act. Most significantly, with effect from 1 January 2027, all employees will have a right to bring an unfair dismissal claim after just six months of employment and the compensation that may be recovered for unfair dismissal will become uncapped. This means that employers who are considering any potential dismissals, for any reason, would be well advised to address this as soon as possible this year, before the new rules come into force and the risk and value of potential claims increase.

25. Are any legal changes planned that are likely to impact the way employers in your jurisdiction approach termination of employment? If so, please describe what impact you foresee from such changes and how employers can prepare for them?

Major reforms under the Employment Rights Act 2025 mean that any business with workers based in, or with an association with England and Wales, should familiarise themselves with the changes and consider steps to prepare for them. Not least, the new laws will significantly change how employers handle dismissals and organisational restructures. Employers need a clear plan so they can prepare and respond as each change takes effect.

The most consequential change is to unfair dismissal. As explained above, from 1 January 2027, the qualifying period for unfair dismissal will be reduced from two years to six months, and the cap on compensation will be removed. Government impact analysis expects a significant increase in Tribunal claims, and it has confirmed there will be no further consultation on these changes. In practical terms, unfair dismissal risk will arise far earlier in the employment relationship and potential claims and settlement valuations are likely to increase.

Collective redundancy rules will also become stricter. Alongside the existing “20 employees at one establishment” test, the government intends to change the threshold that triggers an obligation to consult collectively, to include redundancies that are spread across multiple sites which are, individually below the current threshold. Furthermore, the maximum protective award for failure to comply with collective consultation obligations increased from 90 days' to 180 days' pay per affected employee with effect from 6 April 2026. These changes are expected to take effect in 2027 and will be especially impactful for multi site restructurings that previously fell below establishment level thresholds.

“Fire and rehire” reforms are also due in January 2027. The government has also consulted on which contract changes should count as “restricted variations," which will carry automatic unfair dismissal protection if employees refuse them (final scope will be set out in regulation).

From 6 April 2026, disclosures relating to sexual harassment are treated as ‘qualifying disclosures’ for whistleblowing protection purposes, increasing the risk of automatic unfair dismissal and detriment claims.

From February 2026, dismissal for taking part in lawful

industrial action is automatically unfair, removing the previous 12-week limitation period.

These are just some of the wide ranging reforms that are being implemented under the Employment Rights Act. Employers should be preparing for these changes by tightening early stage HR processes, reviewing upcoming restructures against the new collective redundancy thresholds, and strengthening consultation practices before the revised "fire and rehire" rules take effect. It will also be important to ensure probation, performance and record keeping standards are robust given the increased risks of unfair dismissal claims and uncapped compensation. Employers should also consider training programmes, should review and update the use of NDAs, and review template contracts, policies and procedures to consider and anticipate the new rules and increased employment risks.

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