

LIQUID FRIDAY®

Employment Rights Bill & Umbrella Regulations.

A guide for recruiters.



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Overview.

The Employment Rights Bill (ERB), introduced by the UK Government on 10th October 2024, represents one of the most comprehensive reforms to employment legislation in a generation. Aimed at modernising workplace protections, the Bill strengthens workers' rights and tackles long-standing issues such as exploitative zero-hours contracts and fire-and-rehire practices. Crucially, it enshrines key employment rights from Day One of work.

For recruitment businesses, the Bill introduces a series of new employer obligations that will require agencies to review and adapt their internal processes to remain compliant.

Separately, the government is also progressing umbrella company regulation, following its official response in March 2025 to the consultation on tackling non-compliance in the umbrella market. This sits alongside published responses to four other consultations: collective consultation, fire and rehire, statutory sick pay (SSP), and industrial relations.

It's important to note that the Employment Rights Bill and the proposed umbrella company regulations are two distinct legislative tracks. Each is substantial in its own right and will continue to develop independently as they move through Parliament and beyond.

This guide is not about speculation or opinion. It sets out the key facts as they currently stand, enabling you to assess the potential impact, adapt your processes, and future-proof your business.

Statutory Sick Pay.

The Bill strengthens statutory sick pay by removing the lower earnings limit and the waiting period, meaning more workers will be eligible for it and they can receive it sooner.

- SSP becomes a legal right for all workers, removing the Lower Earnings Limit.
- Covers up to 1.3 million low-wage workers previously excluded.
- Workers receive 80% of average weekly earnings or the standard SSP rate - whichever is lower.
- 3 - day waiting period abolished.

Fire and Rehire.

The ERB targets the practice of fire and rehire, where workers are dismissed and then rehired under worse terms. This is to prevent it being used by employers to impose less favourable conditions on workers, such as lower pay or reduced benefits, after forcing them to leave their role temporarily.

- Tightened rules and consultation to strengthen employee protections.
- Abolishes the two-year qualifying period for unfair dismissal, making it a Day One right.
- Makes it automatically unfair to dismiss an employee for refusing a contract variation.
- Employers facing extreme financial difficulty where "fire and rehire" is essential for survival may be exempt.

Zero Hours Contracts.

The ERB moves to end "exploitative" zero-hours contracts by introducing provisions to give workers greater certainty over their hours and income. The March 2025 amendments to the Bill clarified that agency workers would be included in these.

- Obligation to offer "guaranteed hours" after a qualifying period.
- Reasonable notice of shift changes or cancellations.
- Financial compensation for last minute cancellations.

Responsibilities:

- End hirer must offer guaranteed hours.
- Agency and hirer to share responsibility for notice.
- Agency liable for short-notice payments but may recover from hirer where agreed.



Fair Work Agency. (FWA)

The Bill creates a new "Fair Work Agency" for specific employment rights.

- The FWA will be able to provide assistance to workers in employment cases and if the claim succeeds the FWA's costs will be recoverable from the losing employer.
- The FWA will be able to bring Tribunal claims on behalf of workers.
- The FWA will be able to chase employers for unpaid sick and holiday pay, and impose financial penalties on top of any compensation.



Umbrella Regulations.

- **Expanded definition of an 'employment business':**
A key change of the ERB will be the expanded definition of an "employment business" under the Conduct Regulations 2003. This now includes employers who supply individuals to work under a third party's control, covering self-employed workers and those engaged under contracts for services. This update brings umbrella companies under the same regulatory framework as recruitment agencies.
- **"Option 3":** Recruitment agencies will assume responsibility and liability for PAYE. This will be policed by HMRC and, in the government's view, will provide accountability in the supply chain. Agencies will be the employer of record for tax purposes for all workers, regardless of umbrella arrangements.
- **Enhanced due diligence:** Stricter requirements for vetting and selecting compliance umbrella companies to prevent tax avoidance arrangements.
- **The Fair Work Agency:** The FWA will enforce standards and provide oversight of the temporary labour market and gain responsibility for umbrellas.

Planning For “The New Normal.”

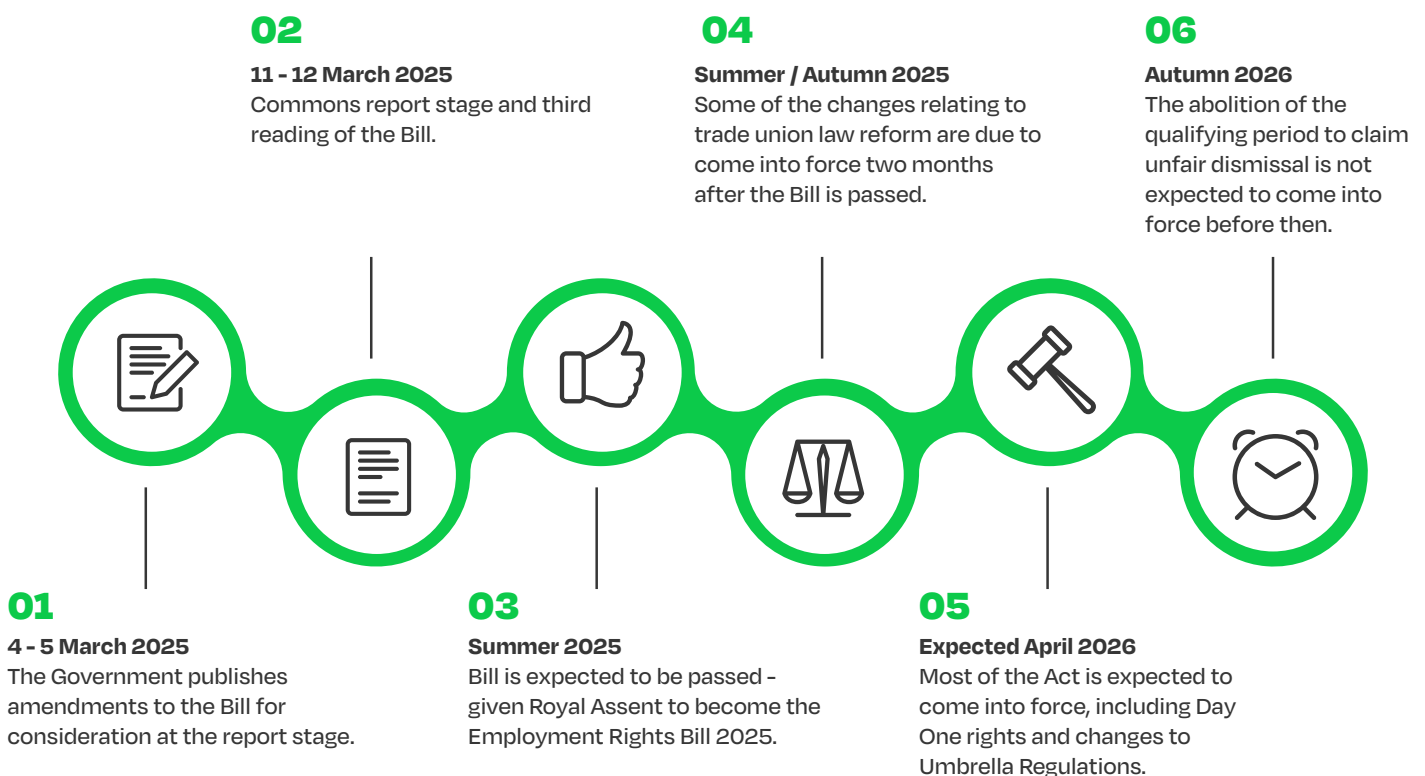
While the government has signalled its intention to proceed with Option 3 as the preferred route to regulating the umbrella sector, we’re still waiting on the finer details of how this will work in practice. The central challenge, how PAYE is applied under Option 3, is likely to shape the operational and commercial realities for all parties involved, particularly for recruitment agencies.

At Liquid Friday, we’re actively working on multiple solutions to accommodate the expected requirements. These are being developed with flexibility in mind, so they can be refined and finalised once draft legislation is published and we have full visibility on the details.

Our focus is on providing pragmatic, compliant, and commercially viable solutions that protect the interests of both workers and recruitment businesses. We’re not standing still—we’re planning ahead, pressure-testing scenarios, and staying closely aligned with industry conversations to ensure we’re ready to move as soon as clarity emerges.

In the meantime, we’ll continue to monitor developments closely and keep you fully informed.

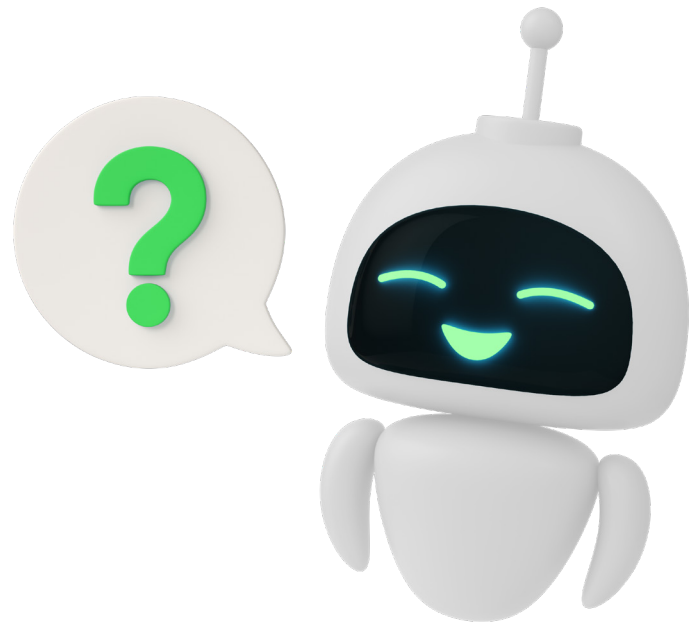
Employment Rights Bill Road Map.



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Stay Ahead of the Curve.

The Employment Rights Bill and upcoming umbrella regulations will reshape how recruitment businesses operate. If you've got questions or want to talk through how these changes affect your business, we're here to help.



Contact the team at Liquid Friday:

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