

## **(2) Political Background to the Watering Down of the UK Employment Rights Bill - Latest Developments and Context**

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This alert is the second in a series that we have been publishing about the Employment Rights Bill (the “**ERB**”). Here, we discuss the key political drivers that have and will likely influence the ERB’s final form, and the extent to which it could be watered down as a result. Our earlier alerts on the ERB are available [here](#) and [here](#).

### **Political Context**

A key tenet of the Labour party’s (the “**Party**”) 2024 manifesto was its commitment to “making work pay” after more than a decade under the Conservative party without any wholesale employment law reforms. The Party doubled down on this commitment by introducing a draft ERB within 100 days of taking office.

Since then, the Party has gone to great lengths to present the ERB as a piece of legislation that is both pro-worker and pro-business. The aim, according to them, is to boost economic growth, in part by improving job security and working conditions.

Due to the improvements that it promises for workers, the ERB is a key element of maintaining trade union support for the Party which, given the current political climate, is essential to its ability to continue to govern. However, business groups have maintained that these proposals could also stifle growth and employment, potentially undermining the Party’s own goals. The tension between these two interest groups can be seen in the various amendments that have been made to the ERB as it has made its way through the parliamentary process.

### **Mixed Signals**

Immediately following the departure of Angela Rayner (Deputy Leader of the Party), who championed the ERB, earlier this year, there were concerns among the ERB’s supporters that it would be watered down in her absence. As the ERB came to be seen as Angela Rayner’s political legacy, the Party initially went out of its way to reaffirm its commitment to implementing the ERB in full – presenting it as an article of faith between the Government, Labour MPs and the Party membership and redefining the dynamic between workers and employers.

To underscore that commitment, the newly-installed Business Secretary, Peter Kyle, used his 2025 Labour Conference speech to declare that the Government would “*implement the Employment Rights Bill in full*”, and restating that the ERB was to be beneficial to both workers and employers – Britain, he said “*only succeeds when it gets the best from both*” business and labour.

And yet, despite these very clear political and policy signals, on November 27, 2025, the Government walked back its previously firm commitment to giving workers protection from unfair dismissal from day one of employment. Instead, that protection is now proposed to take effect from six months after an employee commences employment – as a reminder, the current position is that it takes effect after two years. As a compromise, it is understood that the Government will now implement the change months sooner than previously expected – likely 1 January 2027. Another pro-employee compromise reached between businesses and unions was that the statutory cap on claims for unfair dismissal will be removed entirely – although this was a manifesto promise.



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## New UK Employment Rights Bill

FRIDAY, 05 DECEMBER 2025

### What Changed?

Beyond the so-called “compromises” on implementation timing and removal of the statutory cap described above, there are a number of factors which explain the Party’s concession on the qualification period for unfair dismissal.

The first is simple pragmatism. The ERB had been significantly delayed in the House of Lords and there was growing concern amongst senior Labour ministers that further delay could imperil the passage of the entire bill and certainly delay the first part of its implementation beyond April 2026. On balance, it was felt better to give way on the “day one” protection from unfair dismissal and agree a compromise of those rights being acquired after six months of employment, than to run the risk of losing the entire bill. The compromise was negotiated between the Trades Union Congress and business groups in exchange for dropping a proposed nine-month “probation period”, in which weaker protection from unfair dismissal would have applied.

The second is that the economic climate in the UK remains subdued with stubbornly low growth and productivity. The Government had seemingly started to come round to the view that, against this backdrop, the inclusion of day-one unfair dismissal rights might have contributed to a further slowdown in recruitment, with the potential to impact economic growth.

Thirdly, the Budget. Although it is now clear the negotiations on the compromise had been going on for some time, the announcement’s timing was linked to the Budget. The Government, in repealing the two-child benefit cap in the Budget, won itself some space from backbench MP pressure. Equally, the absence of clear pro-growth measures in the Budget had raised concerns in the business community, which needed to be assuaged. These two factors combined to give the government both the political space and the commercial incentive to deliver the compromise.

### Will the Changes Stick?

So far, trade unions and Labour backbenchers appear to have accepted the compromise, particularly in light of the concessions given on implementation timeline and the likely removal of the cap on unfair dismissal claims. However, this may be only a temporary truce - the General Secretary of Unite has described the ERB as now being “a shell of its former self” and other unions have expressed concern that “more climb-downs are inevitable”.

However, there does not seem to be much time for any potential rebellion to gather pace. Having broken the stalemate in the House of Lords, Peter Kyle now expects the legislation to be on the statute books by Christmas, a timeline which appears to have the backing of the Trades Union Congress. However, the detailed secondary legislation that will implement much of the ERB will take longer, and will be phased in over time, potentially allowing more flexibility as well as giving businesses time to adjust.

If you have questions about the ERB, or any other employment matters, we are happy to assist with any queries.

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