

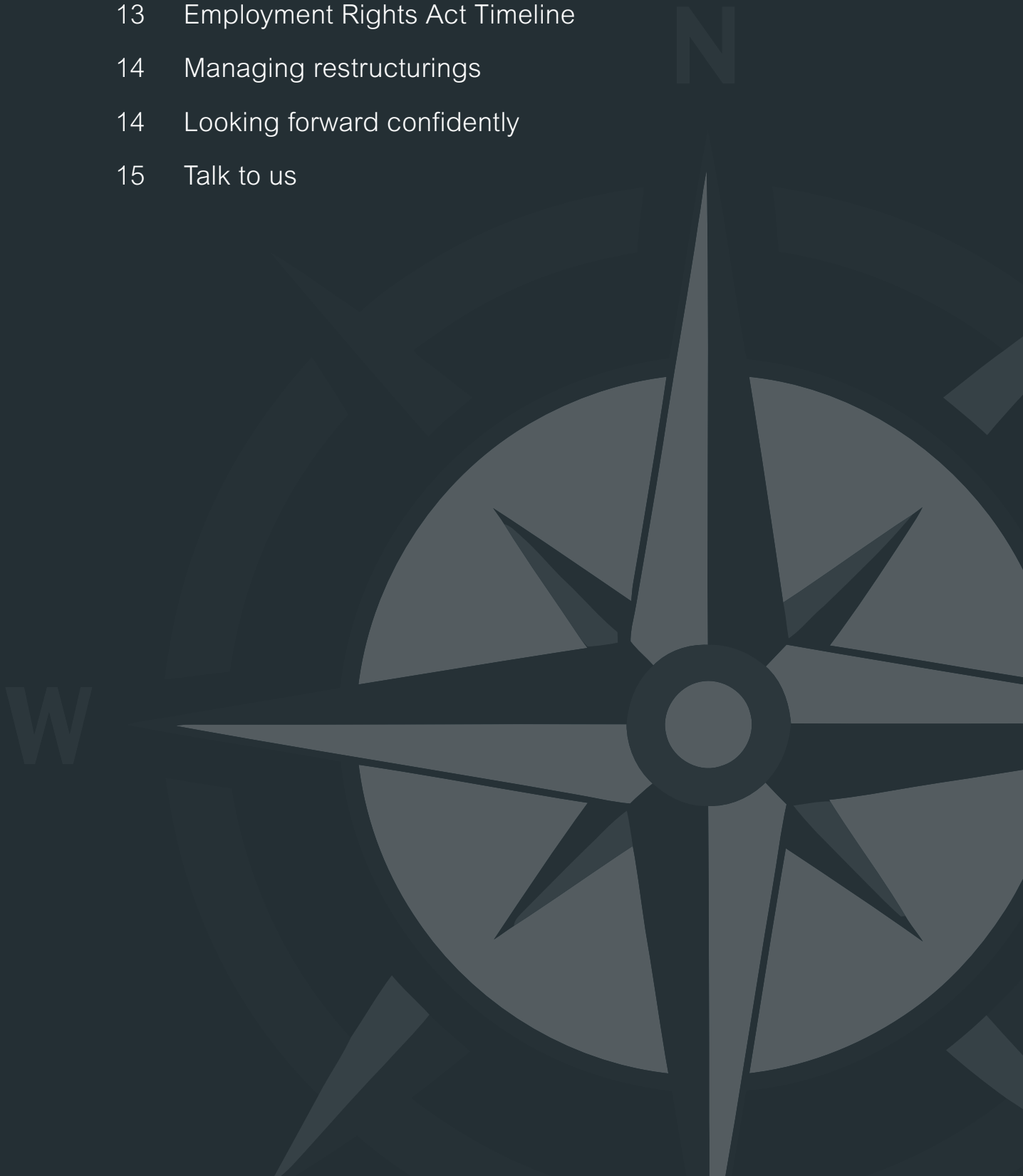
Navigating change with confidence

Driving workplace transformation
in challenging times



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Introduction

It is now two years since we published our last Trowers Employer of the Future Report and the people landscape continues to present HR and talent professionals with layer upon layer of challenge.

In the wake of the pandemic, flexible and agile working were the core themes facing employers when we published our first report in 2022. Two years later, recruitment and retention had become the hot topics. The emergence of AI as a recruitment tool was an evolving source of both concern and excitement in 2024, and today the widespread adoption of AI and new technologies across businesses is throwing up a fresh array of issues.

HR teams have barely stood still since Covid ushered in the latest era of workplace revolution. In 2026, a swathe of legislative change has been added to the mix with the advent of the Employment Rights Act, while shifting labour markets mean the ability to manage restructures and redundancies is now front of mind.

Against a backdrop of constant technological change, organisations must navigate such complexity that there is no longer business as usual, just transformation as usual. In a volatile geopolitical environment, the backlash against certain diversity, equity and inclusion initiatives has in some cases placed HR at the frontline, forcing professionals to justify their function and extending their remit into broader responsible business behaviour.

With more than a million young people aged 16 to 24 now not in education, employment or training in the UK, building sustainable organisations that can attract, retain and inspire future professionals is a national priority. Employers continue to grapple with questions about where, when and how we work best, while jobseekers struggle to stand out in competitive recruitment processes and governments strive to reinvigorate job markets.

Against this backdrop, partners from our Employment and Pensions team have been hosting discussions and contributing to our regular Trowers Tuesday webinars to support businesses under pressure.

This Navigating Change with Confidence Report 2026 brings together our thoughts and insights alongside the results from our recent polls, collating the views of our clients at the coalface. We hope you find it useful – please do not hesitate to reach out if there is anything you would like to discuss in more detail.

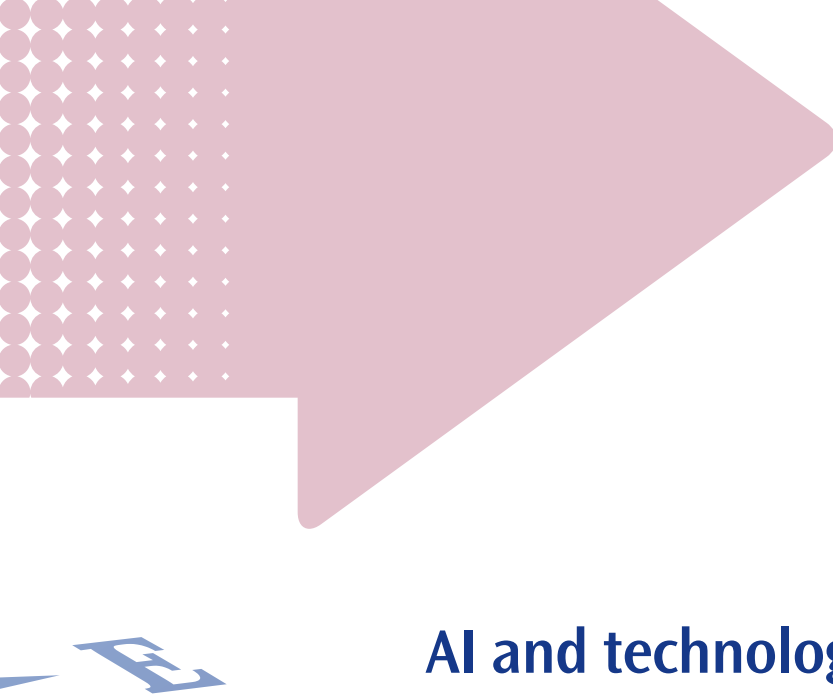


Rebecca McGuirk
Partner, Head of
Employment and Pensions
rmcguirk@trowers.com
+44 (0)121 214 8821



Nicola Ihnatowicz
Partner
nihnatowicz@trowers.com
+44 (0)20 7423 8565





AI and technology shifts

While our last report focused on the growing role of AI in recruitment, over the past two years we have AI adopted into almost every aspect of business. Now widely used as a way to streamline application processes, screen CVs and run automated first-round interviews, it has become abundantly clear that AI presents both significant opportunities and material risks for HR teams.

AI in recruitment

A large proportion of organisations are now benefitting from cost and time savings as they embed AI into their recruitment procedures, but the risks cannot be overlooked. Where AI is responsible for sifting thousands of CVs with little human intervention, strong candidates may fall through the cracks simply because they did not use the precise word an algorithm was looking for, or because the technology dismissed a career break without context.

There are also well documented instances of AI recruitment tools sending automated rejection responses within minutes of an application or at unsociable hours, with consequent reputational damage to employers' perceived fairness.

Legal risks also arise around discrimination and bias, for example where models exclude those who require more flexibility for caring responsibilities, or where neurodiverse candidates who communicate differently are disadvantaged.



Capturing AI's potential

Beyond recruitment, organisations are capturing significant benefits from generative AI tools as they automate routine tasks that do not require human input. Early adopters report productivity gains and meaningful time savings, freeing people to focus on more creative, emotionally-intelligent work that is both more rewarding and higher in value. One study by the London School of Economics found that employees who use AI are saving the equivalent of a full working day every week.

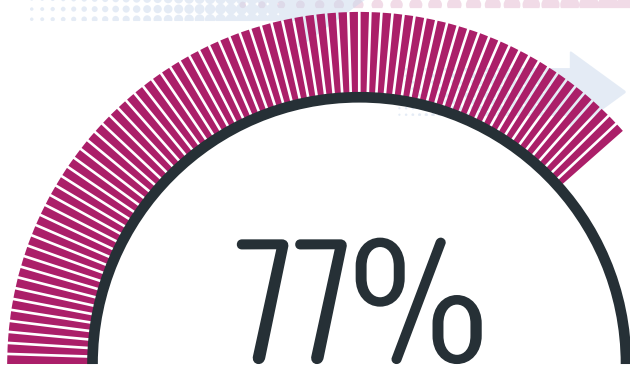
For employers reaping these rewards, it is important to maintain up-to-date training and upskilling so that staff use new tools safe and ethically. Businesses must balance innovation and experimentation with accountability, transparency and trust, and put clear usage policies in place to ensure sufficient human oversight and guard against over-reliance on AI outputs, which can be inaccurate.

Amardeep Gill, partner and Head of the Public Sector practice at Trowers & Hamlin, says: "Businesses will need AI strategies that tackle the big issues around transparency, accountability, regulatory compliance and fairness. When buying a product, organisations need to understand the algorithms underpinning decision-making, as there can be a discrimination risk."

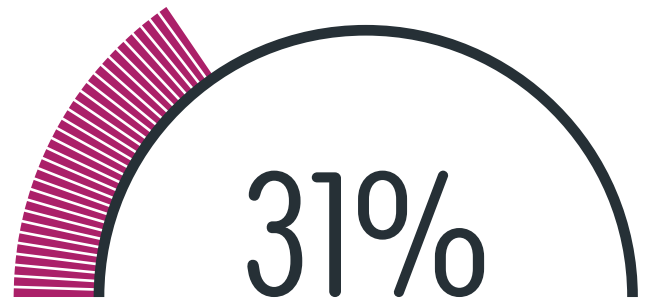
The flipside of productivity gains is the risk that roles become redundant as AI gathers momentum. While many argue AI will reshape more roles than it replaces, a recent report by the Greater London Authority noted that at least a million London jobs are either "highly or significantly exposed" to the impact of AI, including more than 300,000 administrative roles most at risk of automation, with a further 748,000 roles in areas such as IT, data analysis and secretarial work.

Entry-level posts are considered particularly vulnerable. As AI automates routine tasks, like scheduling, data entry and basic research, there is a concern that it breaks the bottom rung of the career ladder, requiring companies to re-imagine what their traditional pyramid of progression looks like. One study by job search site Adzuna found the number of entry-level jobs in the UK has dropped by almost a third since the launch of ChatGPT in November 2022.

Amardeep Gill adds: "AI is disproportionately affecting professional services. Just as blue collar workers were impacted by automation, professional advisers are now impacted by an unprecedented access to knowledge and perceived wisdom. However, the provision of knowledge is only one part of what an adviser does - AI cannot fully replace strategic guidance, corporate expertise or implementation experience."



AI-generated grievances



Increase in AI-generated grievances

AI-generated claims

A further emerging challenge for HR teams is the volume of grievances and complaints arising from AI, empowering individuals to pursue issues with employers. In a recent Trowers Tuesday webinar poll, 77% of organisations reported an increase in AI-generated grievances, while 31% also said they had seen a rise in AI-generated employment tribunal claims.

Employees are increasingly using AI to help them see if they have a claim against their employer. AI, acting as a 'yes man', tends to affirm their view, making individuals more confident about bringing claims, but those claims are often harder to resolve, partly because AI may have attached unrealistic values and raised expectations to the point where a swift resolution becomes difficult.

The increase in AI-generated grievances is placing additional pressure on an already stretched court system and HR teams. Managers need more time to genuinely engage with unhappy employees to understand issues and there are growing calls to overhaul the way tribunal claims are handled.

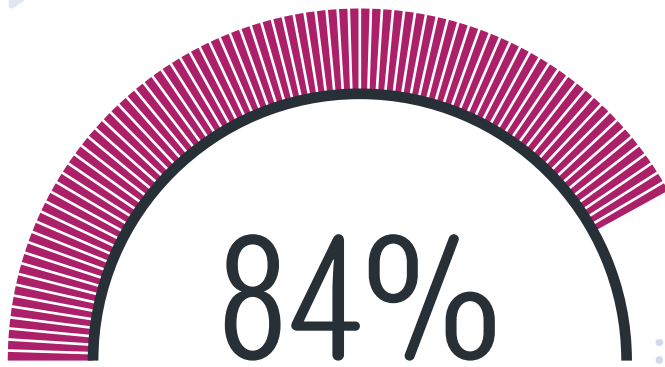
The Employment Lawyers' Association has put forward proposals advocating a more human process focused on resolving issues more efficiently. Its radical recommendations include mandatory alternative dispute resolution and a multi-track system for resolving smaller claims quickly, with only the largest cases proceeding more formally.

Legislative transformation

The Employment Rights Act passed into UK law in December 2025 and represents one of the biggest shake-ups to employment law in decades. The once-in-a-generation reforms cover such a wide range of topics that it is easy for employers to feel overwhelmed by the sheer scale change. Notably, the Act covers only one third of the Labour government's election manifesto promises on employment rights, so there is more to come.

Whilst the primary goal of the legislative reforms is to strengthen employee rights, including parental and paternity leave rights from day one (removing the previous one-year qualifying service requirement), employers will face additional cost burdens. Coming on the back of national insurance rises and increases to the national minimum wage, there is a risk that the cumulative burden becomes excessive for some businesses, resulting in job losses.

Among the most notable changes are new rights to guaranteed working hours for workers on zero-hours or low-hours contracts, who will also gain compensation for cancelled shifts and reasonable shift notice. Further, from January 2027, dismissing an employee only to rehire them on worse conditions – so called fire and rehire – will be deemed automatically unfair, except in cases of severe financial difficulties.



Employers who had probation periods of six months or more

Unfair dismissal

As of 1 January 2027, two major changes are being made to the unfair dismissal regime.

First, the current two-year qualifying period for bringing a claim for unfair dismissal is being reduced to six months.

Secondly, the cap on compensatory awards for unfair dismissal is being removed. Currently, the statutory cap is £118,233 or 52 weeks' salary, whichever is lower, but that is being abolished. From 1 January 2027, there will be no upper limit on the compensation that a tribunal can award to a successful claimant, meaning that awards could increase significantly, particularly for higher earners.

A key takeaway for employers is to review probationary periods – those without one should introduce a probationary period, given the importance of managing new employees effectively within a six-

month window. Conversely, where current probationary period are six months or longer, they should be reduced to minimise the risk of employees accruing unfair dismissal rights before issues are addressed. A recent Trowers poll found 84% of those present had probationary periods of six months or more, putting an emphasis on the need for action.

Companies should invest time in training managers to address performance issues effectively within the six-month probationary window, ensuring any problems are dealt with before six months' service is reached. Probationary periods should be properly documented and contracts reviewed to remove any obstacles to a speedy dismissal process.

Employers may want to consider limiting fixed term contracts to five months or less to avoid potential unfair dismissal claims, and sharpen their recruitment practices to reduce the risk of poor hires in the first place.

New trade union rights of access

The trade union reforms included in the Employment Rights Act are significant and easily overlooked by businesses operating in sectors that are not heavily unionised. As of April 2026, the union recognition process was simplified, with the previous requirement that 10% of those in the bargaining unit be trade union members reduced to 2%. From October, the duty to inform workers of their right to join a trade union will come into force and trade unions' rights of access will be strengthened.

Currently, there is no general right for trade unions to access workplaces for recruitment or organisation of members without the employer's agreement. The Act introduces a new right for trade unions to request physical or digital access to meet, recruit or organise workers to facilitate collective bargaining, but not to organise industrial action. It also establishes a framework for how requests should be made and considered by employers.

The following practical steps are advised for employers in anticipation of the new rules:

- Proactively engage with existing staff forums and review communication strategies. Ensure employees feel heard as the new right to access will make it easier for unions to communicate directly with staff.
- If you already recognise a union, consider entering into voluntary workplace access agreements.
- Before the right comes into force, ensure managers (especially those in different branches or locations) know where to refer union access requests.
- Once the right is in force and a request for access has been made, use the negotiation period to ensure any arrangements are practically workable and not too intrusive.
- Provide training to managers to enable union visits to go smoothly and operate within the confines of the access agreement.

Consultations

Alongside the swathe of changes in the Act, there is also a wave of consultation processes ongoing and coming up in areas where the government is seeking further reform.

Modernising the agency work regulatory framework

A consultation on the current regulatory framework for agency work ended on 1 May 2026, with the government seeking to update and simplify it to reflect current working practices. The government will set out its proposed approach to improving regulation of the temporary labour market in due course.

Collective redundancy thresholds

A consultation on the thresholds for collective redundancy closed on 21 May 2026. Currently, an employer proposing to make 20 or more employees redundant at one place within 60 days must comply with collective consultation obligations. The Employment Rights Act proposes a new threshold to trigger collective consultation where redundancies occur across more than one establishment, and this threshold is the subject of the consultation.

The government has proposed a new threshold of between 250 and 1,000 proposed redundancies, but is also consider a percentage threshold based on employer size, among other metrics. We will update clients once the government's decision and implementation date are confirmed.

Non-disclosure agreements

A consultation on regulations to prevent the misuse of non-disclosure agreements in cases of workplace harassment or discrimination closed on 8 July 2026. The Employment Rights Act states that provisions preventing a worker from making allegations or disclosures about harassment or discrimination will be void, save for agreements meeting certain stipulations.

The government proposes various conditions for excepted agreements, including that a worker receives independent legal advice before signing and that a cooling off period is included. The proposals also extend NDA provisions beyond agreements between employers and their workers.

Following the close of the consultation, we can expect further detail on how excepted agreements will work in practice, with new measures due to take effect in 2027.



Inclusion and Wellbeing

Amid the pressure of regulatory change, it is important that wellbeing and equality, diversity and inclusion initiatives do not get overlooked. The Act introduces a number of new family-friendly rights and protections, including making Equality Action Plans compulsory and requiring eligible employers to publish the steps they are taking to close gender pay gaps and support employees experiencing menopause.

A recent Trowers poll found 90% of businesses see menopause issues as a key health and wellbeing issue impacting women in their workplace, followed by 70% pointing to caring responsibilities. Still, only 42% of those surveyed had targeted support in place for women's health and wellbeing in their workplace.

From October, the Act also introduces a strengthened duty on employers to take all reasonable steps to prevent sexual harassment, extending that protection to include harassment by third parties. A power enabling regulations to specify what constitutes "reasonable" steps will also come into force.

Preventing sexual harassment is seen as a top concern among HR leaders, who are advised to roll out new training and refresher courses to mitigate risk. Still, our data shows 34% of the organisations we polled are yet to deliver updated training.

The scale of these reforms requires employers not only to reshape HR practices but also to support leaders across the business through necessary cultural shifts. Managers will need better training on effective performance reviews, goal setting and managing junior team members, with a much greater emphasis on accountability and preventing claims.

Supporting all staff with their mental health and wellbeing will remain as important as ever, particularly during periods of upheaval. Evidence consistently shows that staff who feel supported and whose needs are considered, and ideally met, are more likely to be happier, more engaged and more productive.

Work-life balance continues to evolve as an issue for many businesses. Remote working arrangements provide much-needed flexibility for some employees, whilst raising concerns about isolation and lack of human interaction for others. Across the board, managing multi-generational workforces with differing needs and priorities continues to absorb significant management time.

Managers should be alert to any changes in the usual behaviour of their employees, increased levels of sickness absence or deterioration in the standard of their work. Where a team member is known to be experiencing mental ill health, prompt steps should be taken to prevent the situation from escalating and appropriate support provided.

The rising cost of living and the financial wellbeing of staff will also remain front of mind for many employers, who might look to subsidise meals at work, facilitate public transport loans or offer things like childcare vouchers to those eligible.

Organisations continue to invest in mental health first aiders, team-building and other wellbeing initiatives and these should not be allowed to fall by the wayside despite the volume of competing pressures.

Finally, the wellbeing of HR teams themselves must be considered. We have observed a definite increase in targeted allegations against HR professionals dealing with difficult situations. Threats to escalate issues unnecessarily, not just to more senior colleagues but to MPs and regulators, are also on the rise and can be particularly upsetting for those on the receiving end.

Employment Rights Act Timeline

The following Employment Rights Act tracker is designed to help employers keep track of the legislative changes coming down the line.



Managing restructurings

Whilst the years immediately following the pandemic saw recruitment and retention dominate the HR agenda, the job market has now moved into reverse. The UK labour market in 2026 is characterised by rising unemployment, fewer vacancies and a meaningful slowdown in hiring.

Many businesses are grappling with rising costs, a pressing need to invest in technological change, and intense pressure to restructure or reorganise. In a recent Trowers poll only 19% of respondents were not considering a restructure this year, and half of those 19% noted they had already been through a recent restructuring process. Overall, 35% were in the midst of a restructuring at the time, 32% were considering one in the next six months and a further 13% were considering one within the year.

Businesses restructure for many reasons, from AI adoption and workforce realignment to proactive reorganisation to support growth. We are also seeing clients offshore certain operations to reduce costs, and strip out layers of middle management to streamline.

For HR leaders, the challenge is that processes that have historically been routine and low-risk are now becoming higher risk. As of April 2026, the maximum penalty for failing to conduct a collective redundancy consultation properly has doubled from 90 to 180 days' full pay per affected employee. From January 2027, the removal of the cap on ordinary unfair dismissal claims will make it significantly harder for employers to predict their risk exposure, particularly in relation to higher earners. In a tighter job market where it may take an impacted individual considerably longer to find alternative employment, the likelihood of challenge will also increase.

As well as ensuring processes are run efficiently, transparently and in compliance with the latest regulations, businesses must prioritise the wellbeing of employees during reorganisations. The uncertainty that accompanies restructuring can cause anxiety and change fatigue, and the physical and mental health of staff must not be overlooked.



In the midst of a restructuring



Considering one in the next six months



Considering a restructure within the year



Not considering a restructure this year

Looking forward confidently

In a climate of such intense regulatory upheaval, economic uncertainty and technological change, HR leaders are in the spotlight like never before. As the job market contracts, the pressure to manage day-to-day issues while also addressing workforce transformation and handling a growing volume of grievances creates an incredibly difficult balancing act.

Every HR director will have their own priorities and, while it can feel difficult to stay on the front foot when dealing with such complexity and volume, it is important to do so rather than simply reacting to issues as they arise. Whatever those strategic priorities may be, a consistent thread should always be the wellbeing of employees — listening to their needs and responding meaningfully.

The Employment and Pensions team at Trowers is here to help employers manage change, get ahead of issues and tackle problems pragmatically and effectively to support business growth.

Talk to us

We would love to hear your views on this report and on the challenges and opportunities you face as an employer navigating change. You and your colleagues can also join our mailing list for free content, including employment and pensions updates, access to our HR Law hub and invites to our weekly Trowers Tuesday webinars.

Contact us



Rebecca McGuirk
Partner, Head of
Employment and Pensions
rmcguirk@trowers.com
+44 (0)121 214 8821



Emma Burrows
Partner
eburrows@trowers.com
+44 (0)20 7423 8347



Nicola Ihnatowicz
Partner
nihnatowicz@trowers.com
+44 (0)20 7423 8565



John Turnbull
Partner
jturnbull@trowers.com
+44 (0)1392 612370



Laura Welchew
Partner
lwelchew@trowers.com
+44 (0)161 838 2152

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