

BIPO TIMES



Understanding the United Kingdom's Labour Law & Employment Regulations

United Kingdom

The United Kingdom (UK) is short for “The United Kingdom of Great Britain and Northern Ireland” and is made up of 4 distinct nations: England, Scotland, Wales, and Northern Ireland. The United Kingdom has seen significant economic development as the British started the first Industrial Revolution. Following World War II, prominent exports have been cultural.

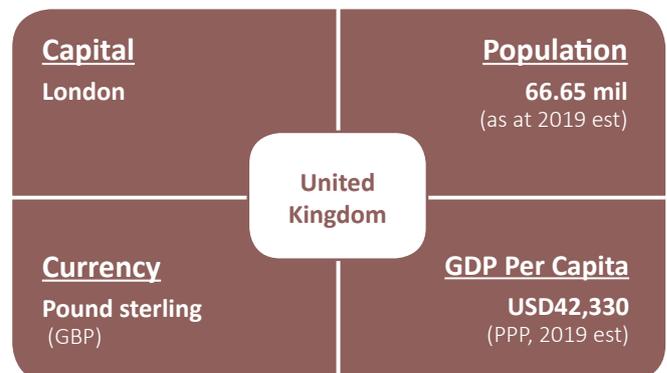
Today, the UK is renowned as a leading commercial, financial, and cultural centre across the globe. Agriculture remains an important industry while primary energy are the major contributors to the economy. However, the largest contributor is nevertheless, the services sector.

Overview

1. Contracts

Both oral and written agreement is valid in the United Kingdom. Legislation requires the employer to provide employees with a principal statement detailing employment particulars, latest on the first date of employment. Generally, this comes in a form of an offer letter.

Also, a wider written statement in the form of a contract must be provided up to 2 months from the start date.



Type of contracts

Contract	Specifications
Full-Time Employment	Permanent position with annual or hourly wages. There is no discretion as to the specific number of working hours, although most full-time roles are of 35+ hours per week.
Part-Time Employment	Fewer contracted hours than full-time employment. Typically, wages are either calculated per hours worked or pro-rated from annual salary.
Fixed Terms or Temporary Employment	The contract is valid for a specific amount of time. This contract can be renewed for 4 years. After 2 years employees' rights may change, and termination becomes more difficult. Thus, it is advised to sign the contract for 23 months.
Zero Hour Contract	The employer does not have to offer any set number of working hours while the employee does not have to work when the employer wants them to. No notice period is required, and salary is usually set as hourly wages.
Freelancers and Contractors	Often, the contract has a specific start and end date, alternatively, they may be contracted until the completion of a project. The employer does not cover TAX or National Insurance number (NINO).

2. National Minimum Wage

National Minimum Wage in the United Kingdom changes on the 1st of April yearly and is dependent on the age of an employee and if he/she is an apprentice. Employees must be at least of the school-leaving age to be entitled under the National Minimum Wage. The school-leaving age in England is 16 years old and is on the last Friday of June. However, depending on the region the employee will be employed at (England, Scotland, Wales, Northern Ireland); different rules will apply.

National Minimum Wage according to Age

Year	23 and over	21 to 22	18 to 20	Under 18	Apprentice
2021	£8.91	£8.36	£6.56	£4.62	£4.30
2020	£8.72	£8.20	£6.45	£4.55	£4.15

Apprentice rates are only applicable for apprentices: 1) Under the age of 19 years old or 2) above 19 years old and is in the first year of their apprenticeship.

3. Employment Costs

Apart from employees' salaries, as an employer, you are also responsible for additional costs. Below is a list of potential costs associated with hiring an employee within the United Kingdom:

- a. Employer's National Insurance Contributions (NICs) – this is equal to 13.8% on any salary above the National Insurance Secondary threshold.
- b. Auto-Enrolment Pension Contributions – the minimum pension contribution is 8% while 5% is paid by an employee, and the remaining 3% must be paid by the employer. The employer may decide to provide extra pension contributions as an additional benefit for employees.
- c. Employment Liability Insurance – the amount is dependent on the insurance company.

4. Working Hours, Rest Breaks, and Overtime

a. Working Hours

Under the "working time directive", employees are not allowed to work more than 48 hours a week on average (normally averaged over 17 weeks). As long as an employee is over 18-teen years of age, they can sign an agreement with the employer stating that they want to opt-out of the 48 hours directive.

However, the following workers are not eligible for opt-out:

- Airline staff
- Workers on ships or boats

- Delivery drivers
- Bus conductors
- Taxi drivers
- Train and tube drivers
- Security guards on a vehicle carrying high-valued goods

Employees can cancel the opt-out agreement at any point in time, but they must provide a 7-days notice period.

b. Rest Breaks at Work

In the United Kingdom, there are 3 types of breaks:

- Rest break at work – employees working 6 hours and above are eligible for a 20 minutes break per day. It can be paid or unpaid, under the discretion of the employer.
- Daily rest – employees are eligible for 11 hours of break time between shifts.
- Weekly rest – workers have the right to 24 hours of uninterrupted rest per week or 48 hours of uninterrupted rest per fortnight.

c. Overtime (OT)

Overtime refers to any time that an employee is requested to work extra hours, over the stipulated amount in the employment contract. Employees can only be requested to work overtime if it is stated in their contract, and the terms and conditions are clearly outlined. Even if the contract states that the employee may be requested to work overtime, under the law, the employee cannot be forced to work longer than 48 hours per week.

Employers are not legally required to pay for the overtime hours. However, the average pay for the total working hours must not fall below the amount stated under the National Minimum Wage.

Tips for employers:

- Most employers in the United Kingdom offer their employees holidays in lieu in exchange for their overtime as a part of their employment benefits package.
- Some companies in the United Kingdom use overtime salary models from America in their benefits packages for employees. Whereby, they pay 200% for night shifts, and they pay a normal salary for the first 10 hours of overtime, 150% for up to 20 hours of overtime, and 200% for more than 20 hours of overtime.

5. Leave Types and Policies

a. Holiday Entitlement

The statutory annual leave entitlement is 28 days. This means that the employer must provide employees with 28 days of paid annual leave per year. The paid annual leave is pro-rated based on the employee's employment period.

The leave year usually runs in accordance with the yearly calendar (1st of January to 31st of December) or per United Kingdom financial year, also known as the tax year (6th of April to 5th of April of the following year).

Employees who work irregular hours (E.g. Shift workers or temporary workers) are entitled to paid time off which is calculated based on the number of hours they have worked with the company.

An employee is eligible to carry over the holiday allowance from the previous year. The employer must provide a minimum of 8 days for carry over in their policies. Under employers' discretion, businesses can provide employees with more than 8 days of carry over per year. Based on a recent directive under the COVID-19, employers must allow employees to carry over holidays for 2 years.

Pro Tip:

Companies offer higher holiday entitlement as part of company benefits, especially for management and senior specialists.

b. Bank Holidays

Bank holidays are national public holidays in the United Kingdom and the Crown dependencies. Different dependencies have differing numbers of bank holidays. Bank holidays do not have to be given as paid leave. However, an increasing number of companies choose to include bank holidays as a part of their workers' annual leave.

List of Holidays according to Crown Dependencies

England and Wales	Scotland	Northern Ireland
1st January (New Year's day)	1st January (New Year's day)	1st January (New Year's day)

2nd April (Good Friday)	4th January (2nd January)	17th of March (St. Patrick's day)
5th April (Easter Monday)	2nd April (Good Friday)	2nd of April (Good Friday)
3rd May (Early May bank holiday)	3rd May (Early May bank holiday)	5th April (Easter Monday)
31st May (Spring bank holiday)	31st May (Spring bank holiday)	3rd May (Early May bank holiday)
30th August (Summer bank holiday)	2nd August (Summer bank holiday)	31st May (Spring bank holiday)
27th December (Christmas day)	30th November (St Andrew's day)	12th July (Orangemen's day)
28th December (Boxing day)	27th December (Christmas day)	30th August (Summer bank holiday)
	28th December (Boxing day)	27th December (Christmas day)
		28th December (Boxing day)

c. Sickness, Maternity & Paternity Leaves

Leaves	Length	Payment	Details
Statutory Sick Pay (SSP)	Up to 28 weeks	£96.35 per week	<ul style="list-style-type: none"> An employer can reclaim up to 2 weeks of SSP from HM Revenue and Customs (HMRC). If the employee is sick for longer than 7 days, a doctor's note is mandatory.
Maternity Leave	<ul style="list-style-type: none"> 26 weeks ordinary maternity leave 26 weeks of additional maternity leave. <p>Statutory Maternity Pay (SMP) is paid up only to 39 weeks.</p>	<ul style="list-style-type: none"> 90% of average weekly earnings (before tax) for the first 6 weeks. £151.97 or 90% of your average weekly earnings (whichever is lower) for the next 33 weeks. All paid by the employer. 	<ul style="list-style-type: none"> Employees can qualify if they earn at least £113 a week on average and have worked for the employer for 26 weeks, prior to the 15th week before their due date. If the employer paid less than £45,000 in class one National Insurance Contributions over the last tax year, then the full SMP can be claimed plus an additional 3%. Larger employers can claim back 92% of SMP.
Paternity Leave	1-2 weeks	Statutory Paternity Pay (SPP) cost is equal to (SSP) after 6 weeks.	<ul style="list-style-type: none"> Qualifying criteria are the same as above. SSP can be claimed back from HMRC.
Shared Parental Leave (SPL)	<ul style="list-style-type: none"> 50 weeks of (SPL) 30 weeks of Statutory shared parental pay (ShPP) 	ShPP is the same as SSP after 6 weeks.	ShPP is paid by the employer and the employer can recover at least 92%.

6. Termination and Severance Pay

a. Termination

Contract Termination	Details
Termination from employee	<ul style="list-style-type: none">• Legally, employees must provide termination with notice as per what was stated in the employment contract.• The employer must provide written confirmation that they have received the termination letter.• In some cases, employers in the UK send their employees on so-called 'garden leave' during employees' notice period, especially for roles with access to sensitive business information.
Termination from employer	<ul style="list-style-type: none">• The employer must provide the termination of employment letter to employees with a proper notice period as stated in the employment contract.• The employer must provide a justifiable reason for the termination of employment and follow proper Employee Relations (ER) processes. Otherwise, the employee may sue the company and the case may go to Tribunal under unfair, wrongful or constructive dismissal.• In some cases, employers in the UK send their employees on so-called 'garden leave' during employees' notice period, especially for roles with access to sensitive business information.

b. Justified Reasons for Termination

Proving a justifiable reason for firing an employee falls under the responsibility of the employer, therefore, keeping records and evidence is mandatory.

Here are some examples of justifiable causes of termination:

- End of fixed terms contract
- Fraud, providing fake information in the application process
- Dishonest or violent behaviour against the employer or the employer's family or co-workers
- Acts of harassment in any form directed toward any person in the workplace
- Sabotage of the workplace; carelessness that threatens the safety of the workplace and other workers
- Immoral acts in the workplace
- Disclosure of trade secrets
- Failure to adopt preventive measures or to follow procedures to avoid accidents or illnesses
- Reporting to work under the influence of alcohol or narcotic drugs

c. Severance Pay

Severance pay refers to the pay that an employee receives upon completion of employment, no matter if the termination of the contract was finalised by the employee or employer.

This is the list of costs associated with the termination of the contract:

- Salary pro-rated up to the last working day
- Pro-rated holidays allowance and any days in lieu accrued throughout employment
- Any bonuses that the employee was eligible for (performance bonus, annual bonus, and pro-rated sales bonus)
- An employee who was made redundant and had worked for the company for 2 years or more is additionally eligible for redundancy pay equal according to the following:
 - (i) Half a week's pay for each full year that the employee was under 22 years old, (ii) one week's pay for each full year that the employee was 22 years old and above, up to 41 years old, or (iii) one and half week's pay for each full year that the employee was 41 years old and above. Length of service is capped at 20 years.

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BIPO United Kingdom

Around the World with BIPO

Singapore – 7 June 2021

Michael Chen, Founder & CEO was recently featured as a guest on MONEY FM 89.3, Singapore's first and only Business and Personal Finance station. In an engaging yet informative session, Michael shared insights into how businesses can navigate and expedite their growth plans across Asia and globally without setting up a physical office, amidst this challenging climate. To listen to the podcast, scan the QR code.



Hong Kong & Japan – 9 June 2021

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At BIPO, we help businesses transform and digitalise, enabling them to thrive and realise their growth ambitions. Around the world, we support over 1,600 clients across 87 countries and regions with a new generation of HR solutions. Our comprehensive suite of service products from our award-winning cloud and mobile-based HR Management System (HRMS), multi-country payroll calculation, overseas landing services, Business Process Outsourcing (BPO) to attendance automation provide clients with a multi-regional, integrated and seamless user experience.

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Founded in 2004, BIPO is a leading, one-stop global HR service provider with a vast network of offices situated in key gateway cities across Asia: Singapore, Cambodia, Mainland China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Myanmar, Philippines, Taiwan, Thailand and Vietnam, including subsidiaries in Australia and New Zealand. Our APAC Headquarters in Singapore serves as our hub for the region.

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