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UK's Labour Law and Employment Regulations

Overview

The United Kingdom (UK) boasts a robust economy with a GDP of \$3.2 trillion, making it the 2nd largest in Europe and 6th largest globally, with a low inflation rate of 2%. Its business environment is known for ease of setup and a well-established legal system, complemented by a highly skilled, educated, and multicultural workforce, with an employment rate of 75%.

The UK offers a publicly funded healthcare system (NHS), providing free medical care to citizens, residents, and long-term visa holders. Strategically located at the crossroads of global trade routes, it benefits from a time zone advantage, and its flexible labour laws make hiring and workforce management seamless.

Basic Country Facts



Capital
London



Population
68.43 million
IMF



Currency
Pound Sterling (£, also GBP)



GDP per Capita
USD 51,070 (as of 2024)
IMF

Labour Law & Employment Regulations

UK Employment Law

Primary Legislation	Remarks
Employment Rights Act 1996	Governs Individual Employment Rights: <ul style="list-style-type: none">• Unfair dismissal• Redundancy• Contractual terms
Equality Act 2010	Anti-discrimination law to ensure equality in the workplace covers Protected Characteristics such as:
	<ul style="list-style-type: none">• Age• Gender reassignment• Marriage or a civil partnership• Pregnancy and maternity• Disability• Race• Religion or belief• Sex• Sexual orientation
Working Time Regulations 1998	<ul style="list-style-type: none">• Working hours• Rest breaks• Holiday entitlement
National Minimum Wage Act 1998	Minimum hourly wage rate the workers are entitled to have
Health and Safety at Work Act 1974	Employer responsibilities for ensuring a safe working environment
Data Protection Act 2018	GDPR Compliance <ul style="list-style-type: none">• Lawfulness• Fairness• Transparency

Secondary legislations supplement the primary legislations:

1. Maternity and Parental Leave etc. Regulations 1999
2. Employment Tribunal Rules or Procedure

Setting Up a New Business in the UK

Here's a step-by-step guide on how employers can set up their new business in the UK:

1	Set up the structure of your business <ul style="list-style-type: none">• Set up an entity• Open a bank account• Register for corporation tax (Ltd)	4	Agree to a contract <ul style="list-style-type: none">• Check what to include in a contract• Statutory compliance
2	Recruitment <ul style="list-style-type: none">• Advertisement• Interview• Background/Reference check	5	Register as an employer <ul style="list-style-type: none">• Set up PAYE (Pay As You Earn) – cannot register more than 2 months before you start paying people• Set up workplace
3	Right to work check <ul style="list-style-type: none">• Passport/share code• DBS• Vulnerable people• Regulated industry• Solicitors, accountants, etc	6	Get employer's liability insurance
		7	Ensure workplace is safe

Employment Contract

Contract Types

Contract Type	Specification
Full-time Employment	<ul style="list-style-type: none">• The most common employment relationship• 35+ hours per week
Part-time Employment	<ul style="list-style-type: none">• Fewer contracted hours than full time employment
Fixed Terms or Temporary Employment	<ul style="list-style-type: none">• The same legal protections and rights as full-time workforce• 4 or more years will automatically become a permanent employee
Zero Hour Contract	<ul style="list-style-type: none">• No set amount of hours to work
Freelancers and Contractors	<ul style="list-style-type: none">• Employee take care of their own tax and NINO• Employer does not cover TAX or NINO

The contract must be comprehensive and include the following contract terms:

1. The employer's name
2. The employee's name, job title, job description and start date
3. How much and how often to get paid
4. Working hours and schedules (on Sundays, 'night period' or take overtime)
5. Holiday entitlement (and if that includes public holidays)
6. Work location (address) and whether they might have to relocate
7. How long a job is expected to last
8. Probation period
9. Any other benefits (for example, car and lunch)
10. Obligatory training
11. Work outside the UK for more than a month
12. Sick procedures
13. Notice period

These policies should be clearly stated in the contract terms and shared with the employee **within 2 months of onboarding**:

1. Pensions and pension schemes
2. Other paid leave (eg, maternity leave and paternity leave)
3. Any other right to non-compulsory training provided by the employer
4. Disciplinary and grievance procedures
5. Performance/bonus scheme
6. Collective agreements

Employment Contract – Key Points

1	Timeframe <ul style="list-style-type: none"> Contract by the first day of employment A wider written statement within 2 months 	4	Misclassification of Employment Status <ul style="list-style-type: none"> Employee vs self-employed contractors
2	Ambiguity in Job Description <ul style="list-style-type: none"> Clear and detailed job descriptions 	5	Non-Compete Agreement <ul style="list-style-type: none"> Enforceability
3	Pay <ul style="list-style-type: none"> Salary, bonus Benefits or any other forms of compensation Obligatory training 	6	Change of T&Cs <ul style="list-style-type: none"> Written statement

National Minimum Wage

The national minimum wage in the UK changes on the 1st April every year and depends on an employee's age and if he is an apprentice.

Age Bracket	Rate effective from April 2024	Increase in Pence	Percentage Increase
NLW (21 and above)	£11.44	£1.02	14.8%
18 – 20 year old rate	£8.60	£1.11	21.2%
16 – 17 year old rate	£6.40	£1.12	21.2%
Apprentice rate	£6.40	£1.12	9.8%

Working Hours, Breaks, and Overtime

The Working Time Regulations 1998 (WTR) governs working hours, breaks, and rest periods for most workers in the UK.

Maximum Working Week	Rest Periods	Overtime
<ul style="list-style-type: none"> The average working week is 48 hours. Provide written consent for working more than 48 hours. 	<ul style="list-style-type: none"> 20 minutes for 6 hours of working. 11 consecutive hours in each 24-hour period. An uninterrupted 24 hours without any work each week. An uninterrupted 48 hours without any work each fortnight. 	<ul style="list-style-type: none"> No limit for the amount of overtime, which however shall not exceed the maximum weekly working hours unless with the employee's consent. No statutory right for overtime pay in the UK, unless specified in the employment contract.

Statutory Holidays

All workers are entitled to **5.6 weeks of paid holiday a year**, which could include Bank Holidays. Workers can carry over their whole leave entitlement if **they are unable to take leave**.

2024 England and Wales (8 days)	2024 Scotland (9 days)
1 st January (New Year's day)	1 st January (New Year's day)
-	2 nd January (2nd January)
29 th March (Good Friday)	29 th March (Good Friday)
1 st April (Easter Monday)	-
6 th May (Early May bank holiday)	6 th May (Early May bank holiday)
27 th May (Spring bank holiday)	27 th May (Spring bank holiday)
26 th August (Summer bank holiday)	5 th August (August bank holiday)
-	30 th November (St Andrew's day)
25 th December (Christmas day)	25 th December (Christmas day)
26 th December (Boxing day)	26 th December (Boxing day)

Leave Types

Type of Leave	Length	Payment
Statutory Sick Pay (SSP)	<ul style="list-style-type: none">• Paid from the fourth day• Up to 28 weeks	<ul style="list-style-type: none">• £109.40 from 6 April 2024
Maternity Leave	<ul style="list-style-type: none">• 26 weeks of ordinary maternity leave with 26 weeks of additional maternity leave• SMP is paid up to only 39 weeks	<ul style="list-style-type: none">• 90% of average weekly earnings for the first 6 weeks• £184.03 or 90% of your average weekly earnings (whichever is lower) for the next 33 weeks
Paternity Leave	<ul style="list-style-type: none">• Take either 1 or 2 consecutive weeks	<ul style="list-style-type: none">• The statutory weekly rate of Paternity Pay is £184.03, or 90% of your average weekly earnings (whichever is lower)

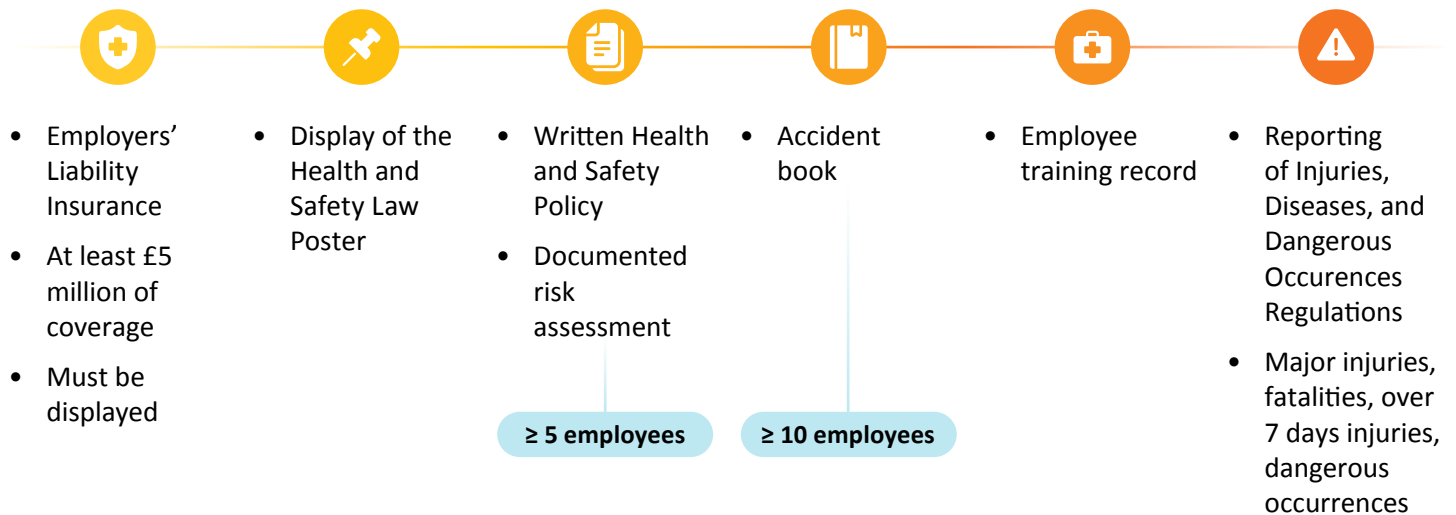
Termination

1	Conduct	Disciplinary process should be held for the following acts of misconduct: <ul style="list-style-type: none">• Poor attendance• Insubordination• Negligence• Physical violence• Theft• Fraud
2	Capability	Performance management process should be held if; <ul style="list-style-type: none">• An employee doesn't have the ability, skills, or qualifications to do the role
3	Redundancy	Redundancy process should be held if: <ul style="list-style-type: none">• A job role is no longer needed• The business is closing down• If there is less work for employees to complete• If there is a change in location
4	Breach of statutory restrictions	<ul style="list-style-type: none">• Driving licence• Right to work
5	Some other substantial reasons	<ul style="list-style-type: none">• Breakdown of trust• Change of Terms & conditions• Expiry of a fixed term contract• Significant conflict of interest

Severance Pay

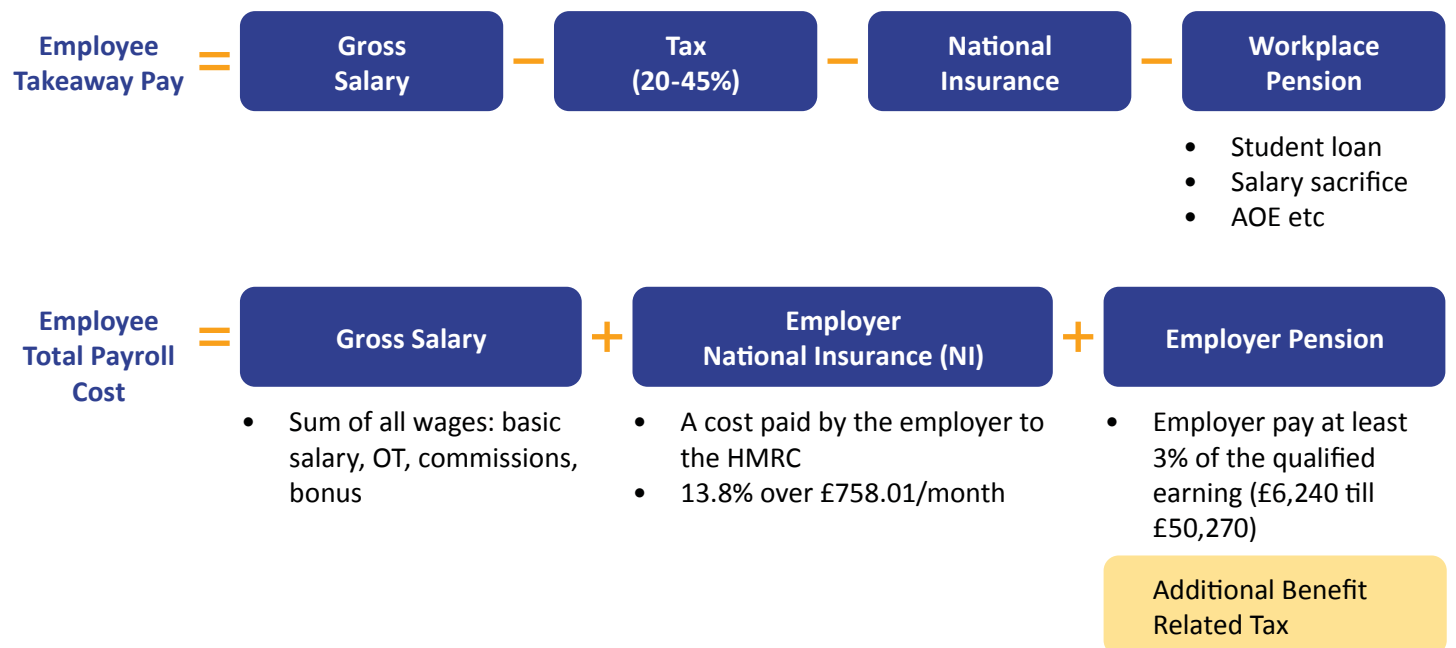
Outstanding salary	Any salary owed up to the termination date, plus contractual bonuses, commission payments, or performance-related pay owed up to the termination date.
+	
Holiday due	Accrued but unused holiday entitlement up to the termination date, including any carried-over leave from previous years.
+	
Notice pay	<ul style="list-style-type: none">• Notice period as stipulated in the employment contract• Payment in lieu of notice (PILON)
+	
Redundancy pay (2 years continuous service)	<ul style="list-style-type: none">• Half a week's pay for each full year you were under 22• One week's pay for each full year you were 22 or older, but under 41• One and a half week's pay for each full year you were 41 or older
Additional payment	<ul style="list-style-type: none">• Weekly cap: £700• Length of service cap: 20 years• Statutory redundancy pay cap: £21,000

Health & Safety



Salary Payments

Employee Net and Employer Cost



Common Employee Benefits

The United Kingdom has many benefits for employees. Here are some of the common benefits:

- Auto-enrolment/Workplace Pension
- Private medical plan
- Life insurance
- Dental/optical
- Performance-based bonus
- Flexible working
- Training & development
- Car/mobile/broadband allowance
- Employee perks
- Enhanced annual leave
- Paid sick leave

Statutory Benefit

Workplace Pension

Contribution by	Minimum Contribution Rate
Employee	5%
Employer	3%

Auto-enrolment	Common Settings
<ul style="list-style-type: none">You're classed as a 'worker'You're aged between 22 and State Pension ageYou earn at least £10,000 per year	<ul style="list-style-type: none">Qualifying earnings £6,240 –£50,270/annumBasic earningsTotal earnings

*Employers can delay the date of auto-enrolment into a pension scheme by up to 3 months.

Common Working Visas

Skilled Worker Visa	<ul style="list-style-type: none">Stay in the UK for up to 5 years, and apply for Indefinite leave to remainExtend your visa as long as you still meet the eligibility requirements
Senior or Specialist Worker Visa	<ul style="list-style-type: none">A senior positionBe paid at least £48,500 per yearStay in the UK for up to 5 years, cannot apply for settlement
Secondment Worker Visa	<ul style="list-style-type: none">Stay in the UK for up to 2 years, cannot apply for settlement
UK Expansion Worker Visa	<ul style="list-style-type: none">Worked for your employer outside of the UK for >12 monthsDo not have suitable staff based in the UKAt least £48,500 per year or the 'going rate' for your job

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Around the World with BIPO

At BIPO, we are committed to facilitating international business growth. Here's a quick look at how we foster discussions with the business community, sharing our expertise at local events across the region!

Singapore

2 – 3 Sep

Mercer Asia HR
Conference



18 Sep

CHRO Singapore



19 Sep

SME Centre@SICCI
Appreciation & Networking
Evening 2024



Mexico

10 – 11 Sep

AMEDIRH
HR Congress 2024



Philippines

13 Sep

Philippines HR Summit 2024



UK

10 Sep

UK's Labour Law and Employment Regulations
with Laurent Sans & Marilyn Jiang



Vietnam

20 Sep

VNHR Vietnam HR Summit 2024



Malaysia

30 Sep – 2 Oct

NHCCE 2024



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