

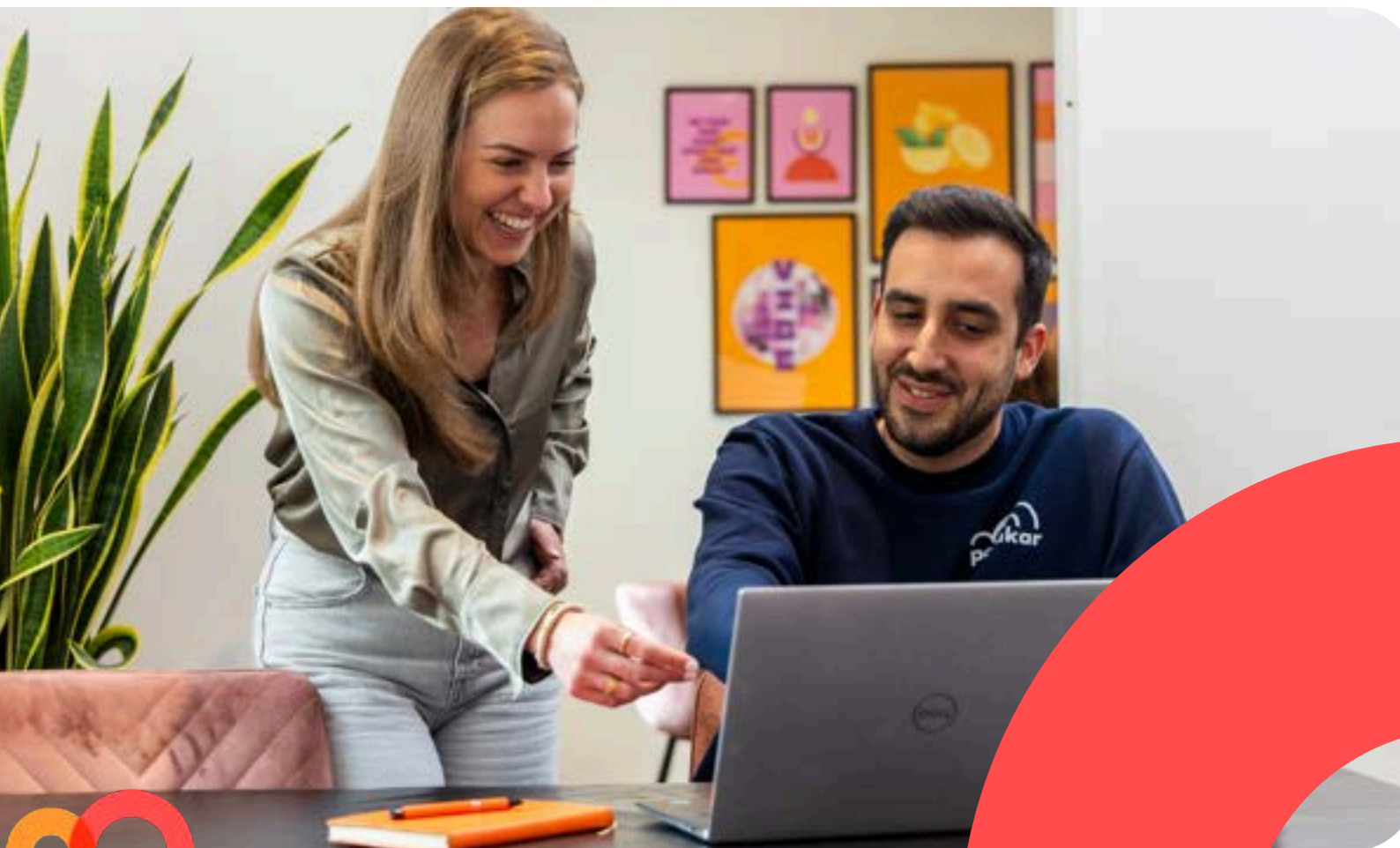
LET'S GET STARTED GUIDE

United Kingdom



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INTRODUCTION

BACKGROUND OF THIS DOCUMENT

Managing HR services in the UK requires a solid understanding of local employment laws and employee rights. This guide helps you navigate the key HR processes and highlights the most important topics to consider when hiring in the United Kingdom.

Think of it as a **practical checklist** to ensure you meet all essential legal and HR requirements, while laying the groundwork for a fair, attractive, and well-structured workplace.

At Parakar, we're here to support you every step of the way. If you have questions or need tailored advice, don't hesitate to reach out to our HR experts, Kayleigh and Kim. With help of our HR operations specialist in the UK, they'll help you navigate British employment regulations and set up a smooth, compliant operation tailored to your business needs.



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1. EMPLOYMENT LAW & CONTRACTS

In the UK, while written employment contracts are not legally required in all cases, they are strongly recommended to clearly outline rights and responsibilities for both employer and employee.

KEY ELEMENTS TO INCLUDE

- **Salary:** The national living wage is £12.21 per hour for those aged 23 and over. These rates are reviewed annually by the UK government, typically increasing each April. Always check the official UK government website for the latest updates.
- **Working hours:** Typically capped at 48 hours per week unless the employee opts out.
- **Probation period:** Commonly 3 to 6 months.
- **Notice period:** Statutory minimum ranges from 1 to 12 weeks, depending on the length of service.

IMPORTANT NOTES

1. The UK places strong emphasis on employee rights, especially in areas such as discrimination, redundancy, and unfair dismissal. Employers must follow fair and lawful procedures, particularly when it comes to terminating employment.
2. Fixed-term contracts are permitted, but employees on such contracts should be treated similarly to permanent staff, particularly if they perform comparable roles.
3. The UK's Working Time Regulations limit the average workweek to 48 hours (unless the employee opts out) and entitle workers to paid holiday, rest breaks, and weekly time off. Employers must also be aware of additional rules for night workers and sector-specific exceptions.

LEAVE IN THE UK

It is advisable to familiarize yourself with the various types of employee leave recognized in the UK before making any hiring decisions. Some key examples include:

- **Sick leave:** Employees are entitled to Statutory Sick Pay (SSP) for up to 28 weeks, currently paid at £118.75 per week (from April 2025), starting from the fourth consecutive day of illness. Some employers offer enhanced sick pay as part of their company policy.
- **Annual leave:** Full-time employees are entitled to a minimum of 28 days of paid annual leave per year, which can include public holidays. Part-time workers receive a pro-rated entitlement.
- **Maternity leave:** Eligible employees can take up to 52 weeks of maternity leave (26 weeks ordinary + 26 weeks additional), with Statutory Maternity Pay (SMP) provided for up to 39 weeks (at 90% salary for the first 6 weeks, then a flat rate).
- **Partner leave:** Partners may take up to 2 weeks of paid paternity leave, usually taken within 56 days of the child's birth or adoption.

Additional types of leave—such as (shared) parental leave, adoption leave, bereavement leave, or time off for dependents—may apply depending on the situation. Entitlements can also vary based on company policy or contractual agreements. For personalized support, consider speaking with the HR experts at Parakar.

2. SOCIAL SECURITY & INSURANCES

MANDATORY INSURANCES

- **National Insurance (NI):** Employers must register and pay NI contributions for employees, giving them access to the NHS, state pension, and statutory benefits like sick and maternity pay.
- **Employer's Liability Insurance:** Legally required with a minimum cover of £5 million, this protects against claims if an employee is injured or becomes ill due to work.
- **Statutory Sick Pay (SSP):** Employers must pay SSP for up to 28 weeks, currently at £118.75 per week (2024–25 rate).

OPTIONAL INSURANCES

- **Private Health Insurance:** While the NHS provides free healthcare, many employers offer private health insurance as part of a competitive benefits package. This can provide faster access to treatment, private consultations, and dental or optical cover.
- **Income Protection Insurance:** This insurance pays a portion of an employee's salary if they are unable to work due to long-term illness or disability. It's a valued benefit for roles with higher stress or physical demands.
- **Life Insurance (Death in Service Benefit):** Common in the UK, this benefit pays a lump sum—often a multiple of the employee's salary—to their beneficiaries if the employee dies while employed.



Including optional insurances can help attract and retain talent, while mandatory insurances ensure your business remains legally compliant. For tailored advice on what your company needs, consult Parakar's UK HR specialists.

Keep in mind that insurance requirements can vary depending on the industry and must be assessed carefully for each individual case. Certain sectors may require additional coverage, such as professional indemnity insurance in finance or construction.

3. REGISTRATION AND PAYROLL ADMINISTRATION

To legally employ staff in the UK, employers must complete several key steps to set up and manage payroll correctly:

Step 1: Register the Company

Register your business with Companies House and obtain a Unique Taxpayer Reference (UTR) from HM Revenue and Customs (HMRC). This is required for tax identification purposes.

Step 2: Register as an Employer

Before your first payday, you must register as an employer with HMRC to operate payroll and comply with tax and National Insurance (NI) obligations.

Step 3: Set Up a UK Business Bank Account

A UK-based business bank account is necessary for paying salaries, taxes, and contributions directly to employees and HMRC.

Step 4: Operate PAYE (Pay As You Earn)

You must run PAYE to calculate and withhold income tax, employee NI contributions, and other statutory deductions. This system also covers payments like Statutory Sick Pay and Maternity Pay.

Step 5: Provide Pay slips and Ensure Timely Payments

Employees must receive itemized pay slips showing gross pay, deductions, and net pay. Wages must be paid on time, usually monthly, directly into employees' bank accounts.

Step 6: Submit Real Time Information (RTI) to HMRC

Each time you pay employees, you must send a Real Time Information (RTI) report to HMRC detailing pay and deductions. This ensures accurate and up-to-date payroll records.

4. TERMINATION

To terminate employment in the UK, employers must follow clear legal procedures to remain compliant and reduce the risk of legal disputes.

Fair Dismissal

Employers must follow a fair process, including investigation, warnings, and the right to appeal where appropriate. Dismissal is considered lawful if it is for a valid reason, such as:

- Employee misconduct
- Poor performance
- Redundancy
- Legal reasons (e.g. loss of right to work in the UK)
- Some other substantial reason (e.g. business restructuring)

Unfair Dismissal

Employees with 2 or more years of continuous service can claim unfair dismissal if the reason or process is not justified. Common pitfalls include skipping disciplinary procedures or failing to document performance issues.

- **Severance Pay:** If dismissal is due to redundancy, employees may be entitled to statutory redundancy pay, calculated based on age, length of service (minimum 2 years) and weekly gross pay (capped).
- **Settlement Agreements:** Often used to avoid legal disputes, a Settlement Agreement ends the employment relationship on agreed terms. The employee must receive independent legal advice for the agreement to be legally binding.
- **Collective Redundancies:** If you plan to make 20 or more redundancies within 90 days, you must conduct a collective consultation with employee representatives and notify the UK government via form HR1.





5. COLLECTIVE BARGAINING AGREEMENTS

Collective bargaining is less widespread in the UK compared to many EU countries. While not mandatory or sector-wide by default, it may occur in industries with strong trade union presence, such as education, transport, and healthcare. Participation is voluntary, and agreements typically apply only to the employer and employees involved in the negotiation.

6. PENSION

In the UK, auto-enrolment into a workplace pension scheme is **mandatory** for eligible employees (aged 22+, earning over £10,000/year).

- Employers must contribute a minimum of 3% of qualifying earnings.
- Employees typically contribute 5%, bringing the total minimum to 8%.
- Employers may choose to offer additional or enhanced pension schemes to attract and retain talent.

7. EMPLOYEE HANDBOOK & WORKPLACE POLICIES

While not legally required, an employee handbook is strongly recommended to establish clear workplace expectations.

Key policies should include:

- Disciplinary and grievance procedures
- Equality, diversity, and inclusion
- Remote/hybrid working
- Health and safety

Under the **Equality Act 2010**, employers must prevent harassment and discrimination and are advised to have formal anti-harassment and bullying policies in place. Clear reporting channels and regular staff training support a safe and compliant work environment.

8. VACATION & HOLIDAY PAY

Employees are legally entitled to:

- 20 days of paid annual leave
- Plus 8 UK public (Bank) Holidays (total: 28 days)
- Employers may offer additional leave through contracts.
- Unused statutory holiday can only be carried over in limited cases, such as long-term illness.

Be sure to track accruals and expiration of vacation days accurately to be compliant.

9. OCCUPATIONAL HEALTH & ABSENCE MANAGEMENT

Employers have a duty of care under the **Health and Safety at Work Act** to protect employee wellbeing.

- Statutory Sick Pay (SSP) starts from the 4th consecutive day of illness and is paid for up to 28 weeks.
- Some employers provide enhanced sick pay schemes.
- For long-term or repeated absence, an occupational health assessment can help evaluate fitness to work and identify support needs or adjustments.

10. RISK ASSESSMENT

All UK employers must carry out risk assessments to manage health and safety risks in the workplace.

- If your business has 5 or more employees, assessments must be documented in writing.
- Special attention must be given to pregnant employees, lone workers, and those in remote or home-based roles.
- Risk assessments should be reviewed regularly and updated when conditions change.

11. DATA PROTECTION (UK GDPR & DATA PROTECTION ACT 2018)

Post-Brexit, the UK follows its own version of the **General Data Protection Regulation (UK GDPR)** alongside the **Data Protection Act 2018**.

- Employers must issue a Privacy Notice explaining how employee data is collected, stored, and used.
- Any monitoring of employees (e.g. email, CCTV) must be proportionate, transparent, and justified.
- Data must be securely stored, with access limited to authorised personnel.

12. WORKING WITH CONTRACTORS / FREELANCERS

The **IR35 legislation** determines whether a contractor is a genuine self-employed individual or a “deemed employee.”

- Medium and large companies must assess contractor status and may be required to operate PAYE and deduct taxes.
- Incorrect classification can lead to financial penalties and back payments.
- It's critical to review contracts, working arrangements, and the level of control over the contractor's work.



13. WORKS COUNCIL / EMPLOYEE REPRESENTATION

The UK does not mandate works councils, but employee consultation may still be required.

- Under the ICE Regulations, companies with 50 or more employees must establish information and consultation arrangements if requested by at least 2% of the workforce.
- Trade union representation may apply where a union is formally recognised.

14. WORK PERMITS & IMMIGRATION

The UK now operates a points-based immigration system.

- To hire most non-UK nationals, employers must obtain a sponsorship license.
- The Skilled Worker visa is available for eligible roles that meet the required salary and skills thresholds.
- All employers must perform Right to Work checks for every new hire and keep records as proof of compliance.

15. COMPETITIVE EMPLOYMENT PACKAGE

Modern UK employees expect flexibility and benefits beyond base salary. A competitive package helps to attract and retain top talent.

- Popular benefits include:
 - Private health insurance
 - Life and income protection insurance
 - Bonus/incentive schemes
 - Salary sacrifice arrangements (e.g. pensions, bikes, EVs)
- Hybrid/remote working is increasingly the norm.





16. CONFIDENTIAL ADVISOR / WHISTLEBLOWING

While UK law does not require a confidential advisor, employers must implement a whistleblowing policy for reporting public interest concerns (e.g. fraud, health and safety breaches).

- Whistleblowers are protected under the Public Interest Disclosure Act 1998 (PIDA).
- Best practice includes appointing a trusted contact person and providing training on how to report concerns safely and confidentially.

17. ONBOARDING & OFFBOARDING

A smooth onboarding and offboarding process ensures legal compliance and a positive employee experience.

- **Before onboarding:** issue a written employment contract and complete Right to Work checks.
- **Onboarding:** provide access to policies, training, and onboarding materials.
- **Offboarding:** issue a P45, final payslip, confirm pension contributions, and pay any unused holiday. Return of company property should also be documented.

18. RECRUITMENT

Recruitment in the UK must be fair, objective, and non-discriminatory.

- Follow the Equality Act 2010 (See 20. Diversity, Inclusion & Equality)
- Use clear job descriptions, assess candidates against objective criteria, and ensure a consistent process for all applicants.
- If using recruitment agencies, ensure they are licensed and reputable.

19. DIVERSITY, INCLUSION & EQUITY

Diversity and inclusion are legal and ethical priorities in UK workplaces.

- **The Equality Act 2010** prohibits discrimination based on protected characteristics such as age, gender, race, religion, disability, sexual orientation, and more.
- Employers with 250 or more employees must conduct annual **gender pay gap** reporting and publish the data on their website and a government portal.
- Key focus areas for a strong DEI strategy include:
 - Inclusive recruitment practices that reduce bias
 - Unconscious bias training for hiring managers and leadership
 - Providing reasonable adjustments for disabled employees
 - Ensuring equitable pay, promotions, and access to development opportunities
- Fostering an inclusive culture enhances employee wellbeing, engagement, and innovation.



DISCLAIMER

This document is for informational purposes only and should not be used as solid legal advice. We advise that with respect to any issue or problem the advice of a knowledgeable attorney is taken. Parakar can facilitate such consultation at a cost. The opinions expressed in or through this document are the opinions of the individual author and may not reflect the opinions of the firm or any individual attorney.

OUR UK EXPERT TEAM

While Kayleigh and Kim are your primary points of contact and will guide you through your HR matters, they are supported by a dedicated team of HR operations experts with in-depth knowledge of HR processes in the United Kingdom. Meet the team:



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