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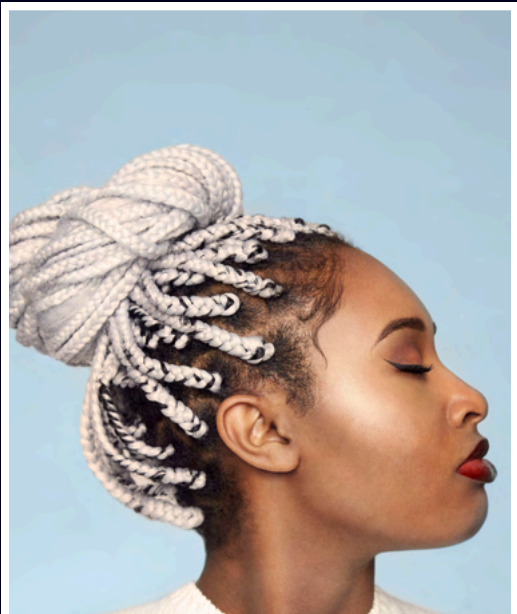
The New Hiring Risk

How the Employment Rights Act Is Changing
Hiring Confidence and Workforce Strategy



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Executive Summary

The decisions employers make about people are becoming harder to separate from wider business risk. Employers are facing a higher threshold for hiring as legislation, workforce costs and economic uncertainty increase scrutiny. Yet the need for critical skills and leadership has not gone away. Organisations still need the right people to maintain performance and deliver change.

Framed in legal insights from our friends at HCR Law, this report looks beyond the legislation and examines how employers are actually responding. Where confidence is shifting, how hiring models are changing and what organisations can do to reduce risk without creating unnecessary delay.

Our view at Goodman Masson is that stronger governance should give employers greater confidence to act. Organisations will be better placed to succeed when they understand which capabilities matter most and how they can make well-informed hiring decisions at the right time.

Andrew Michael
CEO, Goodman Masson

Five Actions Employers Should Take Now

1

Prioritise Critical Capability

Identify the roles and skills the business cannot afford to leave unfilled.

2

Choose the Right Workforce Model

Consider permanent, interim, contract and project-based options against the business need.

3

Strengthen Hiring Discipline

Clarify role scope, align stakeholders and use consistent assessment criteria.

4

Review People Processes

Ensure probation, performance management and workforce documentation are robust and consistently applied.

5

Use Better Market Intelligence

Base decisions on current data around talent availability, salary expectations, hiring timescales and workforce risk.

Report Overview

Today's employment landscape in the UK is shaped by economic uncertainty. Higher workforce costs coupled with ongoing employment reform are putting pressure on organisations to make well-informed hiring decisions. At the same time, employers continue to need access to the skills and leadership that drive performance and support growth – possibly now more than ever before.

This report examines how these challenges are affecting employer confidence, and in turn are influencing recruitment priorities and wider workforce planning. It considers whether organisations are increasing scrutiny across the hiring process or adopting a more selective approach to headcount. It also explores the role of blended workforce models, recognising that flexibility can support business delivery but must be underpinned by appropriate governance.

Rather than offering a technical account of employment law, the report translates legislative and labour market developments into practical considerations for business leaders, hiring managers and HR teams. Its purpose is to help employers reduce avoidable risk while continuing to make confident, commercially-sound workforce decisions.



“Employers are deliberate about every hiring decision. They focus on critical capability and which hiring model gives the right balance of confidence and flexibility.”

Bex Pearce, Director, Goodman Masson

Methodology

This report is based on a review of current UK labour market and workforce data, supported by Goodman Masson's direct experience of the hiring market. It also draws on conversations with our clients and professional networks in the period leading up to the Employment Rights Act and following its implementation.

A number of the measures discussed apply to England, Scotland and Wales rather than Northern Ireland. Employment law provisions discussed should be read with their territorial application in mind.

The analysis is also informed by commentary from HCR Law. Together, these perspectives connect employment law, workforce governance and hiring strategy, helping employers understand both the risks they face and the practical steps they can take in response.

The Changing Decision Environment

Hiring has always involved an element of risk. But workforce decisions are now made against a shifting backdrop of legislative change, economic uncertainty and persistent skills pressures.

The Employment Rights Act is being implemented across 2026/27. Changes include strengthened Statutory Sick Pay, stronger collective redundancy protections and the establishment of the Fair Work Agency. Further reforms affecting tribunals, dismissal and workforce management will require employers to review how they recruit, manage and retain people.

Economic uncertainty remains the most commonly reported challenge affecting staff turnover. Yet organisations cannot simply stop hiring. Skills gaps and productivity expectations continue to create demand for the people needed to deliver change and support growth.

The Broader Business Risk

Beyond recruitment costs, delaying a critical hire affects delivery, puts pressure on existing teams and leaves key capability gaps unresolved. Leaders need a clear view of where skills are needed, what hires will cost, how to structure roles and where legal or operational exposure may sit.

Doing so requires employers to balance six connected risk areas: cost, legal, capability, delivery, retention and reputation. Employment reform is part of that calculation, but it is only one element in understanding how to hire with confidence.



“The shorter qualifying period for unfair dismissal increases the risk associated with each hire as employers have less time to assess suitability before those rights apply. That will inevitably influence workforce planning.”

Bex Pearce, Director, Goodman Masson

The Legal Perspective



A shorter window to assess suitability: The move from a two-year to a six-month qualifying period for unfair dismissal gives employers less time to identify and address suitability or performance concerns.



Early dismissal is not risk-free: Claims such as discrimination and whistleblowing do not depend on minimum length of service, so good process matters from the outset.



Better process can mitigate greater risk: Employers that manage performance proactively, document concerns and apply processes consistently will reduce exposure.



Legal risk should inform, not dictate, workforce strategy: Workforce decisions should still be driven primarily by the commercial requirement rather than legal risk avoidance alone

Whats Affecting Hiring Decisions



Employment Reform

Major ERA changes are being phased in across 2026 and 2027



Employment Costs

58% of businesses cite labour costs as a growing challenge



Economic Uncertainty

32% of trading businesses say economic uncertainty is affecting turnover



Skills Shortages

One third of employers struggle to fill hard-to-find specialist roles



Retention

Just 10% of UK employees are engaged at work and 46% experience significant daily stress



Productivity

Improving productivity is a priority for 44% of employers, rising to 55% among large private-sector organisations.

Sources: ICAEW, ONS, Gallup



A More Selective Hiring Mix

A more cautious economic outlook does not mean employers have stopped investing in talent. Instead, many are reconsidering how and when they hire. Permanent recruitment is increasingly being considered alongside other models. In June 2026, temporary billings grew at their fastest rate in more than three years. This stronger temporary market is linked closely to employers seeking greater flexibility amid continued uncertainty.

Hiring Where Capability Matters Most

Skills England expects employment across priority occupations to grow by around 24% by 2035, with digital, technology and financial leadership skills appearing across multiple priority sectors. And, despite the negative impact of AI on some roles, the skills needed for the most AI-exposed jobs are changing more than twice as fast as for the least AI-exposed jobs⁶. The result is a more selective approach to skills hiring where business-critical positions are prioritised and approval thresholds are higher as headcount is tested more closely against need.

Caution Has a Cost

For permanent roles in particular, employers need to balance the risk of a poor appointment against the consequences of waiting. Leaving critical positions vacant can reduce productivity, increase pressure on existing teams and delay transformation, delivery or growth.

Pulse Check: Half the clients we spoke to reported reduced confidence and are moving to a more varied mix of permanent, interim and contract talent.

What We're Seeing in the Market



Workforce model matters: Leaders are asking, “what capability do we need, for how long, and what is the most appropriate way to access it?”



Greater flexibility: Employers are using permanent, interim and contract talent more deliberately rather than defaulting to one workforce model.



More selective investment: Business-critical capability is continuing to attract investment even where wider headcount remains controlled.



Higher approval thresholds: Replacement and growth roles face greater scrutiny before recruitment begins.



Less speculative hiring: Employers increasingly want a clear commercial case for additional headcount.



Speed still matters: Additional scrutiny should improve decision-making, but unnecessarily long approval and recruitment processes can create new operational and retention risks.

Are Your People Processes Fit for Purpose?

Our conversations with employers suggest that probation management and changes affecting unfair dismissal are among their most immediate concerns, alongside performance management, restructuring, contractual change and wider workforce obligations.

Having clear policies is only part of the answer. Managers need the confidence and capability to apply them consistently, hold difficult conversations, document decisions and know when to involve HR or legal support.

Build Consistency into the Process

Probation should be treated as an active management process, with:

- Clear objectives and expectations
- Regular, documented reviews
- Early intervention where concerns arise
- Appropriate support and opportunity to improve
- Timely, evidence-based decisions

This is particularly important from 1 January 2027, when the qualifying period for ordinary unfair dismissal falls from two years to six months. Employers hiring now should consider whether the length, structure and management of their probation periods remain appropriate under the new framework.

This discipline should extend across job descriptions, interview records, performance documentation and workforce governance. Leadership teams also need visibility of where responsibility sits across HR, finance, legal, operations and procurement, and where gaps in oversight could create unnecessary risk.

Where People Risk Builds

How many of these risk indicators are present in your organisation?

- ☐ Passive probation management. Waiting until the end of probation to address concerns rather than monitoring progress throughout.
- ☐ Delayed feedback. Allowing performance concerns to build before having a clear conversation with the employee.
- ☐ Poor documentation. Failing to record objectives, feedback, concerns and the steps taken to address them.
- ☐ Inconsistent processes. Applying probation, performance or review procedures differently between managers, teams or individuals.
- ☐ One-size-fits-all frameworks. Using processes that are not appropriately tailored to the business, role or level of seniority.
- ☐ Managers handing problems to HR too late. Treating performance management as an HR responsibility only when their relationship has broken down.
- ☐ Assuming flexible hiring removes risk. Agency, fixed-term, interim and contractor models still bring legal considerations.

COMMON MISCONCEPTION:
“Employees without unfair dismissal rights can be dismissed without risk.”

Not necessarily.

Discrimination and whistleblowing are examples of claims that do not require a minimum period of service. Employers should therefore apply fair, considered processes from the beginning of the employment relationship.

- Are your processes reinforcing this misconception?
- Are managers expected to document concerns from the outset?
- Are probation reviews based on clear, objective criteria?
- Are performance concerns addressed early rather than allowed to build?
- Are managers trained to recognise risks beyond unfair dismissal, including discrimination and whistleblowing?
- Are similar cases handled consistently across teams and locations?
- Is there a clear point at which HR or legal advice should be sought?
- Do managers understand that length of service is only one part of the risk assessment?

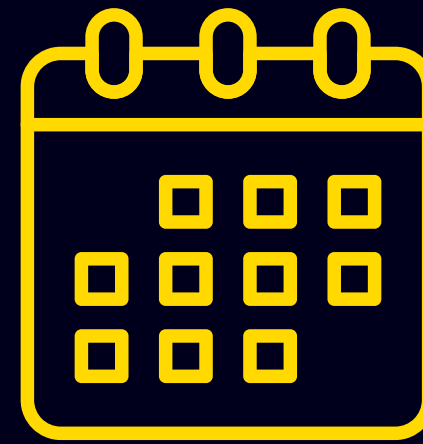


What Changes When



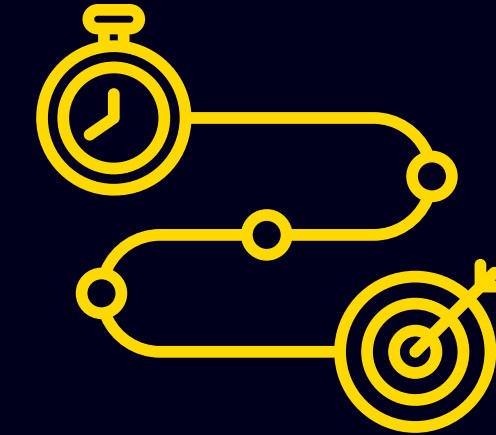
April 2026 Already in Force

SSP waiting period and lower earnings threshold removed; day-one paternity and unpaid parental leave introduced; maximum collective redundancy protective award doubled from 90 to 180 days' pay; Fair Work Agency established.



October 2026 Prepare Now

Employment Tribunal claim time limits increase from 3 to 6 months from 1 October; strengthen duties to prevent sexual harassment and third-party harassment. Prepare for the qualifying period for unfair dismissal claims reducing from two years to six months.



During 2027 Phased Implementation

The qualifying period for employees to claim ordinary unfair dismissal will be reduced from two years to six months starting 1 January 2027. Guaranteed-hours and predictable-working reforms, flexible working changes and other measures continue to be implemented.

Source: Gov.uk

The Real Cost of Waiting Too Long

The commercial risks of a poor appointment do not begin and end with the hiring decision. In many cases, the greater cost comes from allowing uncertainty to continue once concerns become clear.

Excessive caution during the hiring phase can:

- Leave critical roles vacant
- Slow delivery
- Put pressure on existing teams

The same applies post-hire. When:

- Expectations are not met
- Conversations are delayed
- Or Probation periods are not well managed

The period in which a role is underperforming increases. That puts pressure on colleagues and makes eventual decisions more difficult.

The objective is not to make faster decisions for the sake of speed. It is to identify issues earlier, act on evidence and avoid allowing uncertainty to become a cost in its own right.

Pulse Check: 65% of our clients feel the cost of a wrong hire has increased.



“The biggest cost is often not making the wrong appointment. It is allowing uncertainty to continue long after the warning signs appear.”

Bex Pearce, Director, Goodman Masson

Where Delays Become Costs

Where Delay Happens	What It Can Cost
Before Hiring	Lost productivity, delayed projects, pressure on existing teams.
During Probation	Management time, prolonged underperformance, reduced team confidence.
When Concerns Emerge	Greater disruption, more complex performance management, higher employment cost.
When Action Is Postponed	Longer vacancies, repeated recruitment, lost momentum.

The Earlier the Signal, the Better the Decision

Early action helps address these issues before they become more costly or disruptive. Clear expectations, regular review and timely intervention give managers a stronger basis for making fair, evidence-led decisions.

- Set clear expectations from day one.
- Use probation actively, not administratively.
- Address concerns early.
- Document performance consistently.
- Make timely decisions based on evidence.
- Avoid extending uncertainty simply because a decision feels difficult.

Making Better Hiring Decisions

1.

Define Requirements Clearly

Start with a shared understanding of what the role needs to deliver.

- Agree a clear role scope
- Separate essential from desirable criteria
- Define expected outcomes
- Align leadership and hiring stakeholders
- Set realistic salary and market expectations

Quality check: Is everyone assessing candidates against the same definition of success?

Speed check: Resolve disagreements before going to market, not during the interview process.

2.

Use Reliable Assessment Methods

Build a structured process that creates clear and meaningful evidence.

- Use structured interviews
- Apply relevant technical assessments
- Include behavioural evaluation where required
- Use consistent scoring criteria
- Complete proportionate background checks

Quality check: Does each stage provide relevant evidence about the candidate's suitability??

Speed check: Remove duplicated interviews or assessments that do not improve the final decision.

3.

Reach and Engage the Right Candidates

Widen access to relevant talent and make informed decisions based on the market.

- Reach beyond active applicants
- Use specialist market insight
- Test expectations around skills and availability
- Benchmark compensation against market conditions
- Apply consistent due diligence throughout

Quality check: Are you only selecting from easy to reach candidates?

Speed check: Use a talent partner to avoid an unrealistic brief, limited reach or unnecessary delays.

4.

Treat Hiring and Retention as One Process

Recognise that quality of hire is shaped by what happens after an offer is accepted.

- Communicate expectations clearly
- Build an effective onboarding process
- Ensure early and regular manager contact
- Structure probation reviews
- Set clear development milestones

Quality check: Does the candidate understand the success factors when they join?

Speed check: Maintain momentum between offer, start date and the first months of employment.

5.

Use Technology to Support Better Decisions

Use technology for consistency and efficiency without replacing human judgement.

- Use data to support decisions
- Automate repetitive administration
- Improve consistency across the process
- Review automated screening criteria regularly
- Keep human judgement central

Quality check: Is technology improving consistency without removing human oversight?

Speed check: Automate administration, not accountability.

195,000

engaged professionals, enriched
data and direct contact details,
backed by relationships built through
Goodman Masson's brand equity.



Choosing the Right Workforce Model

Workforce flexibility does not necessarily signal a shift away from permanent recruitment. Recent market data suggests some stabilisation in permanent hiring alongside stronger temporary activity.

Goodman Masson is seeing growing demand for interim and contract professionals, particularly where employers need flexibility around future workforce requirements. In some cases, organisations are using interim talent as a way to respond quickly to changing business needs before committing to a permanent structure.

Rather than pointing to a single direction of travel, this reflects a more selective approach to workforce planning. Many organisations considering the capability required, how quickly it is needed and how long that need is likely to last before deciding how best to resource it.

The question, then, is which model provides the right capability, at the right time, for the work that needs to be delivered.

Flexibility Requires Governance

Choosing a more flexible model can help organisations access specialist skills, respond quickly to changing requirements and align workforce capacity more closely with demand. It does not, however, remove workforce risk.

Employers should consider:

- Worker and employment status.
- IR35 requirements where relevant.
- Agency worker obligations.
- Contractor oversight and working practices.
- Procurement and onboarding controls.
- The length and nature of engagements.
- Clear responsibilities between the employer, recruitment partner and individual.
- Regular review of longer-running engagements.



“Interim hiring gives employers greater flexibility where the shape of a role or business need may still change. It is particularly valuable for transformation, specialist skills and time-bound delivery.”

Hamish Harmer, Director, Interim Division

Where Flexible Talent Adds Most Value



Capacity – Additional headcount where teams are under pressure or workloads have increased.



Specialist Skills – access to niche expertise that may be difficult to secure quickly on a permanent basis.



Transformation Delivery - Support for systems, finance or change programmes where the capability is needed for a defined period.



Less suitable for roles requiring long-term relationship building, business partnering or sustained face-to-face engagement.

Which Workforce Model Fits Your Need?

Talent Model	Where It Adds Most Value	Key Consideration
Permanent Hiring	Long-term capability, core leadership roles, succession planning and positions where organisational knowledge is important.	Best suited where the need is enduring and there is a clear long-term case for headcount.
Fixed-Term Appointments	Defined periods of cover, time-bound programmes, maternity or parental leave, and roles with a known end point.	Be clear about the duration, purpose and expectations of the appointment from the outset.
Interim Professionals	Transformation and change, leadership cover, specialist skills gaps, regulatory programmes and urgent delivery requirements.	Particularly valuable where experienced capability is needed quickly for a defined period or outcome.
Contractors	Specialist technical capability, project delivery, additional capacity and clearly defined pieces of work.	Working arrangements and employment status need appropriate oversight rather than being determined by the contract label alone.
Project Teams	Projects with defined deliverables, milestones and outcomes, particularly where several complementary skills are required.	Success depends on clear scope, accountability and ownership of the agreed deliverables.
Outsourced and Managed Services	Ongoing functions or programmes where an organisation wants external expertise, capacity or end-to-end delivery.	Governance, service expectations, responsibilities and performance measures should be clearly established.
Blended Workforce Models	Combining long-term organisational capability with short-term specialist expertise; supporting transformation, succession planning and skills transfer; flexing capacity around changing business needs.	Requires clear workforce scenario planning, cost and capacity modelling, and a deliberate approach to knowledge retention so short-term expertise strengthens rather than replaces internal capability.

Flexible Hiring Still Requires Governance

Before selecting an engagement model,
work through four questions.

1.

**What does
the business
need?**

- Is the need permanent or time-limited?
- Is it additional capacity or specialist expertise?
- Is there a defined project or outcome?
- How long is the requirement likely to last?

2.

**Does the model
reflect the reality
of the work?**

- Who controls how and when the work is delivered?
- How integrated will the individual be into the organisation?
- What oversight will managers provide?
- Does the practical arrangement match the contractual model?

3.

**Which
employment
obligations apply?**

- Worker status, employment status and IR35, where relevant.
- Agency worker requirements and fixed-term expiry rules.
- Appropriate procurement, onboarding and oversight.
- Clear responsibilities across the employer, talent partner and individual.

4.

**Are we reviewing
the arrangement
as it changes?**

- Review longer-running engagements.
- Check whether the nature or scope of the work has changed.
- Reassess whether the original workforce model is still appropriate.
- Plan for handover, knowledge transfer or transition where required.



“Any engagement of people as part of the workforce comes with risk. Workforce planning should be based on the commercial and business requirement, not solely on legal risk avoidance.”

Hamish Harmer, Director, Interim Division

Confident Hiring in a More Complex Environment

Greater workforce risk does not have to result in slower or more defensive hiring. The priority is to create enough clarity around each decision to act with confidence.

Immediate Priorities for Employers

To reduce risk and strengthen workforce planning, organisations should:

- Confirm which legislative changes affect the business
- Review probation and performance processes
- Assess whether managers have the capability to manage and evidence employment decisions
- Audit hiring and workforce documentation
- Review governance across both permanent and contingent workers.
- Identify which vacancies are genuinely business-critical
- Improve workforce reporting so leadership teams have a clearer view of cost, capability and exposure

Where External Support Can Help

Goodman Masson helps you make clearer, better-informed hiring decisions. We identify the right workforce model for your needs and clarify the factors affecting access to permanent, interim and contract talent.

This helps you plan confidently around critical vacancies and changing capacity needs. Confident hiring is not about ignoring risk, but making clearer decisions about where talent is needed and how it should be engaged.



“Employers should see these changes as an opportunity to improve their hiring and internal management processes. Done well, that should mitigate much of the risk and, in the long run, support better business culture and performance.”

Hamish Harmer, Director, Interim Division

Workforce Readiness Priorities

Review - Check the foundations are in place to support sound workforce decisions.

- ☐ Are our people processes fit for purpose?
- ☐ Are managers equipped to make and evidence employment decisions?
- ☐ Do we understand where our greatest workforce exposure sits?
- ☐ Is governance consistent across permanent, interim and contract workers?

Clarify - Make sure business need is understood before deciding how to respond.

- ☐ Which vacancies create the greatest operational risk?
- ☐ Are roles clearly defined, with agreement on the outcomes they deliver?
- ☐ Do we understand the cost and composition of our current workforce?
- ☐ Are salary, skills availability and time-to-hire expectations realistic?

Act - Avoid allowing uncertainty to become a reason for unnecessary delay.

- ☐ What is the commercial impact of leaving this role vacant?
- ☐ Are we delaying decisions that the business cannot afford to delay?
- ☐ What additional information would materially change decision making?
- ☐ Are we progressing hires quickly enough to secure the right talent?

GOODMAN —MASSON

Goodman Masson is a specialist recruitment firm with more than 30 years of experience across finance and accounting, technology and transformation, housing and property, and specialist corporate functions.

Driven by honesty, allyship and trust, we connect brilliant people with outstanding organisations through permanent, interim and contract recruitment.

By combining specialist market knowledge with practical workforce insight, we help clients make confident hiring decisions, reduce risk and secure the talent they need to move forward.

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Our sector experts provide specialist advice nationally and are leaders in their field, recognised with industry awards.

Our clients trust us. We help them not only to be compliant with the law but to run commercially successful operations. We've been focused on building services that solve our clients' problems and help them get to where they want to be. Trust us to get the job done.

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