

A stylized illustration of a mountain range in various shades of blue. A dashed white line represents a path that winds through the mountains, ending at a blue location pin icon. In the bottom left corner, a small blue flag on a pole is visible.

A Survival Guide to: **2025 HR & Payroll** **Legislation**

The Impact for hospitality

Preparation is key.

Every year is an expedition into the uncharted territory of new UK labour laws that the hospitality industry must navigate. Increases in employer National Insurance contributions (NIC) and National Minimum Wage (NMW) are this year's big two. Coming into force in April 2025, both will increase labour costs, a major concern for hospitality operators.

There are other legislative changes on the horizon too, including the introduction of a new law around Neonatal Pay and Leave, also due in April. The Employment Rights Bill is progressing through the parliamentary system and — while it won't come into effect for a couple of years — its full implications for operators will become clearer throughout 2025.

The secret to any journey is being prepared. Fourth's Survival Guide to 2025 HR & Payroll Legislation equips every restaurant to survive and thrive with the new 2025 regulations. On the following pages, we've distilled the most significant legislation changes due for the year ahead, the impact each will have on hospitality operators, plus 'Survival Boosters' packed with handy tips to ensure they don't end up costing you more than they should do.



Fourth's Payroll Expert: Alison Barlow, FCIPP



Alison is Fourth's resident payroll expert — she's a Fellow of the Chartered Institute of Payroll Professionals with over twenty years of experience implementing payroll in the Hospitality industry. Having spent many years as a payroll manager, Alison understands the challenges payroll teams face on a daily basis. Today, she oversees Fourth's UK Human Capital Management Product, focusing on developing HR and Payroll solutions that continually address the ever-evolving needs of hospitality operators.



Your essentials kit to HR & Payroll compliance in 2025

You'll find information about each of the five most significant HR & Payroll legislative changes on the following pages:

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SURVIVAL BOOSTERS

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New year, new laws.

Here's how to handle it.



1. National Minimum Wage

The legislation change

April 2025 will see yet another rise in the National Minimum Wage (NMW), with the hourly rate increasing 6.7% for those aged 21 and over. This update includes a significant increase for staff under 21 (16.3% for 18-20s and +18% for apprentices) as the Government seeks to drive parity between workers of all ages.

	2024 April	2025 April	Increase
<18 and Apprentice	£6.40	£7.55	+18%
18-20	£8.60	£10	+16.3%
21 and over	£11.44	£12.21	+6.7%

Source: [UKGov](#)

How is NMW affecting the industry?

[Fourth's research](#) showed that operators responded to the April 2024 increase by reducing the number of hours for over 21s and instead relying on younger staff. This change will likely end that strategy; why hire less experienced staff when the cost savings are negligible?

But, the increased staff cost for minimum wage workers is only half the story. As the NMW rises, senior staff will also require pay reviews to ensure a meaningful distinction between management and minimum wage workers. This is critical for rewarding experienced personnel and ensuring they remain motivated.



**Download
2025 Legislation
Checklist**
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What can you do?

Mitigating the increase in labour costs will require a combination of increased sales, cost savings in other areas, reduced margins, and more efficient labour deployment.

For operators looking to better deploy their labour, Intelligent Scheduling uses AI-driven forecasts to accurately predict demand. It automatically creates schedules that ensure you have the right staff in the right place at the right time so you don't overschedule shifts or miss sales.

Operators like [Thai Leisure Group](#) and BKUK have already reduced overscheduling by 22%, saving £3m in labour costs.

Make every minute count.

Cut NMW compliance in half with automation.

It's time to ease your administrative burden and reduce risk, so you can focus on supporting your team and growing your business. With automation, NMW compliance steps are streamlined from four to just two.

Manual or basic HR system

1 COLLECT LIST OF EMPLOYEES

Use a spreadsheet to collect employees' details including name, date of birth, current hourly rate.

2 IDENTIFY EMPLOYEES BELOW THE NEW RATE

One by one compare each employee's current hourly rate to the new minimum wage rates and highlight those that need to be adjusted.

3 CALCULATE NEW HOURLY RATES

Then set the new rate for employees earning less than the applicable minimum wage.

4 UPDATE PAYROLL RECORDS

Manually input the new hourly pay for each affected employee directly into your HR system or update the pay in your excel spreadsheet and import the updated pay.



Workforce Management software

1 RUN REPORT ON EMPLOYEES HOURLY PAY RATES

One click report to show all employees whose pay needs uplifting.

2 BULK UPDATE

Uplift employees hourly rate in one go.



Download our email template to communicate NMW hourly pay changes to your team

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Three steps to avoid accidental non-compliance with NMW

Employers are legally responsible for ensuring their workers receive at least the minimum wage for every hour they've worked. There are a range of circumstances that might cause workers' pay to fall below the NMW rate, and operators need to put processes in place to ensure they're monitored and managed effectively:



Cover uniform expenses

Any deductions or payments made by staff for required items, such as uniforms, may reduce their earnings below NMW. To minimise this potential risk, operators with dress codes or those who require staff to buy or hire uniforms may set pay slightly above the NMW to cover expenses and ensure staff aren't out of pocket. Alternatively, they could supply uniforms directly and bear the costs to avoid potential NMW implications.



Cap salary sacrifice deductions

Salary sacrifice arrangements allow employees to reduce their cash entitlement in exchange for another, typically non-cash, benefit such as pension contributions or cycle to work schemes.

Employers cannot use salary sacrifice arrangements if it takes final pay below the NMW rate – even if the benefit value exceeds that of the salary sacrificed. To avoid this, operators can not offer salary sacrifice to lower earners or calculate real wages with each payroll to ensure base salary is always equal to NMW.



Ensure accurate time and attendance reporting

Even workers paid above the NMW can dip below it if they're routinely working unpaid overtime, taking their average hourly rate below the NMW. Employers can minimise this risk by using a robust time and attendance system that accurately monitors how many hours each staff member works to ensure individuals are paid for their overtime.



5 strategies to help you reduce admin time and stay compliant with NMW



EFFICIENCY TIPS



Batch updates

Adjust multiple records simultaneously in a few clicks.



Set automation rules

Align pay rates with factors like employees' DOB and set them to uplift automatically when an employee passes a relevant threshold.



Bulk update

Adjust employees with multiple employments in one go.



Review policies and contracts

Evaluate pay structures and wording used in contracts to ensure future changes are easier to manage.



Two-way communication

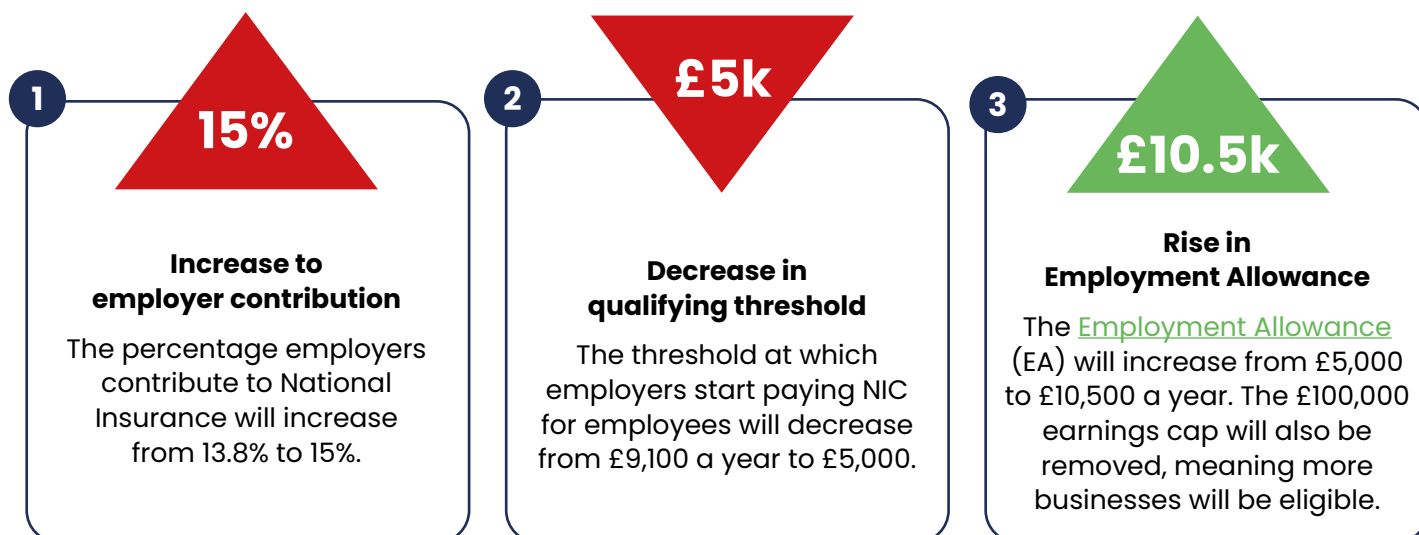
Use HR & payroll software that supports a seamless integration between bi-directional APIs.



2. National Insurance Contributions (NIC)

The three changes to NIC

There are three changes to NIC that operators needs to be aware of:



So, what does this mean in practice?

Meet Sam. Sam works 40 hours a week and is paid NMW (£11.44 per hour and £23,795.20 per year). The employer NIC for Sam's salary is around £2,027.94 a year.

From April 2025, Sam's hourly rate will rise to £12.21, increasing their yearly earnings to £25,396.80. The increased NIC and lower thresholds mean the employer NIC will jump to around £3,059.51 per year. That's a total of £2,633.17 more a year, or £219.34 a month, to employ just one person. And it doesn't include pension contributions at 3% of qualifying earnings.



	Before April 2025	After April 2025
Hourly pay	£11.44	£12.21
salary	£23,795.20	£25,396.80
Employer NIC	£2,027.94	£3,059.51
		extra £2,633.17

The impact of NIC

Hospitality is running on tight profit margins and will struggle to absorb these additional costs. Putting prices up for customers, who are also stretched, isn't always an option and risks driving them away. Instead, operators will have to make some tough choices and find innovative ways to offset the considerable impact of labour cost increases.

Smaller operators will be the most heavily hit, increasing the disparity between larger employers and smaller ones. This is something Peter Martin, founder of Peach 20/20, noted in the latest episode of our podcast, [Inside Hospitality...](#)



“You need financial clout, financial headroom, and investment to survive now.”

– Peter Martin, Founder of Peach 20/20

WATCH NOW ►



How do I prepare?

- **Review your budget.** Understand how the changes will impact your company's bottom line. Can you cope with the increases, or do you need to make changes?
- **Assess your prices.** How fair and competitive are your prices? Do they need to go up to reflect rising costs?
- **Check your staffing structure.** Is there any benefit in changing some staff contracts to full-time and reducing your part-time workforce?
- **Revise your hiring plan.** Are all open vacancies needed?
- **Consider apprenticeships.** While 20% of paid time is used for training, apprentices' NMW is lower, and you may not need to make NI contributions for them.
- **Examine your pay structures and pension set-up.** Would salary sacrifice arrangements (where employees reduce their gross pay in exchange for a benefit) or increased pension contributions appeal to your workforce? This can provide employers with National Insurance and tax savings calculated on the lower salary.

WATCH OUT!

A Salary Sacrifice scheme should never bring wages below the NMW.

- **Are you eligible to claim Employment Allowance?** From April 2025, most employers can claim £10,500 for National Insurance annually.



3. Neonatal Care Leave

The new legislation: what do you need to know?

Statutory Neonatal Care Leave (SNCL) will be a day one entitlement for employees, allowing both parents to take one week of leave for every week their child is in neonatal care, provided the child enters neonatal care within 28 days of birth and remains for at least seven consecutive days or more.

There are two tiers for this leave, each with a maximum of 12 weeks.

- **TIER ONE** – applies when the child is in care.
- **TIER TWO** – applies after the child has left care.

TIER ONE

Allows parents to leave at short notice to be with their child in neonatal care. It applies while the child is in care and for the first week following discharge, and can be taken flexibly or in full-week blocks.

If SNCL overlaps with pre-booked parental leave (such as shared parental leave), the employee can pause their SNCL to accommodate the pre-booked leave, then resume it once it has finished. This flexibility allows parents to take their leave in tier one when needed.

TIER TWO

Covers any remaining leave accrued from the end of tier one and can be taken until the child is 68 weeks old. Tier two leave must be taken as a single, continuous block.

What does this mean for your business?

Parental entitlement is a day one right, but to qualify for pay, an employee must have been employed for at least 26 weeks before the leave request date and earn above the lower earnings limit (LEL).

Qualifying employees receive 12 weeks of statutory pay. At 2025 rates, that is £187.18 per week or £2246.16 for 12 weeks.

Most businesses can reclaim 92% from the Government, so the total cost to the business is £179.69.

Employers who paid less than £45,000 for class 1 National Insurance in the previous tax year may qualify for Small Employer Relief. From April 2025, qualifying employers will be able to claim back 108.5% of statutory pay.

Neonatal Care Leave: How do I prepare?

- **Review your policies.**

Some employers may already pay employees for time off if their child is admitted to neonatal care. If this is the case, you can now claim back part of the payment from the Government.

- **Communicate changes to employees and update policies.**

Make sure documentation such as employee handbooks are up-to-date



4. Holiday Pay

REMINDER

Is your Holiday year starting in January, February, or March? Then, this is for you...

For the first time operators with holiday years starting between January and March 2025 will implement new holiday calculations for irregular hour workers. Part-year and irregular hour workers now accrue holiday at 12.07% of hours worked per pay period. Employers can alternatively “roll up” holiday pay, adding 12.07% to wages for every hour worked, effectively paying holiday at the point of earning. Workers also accrue holiday while on statutory leave.

The biggest impact is the paperwork—operators must track exact hours worked (including overtime) to calculate holiday accruals and allowances accurately.



eClock

Track exact hours worked and ensure compliance with Fourth eClock. Quickly installed onto a company tablet, eClock offers a cost-effective solution that can be deployed across multiple venues in minutes. [Find out more.](#)





5. Employment Rights Bill

Tracking the Employment Rights Bill

The [Employment Rights Bill](#) still has some way to go before it becomes legislation. While we're expecting it to be implemented in the next two years, understanding and preparing for these potential changes ahead of time can reduce the stress when they are eventually introduced.

Likely updates



ZERO-HOURS CONTRACTS: will have to include 'guaranteed' hours for both zero-hour workers and those on 'low' guaranteed hours who regularly work more. Workers must be paid if their shifts are cancelled, moved, or reduced at short notice.



UNFAIR DISMISSAL: will become a day one right (currently, workers qualify after two years of service).



STATUTORY SICK PAY (SSP): will be available to all employees from their first day of illness. It will also be extended to those below the lowering earnings limit (LEL) for the first time. If SSP is more than they're typically paid, they'll be eligible for a percentage of their normal pay.



PROBATIONARY PERIOD: An 'initial period of employment' will replace probationary periods. During this time, the dismissal process will be streamlined for employers.



Where is your compass taking you?

Don't wait for this year's rising labour costs to hurt your bottom line.

There may be fewer legislative changes this year, but their impact will hit hard. Operators need to take action, otherwise they risk a serious blow to profitability.

Take Distinctive Inns, it proactively created headroom by increasing efficiency. Optimising labour deployment saved nearly 3% on wage costs while boosting like-for-like sales by 7.7%.

Operators have options to tackle rising costs — providing they know their business. Understanding HR legislation, identifying trends, and finding efficiencies is the only way to stay ahead.

Lost? Ask for help.

Don't wait for mushrooming labour costs to hurt your bottom line.

Contact the Fourth team today and discover how we can help you find efficiencies and take control of your operational expenses.

How Distinctive Inns weathered the storm **slashing labour costs by 2.8%**

- 2.8% average labour savings
- 7.7% increase in like-for-like sales
- Saved 9 hours a week in payroll admin and schedule approval

Distinctive Inns struggled with increased cost pressures following April 2024's minimum wage increase and rising operational expenses. The pub group was also dealing with lingering overstaffing habits from the pandemic.

Fourth helped Distinctive Inns to cut labour costs, eliminate overstaffing, and boost efficiency with Labour Optimisation and AI Forecasting. For the first time, Distinctive Inns had full visibility into labour costs, site performance and deployment, and could pinpoint and address inefficiencies.

"The wage is the biggest expense and the hardest one to control. Fourth gave us the visibility to see where we were overscheduling and align staffing with real demand. That's made a huge difference to our bottom line."

James Bull, Operations Director,
Distinctive Inns

Case Study: Disictive Inns



Customer profile:



Distinctive Inns is an independent pub group that aims to offer high-quality, honest food and drink served in a relaxed and informal environment. Operating across the East Midlands, it has grown from its first outlet, The Riverside, launched in 2010, to include five more venues.



Industry: Hospitality



Locations: 5



Employees: 102



Fourth Solutions: Workforce Mangement including Labour Optimisation and AI Forecasting

[LEARN MORE](#)



Downloads

2025 HR & Payroll Compliance Checklist

Understand the latest legislation

- ☐ Stay up to date with legislation changes by assigning a dedicated person to monitor government legislation updates
- ☐ Use industry bodies like UKHospitality for more relevant information related to the industry

National Minimum Wage

- ☐ Audit employees' hourly wages against new National Minimum Wage legislation
- ☐ Check NMW rates don't fall below thresholds when covering uniform expenses, overtime and salary sacrifice arrangements
- ☐ Schedule monthly review of employees' birthdays for mid-year adjustments
- ☐ Conduct pay reviews for senior staff
- ☐ Communicate and document NMW changes ([Download template](#))

National Insurance Contributions

- ☐ Are you eligible to claim Employment Allowance?
- ☐ Ensure software is updated in line with legislation changes

Neonatal Care Leave

- ☐ Review policies and update documentation like Employee Handbooks accordingly
- ☐ Communicate changes to employees ([Download template](#))

Holiday pay

- ☐ Determine how holiday pay is going to be paid for irregular workers
- ☐ Assess accuracy of hours worked data ([Discover eClock](#))

Review labour deployment

- ☐ Review your budget and adjust forecasted labour costs and assumptions in line with NMW and NIC updates
- ☐ Optimise rotas by scheduling the right team to maximise profitability
- ☐ Review hiring plans and consider hiring apprentices
- ☐ Use tools like sales and labour modelling to map out potential outcomes from scenarios and identify optimal options for your business

*Tips
to reducing
labour
costs*



**Download
checklist**

Downloads

Employee Email Communication Template

National Minimum Wage

To:

Subject: Update: Changes to National Minimum Wage

Dear [Employee's Name],

We are writing to inform you of changes to the National Minimum Wage (NMW) effective from [effective date], as part of recent legislative updates.

KEY DETAILS:

New Rates:

- National Minimum Wage: £[updated amount] per hour
- National Living Wage (for employees aged 21+): £[updated amount] per hour

Implementation:

- The updated rates will be reflected in your [April 2025] pay.

The employee handbook has been updated to include these changes. Please refer to it for additional information or contact [HR Contact/Email/Phone] if you have any questions.

Best regards,

[Your Name]

[Your Job Title]

[Company Name]

Disclaimer: This resource is not a substitute for legal advice. This material is for informational purposes only.



Downloads

Employee Email Communication Template

Neonatal Care Leave Policy

To:

Subject: Update: New Neonatal Care Leave Policy

Dear [Employee's Name],

We are writing to inform you of a new neonatal care leave entitlement, introduced as part of recent legislative changes.

KEY DETAILS:

- **Eligibility:** Available to parents whose baby requires neonatal care within the first 28 days after birth.
- **Entitlement:** Up to 12 weeks of paid leave, in addition to existing parental leave allowances.
- **Application:** Notify [HR/Line Manager] and provide relevant documentation (e.g., hospital notice).

The employee handbook has been updated to reflect this policy. Please refer to it for additional details or contact [HR Contact/Email/Phone] for assistance.

Best regards,
[Your Name]
[Your Job Title]
[Company Name]

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Download
template

How the UK's leading operators **control costs** and **stay compliant**.

Manage your entire team with a fully integrated platform offering a comprehensive HR & Payroll solution alongside AI-driven forecasting, scheduling and more.

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22%

Reduction in
over-scheduling

2.8%

Average
labour saving

25%

Increased forecast
accuracy

15%

Uplift in sales



The
Big Table

The
Restaurant
Group



GREENE KING
BURY ST EDMUNDS



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About Fourth: Fourth is a leader in data-driven workforce and inventory technology for the retail, restaurant, and hospitality sectors. Proudly serving 15,000 customers across 100,000 sites globally, with 2.5m users.

To discover how we can help you simplify your operations and boost efficiency and profitability, please get in touch.

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