Fourth

Hospitality's guide to HR & payroll legislation

What's really changing in 2026

How time flies!

It's hard to believe that it's already been a year since we shared our 2025 legislation report, but here we are again in 2026 with a host of new HR and Payroll legislative updates for the industry to navigate.

The new tax year brings with it a hike in National Minimum Wage (NMW) and National Living Wage (NLW) rates, continuing a multi-year trend of above-inflation wage growth. While the increase is good news for workers, it could come at the cost of jobs in the sector with current forecasts suggesting a further 100,000 hospitality jobs could be on the chopping block as the cost of doing business increases. Labour remains the single largest variable cost for most operators.

The Government's Employment Rights Act progressed through the house last year, though many of its sweeping day-one employment rights have been scaled back or delayed. The proposed introduction of day-one unfair dismissal rights are just one measure that will not come into force this year. Other changes, such as Statutory Sick Pay and certain leave entitlements will, however, take effect in 2026. For hospitality employers, keeping track of immediate compliance concerns and monitoring likely longer-term changes isn't going to get any easier in 2026.

UK Hospitality CEO Allen Simpson summed this up well in discussion with the Fourth team during our webinar on the Autumn Budget, "The government has an unusually heavy legislative agenda, and we've already seen examples where measures are scaled back or delayed. Businesses are being asked to plan for change without certainty that everything proposed will actually come into force."

Fourth's payroll expert: Alison Barlow, FCIPP

Alison is Fourth's resident payroll expert and a Fellow of the Chartered Institute of Payroll Professionals, with over 20 years' experience implementing workforce solutions for hospitality. Having spent many years as a payroll manager, she understands the daily challenges teams face. Alison now leads Fourth's UK Human Capital Management product, developing HR and payroll solutions that support the evolving needs of hospitality operators.

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National Minimum Wage and National Living Wage

The Government continues its drive to narrow the pay gap between age bands with new statutory National Minimum Wage (NMW) and National Living Wage (NLW) rates coming into effect from April 2026. The NMW for workers aged 21 and over will rise by 4.1% to £12.71 per hour, with increases of 8.5% and 6% respectively for those aged 18-20 and under 18s and apprentices.

For labour-intensive sectors like hospitality, an increase in headline rates is only half the story. Higher NMW has a knock-on effect on employer National Insurance Contributions (NIC), pension contributions, and holiday accrual, pushing the cost of employing staff above the NMW increase alone.

WHAT THIS MEANS FOR YOUR WAGE BILL

Meet Rowan. Rowan is a 21-year-old working full time at their local restaurant. From April 2026, the cost of hiring Rowan will increase by approx. £1352.52 a year.

Weekly increase in costs: 2025 vs 2026

Pay: +£20

Employer NIC: +£3

Holiday Accrual: +£2.41

Pension Contributions: +£0.60

Total weekly increase = £26.31 per staff member

Total yearly increase = £1,352.52 per staff member

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ACTIONS FOR HOSPITALITY OPERATORS

NATIONAL MINIMUM WAGE AND NATIONAL LIVING WAGE

HR and Payroll Teams:

- [ ] Review all hourly pay rates against the new NMW and NLW thresholds, including staff paid just above the current statutory minimum, to ensure effective hourly pay remains compliant.

Use Fourth's Pay Rate tool to review

- [ ] Check that all working time is being captured accurately, including opening and closing duties, preparation time and split shifts.

- [ ] Assess the impact of uniform deductions, salary sacrifice arrangements and other deductions on effective hourly pay.

Use Fourth's NMW payroll export to identify employees whose pay is under NMW

Ops Teams and Managers:

- [ ] Factor in the knock-on impact of NMW increases on employer National Insurance, pension contributions and holiday accrual when forecasting labour costs.

Download Full 2026 Legislation Checklist

Employer National Insurance Contributions (NIC) thresholds remain unchanged for the 2026/27 tax year. The Upper Earnings Limit (UEL) is unchanged at £50,270.

Time & Attendance software does all the hard work for you, accurately capturing employee attendance, simplifying time-tracking, payroll accuracy, and labour planning.

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Three steps to avoid accidental non-compliance with NMW

Changes to NMW increase the chance of non-compliance if not managed correctly. Effective pay rates – the amount an employee takes home for all the hours they've worked, minus any deductions – can easily drop below the minimum rate if hours are routinely unrecorded or deductions for things like uniform or salary sacrifice are applied.

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.

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Four 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.

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Statutory pay rates

April will see changes to the Lower Earnings Limit (LEL) increase from £125 to £129 a week. This is the amount an employee needs to earn per week to be eligible for provisions such as statutory maternity or paternity pay. In hospitality, it's not uncommon for employees working variable hours to move above and below the threshold week-to-week, meaning entitlements change frequently, too.

Alongside this, statutory weekly pay rates will also go up, with all parental pay increasing from £187.18 to £194.32. Statutory sick pay is set to rise from £118.75 to £123.25.

Small Employer Relief (SER) rules mean eligible employers (those who paid £45,000 or less in Class 1 NIC in the previous tax year) can reclaim 100% of employees' statutory payments, plus additional compensation. From April 2026, this additional compensation will jump from 8.5% to 9%. Operators that don't qualify for SER can claim back 92% of the amount paid out.

ACTIONS FOR HOSPITALITY OPERATORS

STATUTORY PAY RATES

HR and Payroll Teams:

- [ ] Check your system has been updated to reflect the new statutory pay rates from April 2026.

Fourth's platform will be updated in line with legislation ahead of April 2026

- [ ] Update internal policies and documentation to ensure they reflect the new rates.
- [ ] Update any LEL mentions in existing policies or documentation to reflect the new limits.
- [ ] Review how changes to the LEL affect eligibility for statutory payments, particularly for staff working variable hours.

Ops Teams and Managers:

- [ ] Ensure payroll teams and managers understand when statutory pay applies and when it does not, and can accurately inform teams when asked.
- [ ] Confirm reclaim processes (SER/standard reclaim) are understood and applied.

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Day one rights

Employment reforms introduced in 2025 as part of the Employee Rights Act expand eligibility for statutory sick pay and give employees the right to take certain parental leave from their first day of employment.

Statutory Sick Pay

From April 2026, Statutory Sick Pay (SSP) will be payable from the first day an employee is absent due to sickness, removing the current three-day waiting period.

At the same time, the Lower Earnings Limit (LEL) for SSP eligibility will be removed, extending the entitlement to lower-paid and casual workers who may not have qualified before.

Employees who earn less than the SSP rate (£123.25 a week) are entitled to 80% of their average weekly earnings, rather than the flat statutory amount. If new employees fall sick before they have sufficient earnings history, then employers will need to use their expected weekly earnings to calculate SSP.

Taken together, these changes significantly increase SSP coverage across hospitality workforces, particularly for staff working short or variable hours.

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Care and family leave

The new tax year also brings with it new rights around statutory leave entitlements, with paternity leave and unpaid parental leave becoming day-one rights.

While new employees are entitled to take these leaves straight away, they are not automatically eligible for statutory pay. For family-related leave, statutory pay is still subject to the LEL and at least 26 weeks of continuous employment.

ACTIONS FOR HOSPITALITY OPERATORS

SSP AND CARE & FAMILY LEAVE

HR and Payroll Teams:

- [ ] Update employment policies to reflect new day-one entitlements.

Ops Teams and Managers:

- [ ] Train staff to ensure that everyone understands the changes, and that managers are aware of which leave requests must be granted immediately, when pay may not apply, and internal processes around calculating entitlements.
- [ ] Check your system has been updated in line with legislation and review your internal process to make sure all the relevant information is available to the HR system to ensure accuracy.

Fourth will automatically update payroll to ensure leave and pay is applied consistently

- [ ] Communicate changes clearly to employees.

Download Full 2026 Legislation Checklist

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CASE STUDY

With help from Fourth's payroll experts, Benihana UK runs smooth, stress-free payroll every time—keeping staff happy and staying fully compliant.

Benihana UK has strict compliance and governance requirements, the team needed a service that could handle statutory pay, variable hours, and seasonal incentives while maintaining accuracy and consistency. So they partnered with Fourth's Payroll Bureau to manage payroll accurately in a complex environment.

> *"Fourth's dedication and professionalism set the benchmark others should strive to achieve. Their personalised touch and attention to detail contribute to the delivery of an exceptional service."*
> **Syed Mazhar Wasti, Finance Director**

Read the full case study to see how Fourth's Payroll Bureau supports hospitality operators with compliant, reliable payroll processing and responsive support.

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Payroll Benefits in Kind

Payrolling Benefits in Kind (BIK) has been optional since 2016, and was expected to be mandatory from 2026. This has now been delayed until 2027.

Employers who opt in to payrolling benefits report them in real-time rather than annually. This eliminates the need for year-end reporting for those benefits, resulting in more accurate tax codes.

Adding Benefits in Kind (BIK) to payroll could streamline the process for many operators, reducing the risk of non-compliance and preventing employees from receiving surprise tax bills at the end of the year.

While the process is optional and does require a hefty initial setup, including registering with HMRC, updating payroll systems, and communicating the change to employees, in the long term, it should reduce the number of employee tax code queries and improve cash flow predictability.

From April 2026, Fourth will add a new BIK service to its Payroll Bureau, to take away the initial set-up and ongoing admin burden so you can payroll benefits quickly and easily.

ACTIONS FOR HOSPITALITY OPERATORS

PAYROLL BENEFITS IN KIND

Business Teams:

- [ ] Decide whether payrolling Benefits in Kind is useful to your business.

HR and Payroll Teams:

- [ ] Identify which benefits could be included in payrolling and which should continue to be reported separately.
- [ ] Register with HMRC in advance if opting in to payroll benefits.
- [ ] Ensure benefit data is accurate and available ahead of the new tax year.

Ops Teams and Managers:

- [ ] Communicate changes carefully to employees, explaining how and when tax will be applied through payroll.

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New Student Loan Repayment Plan (5)

April 2026 is the earliest point at which payments for the Student Loan Repayment Plan 5 will start.

Introduced for students starting a qualifying course on or after August 2023, this loan repayment plan operates exactly as plans 1, 2 and 4, but has a lower repayment threshold and a longer payment term. Plan 5 borrowers pay 9% on yearly earnings over £25,000.

ACTIONS FOR HOSPITALITY OPERATORS

NEW STUDENT LOAN REPAYMENT PLAN (5)

HR and Payroll Teams:

- [ ] Update any onboarding documentation to include options for Plan 5, and ensure student loan information is recorded accurately during onboarding.
- [ ] Ensure payroll teams are aware of Plan 5 to limit the chance of over-deductions.
- [ ] Check your system has been updated in line with legislation.

Fourth's system will automatically update to include Student Loan Plan 5 from April 2026

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Northern Ireland update

Most of the updates outlined in this report are applicable across the UK. However, there are updates to parental bereavement leave and pay relevant only to employees and operators in Northern Ireland (NI).

Statutory parental bereavement leave and pay

As of April 2026, new legislation will introduce statutory parental bereavement leave and pay in NI. Under the new framework, bereavement leave becomes a day-one right and will cover cases of miscarriage, stillbirth, or child death.

While employees have the right to take leave from day one, eligibility criteria for statutory pay still apply and employees will only qualify if their employer makes Class 1 NIC on their behalf and pay is above LEL. This is a marked difference from the rest of the UK, where eligibility for parental bereavement pay requires 26 weeks of continuous employment.

ACTIONS FOR HOSPITALITY OPERATORS
NORTHERN IRELAND UPDATE

HR and Payroll Teams:

- [ ] Update policies and documentation to reflect the new changes. In businesses with staff in multiple jurisdictions, make differing eligibility criteria clear or create specific policies for each country.

Fourth's system will automatically flag employees in NI

Ops Teams and Managers:

- [ ] Communicate clearly with employees to avoid any confusion between UK and NI entitlements.

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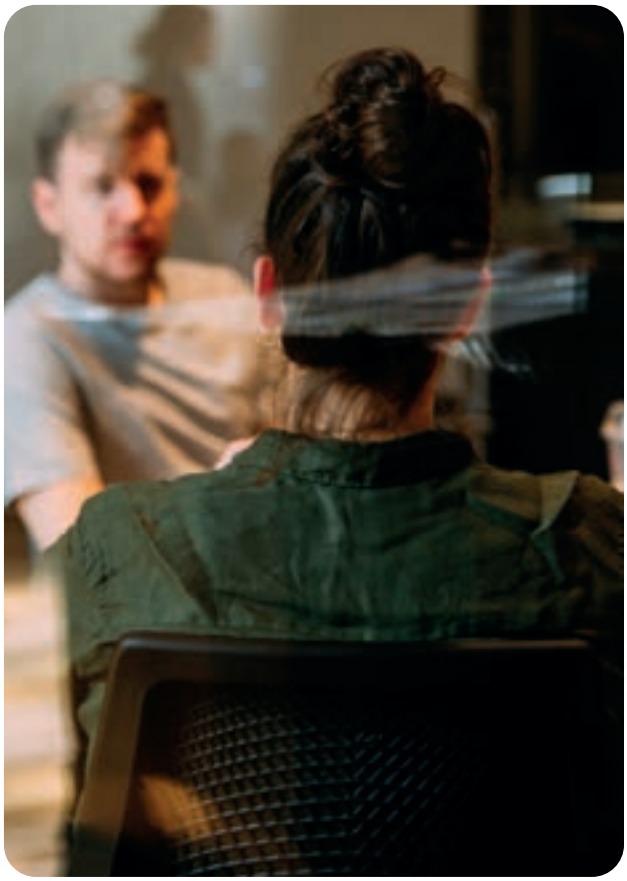
Whistleblowing protections

As well as new day-one rights, the Employment Rights Act also strengthens protections around reporting sexual harassment in the workplace. From April 2026, disclosures relating to sexual harassment must be treated as qualifying disclosures under whistleblowing legislation. This means employees who raise concerns about sexual harassment will be protected from detriment, like reduced shifts, and unfair dismissal under whistleblowing law.

Employers already have a duty to take reasonable steps to prevent sexual harassment, but there is a risk in hospitality that this type of behaviour, particularly from customers, is "part of the job." The extension of whistleblowing protection increases the legal risk if complaints are seen to be mishandled, or staff are perceived to be penalised for speaking up.



ACTIONS FOR HOSPITALITY OPERATORS
WHISTLEBLOWING PROTECTIONS

HR and Payroll Teams:

- [ ] Review whistleblowing and grievance policies to ensure sexual harassment disclosures are clearly covered.
- [ ] Ensure reporting channels are clear and accessible, and investigation processes are well documented.

Ops Teams and Managers:

- [ ] Train managers on how to adequately handle complaints involving colleagues and third parties.

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What to watch

Legislation that won't start in April, but operators should keep on their radar for 2026.

EMPLOYMENT RIGHTS ACT (2025) (UK)

The Employment Rights Act (2025), previously the Employment Rights Bill, was described by the Government as the most significant reform of employment rights in a generation when it was first announced in October 2024. It was passed in late 2025, though not before undergoing several amendments.

Here's what you need to know:

Dismissal protection

The proposal to introduce unfair dismissal protection from day one has been withdrawn in favour of a six-month qualifying period. This qualifying period is not expected to come into force until 2027, meaning there is no immediate change for operators beyond their existing obligations.

When the new protections do come into effect, reasons for automatic unfair dismissal are likely to remain the same. Probationary periods will also still be relevant for managing performance and assessing suitability in early employment.

Zero-hours and predictable working patterns

Reforms to zero-hours contracts and predictable working patterns are expected in later phases of the legislation, likely late 2026 or 2027.

Future reforms are expected to include a right for workers to request more predictable working patterns and may entitle them to compensation if shifts are cancelled or changed last minute. While these changes are not immediate compliance requirements, they are likely to have a significant operational impact for hospitality businesses, so they are definitely worth keeping an eye on.

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What to watch

Legislation that won't start in April, but operators should keep on their radar for 2026.

GOOD JOBS EMPLOYMENT RIGHTS BILL (NI)

Northern Ireland has an equivalent legislation currently in draft stage that's likely to be presented to the Assembly in early 2026. Called the 'Good Jobs Employment Rights Bill', the details and timing of any resulting legislation is yet to be confirmed, but there are currently 50 proposed measures associated with it.

When eventually introduced, the changes are likely to differ from those in the UK's Employment Rights Act, but there are similar sweeping proposals for zero and low-hours contracts, including:

- A requirement for reasonable notice of working hours and short-notice shift cancellations.
- The outlawing of fire and rehire practices.
- The introduction of carer's leave.

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The impact on hospitality

In many ways, the changes taking effect in April are far less dramatic than we were initially expecting, but that doesn't diminish them. The impact of the NMW increases, expanded statutory pay eligibility, and new day-one rights are cumulative and will add to the cost and complexity of HR and operations.

As highlighted by UKHospitality's Chair, Kate Nicholls, "Increases to minimum wage rates are yet another cost for hospitality businesses to balance, at a time when they are already being taxed out."

The reprieve offered by the phased implementation of rights proposed in the Employment Rights Act will be short-lived, and we now have the additional complications associated with that phased introduction to contend with.

For most operators, the best way to meet April 2026 will be to get the basics right. Focus on accurate pay calculations, updating payroll systems, ensuring policies are clear, and the handling of employee absences and leave is consistent.

Download Full 2026 Legislation Checklist

Looking forward

As ever, Fourth will continue to monitor legislative developments and update our software and services in line with incoming legislation, making compliance as seamless as possible for our customers.

Our experts will keep sharing updates on incoming legislation as further changes are confirmed, just one of the many ways we're here for our customers.

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The UK's leading operators control costs and stay compliant with Fourth

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

Benefit from HR & Payroll product updates every spring that ensures you are always fully prepared for the year ahead.

Fourth's Payroll Bureau services

Fourth's PAS Accredited Payroll Bureau provides fully managed payroll services designed specifically for hospitality operators, processing over 400,000 payslips a month. Supported by a dedicated team of payroll specialists based in Macclesfield near Manchester, the Bureau serves as a dedicated payroll partner, helping ensure you're on track to grow your business.

Fourth's HR and Payroll solution

Our HR and Payroll solutions allow operators to self-serve their own payroll with a platform that connects the entire employee lifecycle. From onboarding and time-tracking to payroll and compliance, Fourth supports accurate pay, consistent policy application, and visibility across sites.

Find out more

400,000
payrolls processed via Fourth's Payroll Bureau

2.8%
Average labour saving

100% CSAT
Score for Fourth's Payroll Bureau

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