Compass
Carter Osborne

Interim and the new *Employment Rights Act*

February 2026

Introduction

Rupert is Compass Carter Osborne's interim specialist. Leading the interim management and change practice, he brings 15+ years experience recruiting C-suite and senior level interim candidates across health, social care and life sciences.

Rupert provides support to organisations with high impact individuals and teams to drive growth, facilitate change and strengthen leadership. He covers a broad range of functional areas including operations, commercial, business development, quality, clinical, finance, HR and digital and can provide rapid access to a network of non-permanent professionals with specialist skills and expertise.

Rupert Mitchell
Principal

0208 036 3534
rupert@compasscarterosborne.com
Connect

Interim Management: A Workforce Model Aligned to PE Reality

Private equity ownership demands pace, flexibility and control. The introduction of the New Employment Rights Act makes traditional employment models less agile and further reinforces the value of interim leadership. The CCO interim practice provides rapid access to a network of proven leaders with specialist skills, operating independently from much of the new legislation and offering an approach that is well aligned to the needs of PE-backed businesses.

The New Employment Rights Act: A Shift in Employment Risk

The Act introduces a series of reforms that collectively increase the cost, complexity and risk associated with permanent employment. The reduction of the unfair dismissal qualifying period from two years to six months materially shortens the window in which performance concerns can be addressed. At the same time, the removal of the previous £118,233 cap on dismissal compensation claims significantly increases potential downside exposure.

Further changes include the introduction of sick pay and parental leave entitlements from day one of employment, extended time limits for employment tribunal claims, and more onerous procedural and documentation requirements. Taken together, these reforms increase employers' exposure to employment-related liabilities and reduce flexibility at a time when agility is critical.

Reflecting on the implications of the Act, one industry leader commented:

"I think organisations need an entirely new strategy to hiring."

How Interim Managers Add Value

Interim managers allow private equity sponsors and portfolio leadership teams to act decisively without creating long-term employment exposure. Engaged on commercial or limited company contracts, interim managers are not employees and therefore sit outside many statutory employment protections. This enables organisations to access senior capability at speed, while maintaining flexibility and control over cost and risk.

Headline Benefits:

- Rapid deployment
- Spend aligned directly to delivery of outcomes
- No redundancy costs
- No employer pension contributions
- No holiday, sick pay or family leave liabilities

Benefits for PE

De-Risking Permanent Leadership Decisions

Under the New Employment Rights Act, the cost of a mis-hire increases materially. Removing a poorly performing permanent executive is likely to be more complex, slower and more expensive than under previous legislation. This raises the stakes of senior hiring decisions, particularly in fast-moving or transformational environments.

Interim leadership provides a lower-risk alternative. Capability can be tested in role before committing to a permanent appointment, interim-to-permanent pathways can be used selectively, and critical leadership gaps can be filled without locking the business into long-term liabilities. This flexibility allows PE sponsors to maintain momentum while retaining optionality.

Accelerating Value Creation Plans

Interim managers are purpose-built for delivery and are frequently deployed by PE firms to drive specific phases of the value creation journey. They are often brought in to execute 100-day plans, lead carve-outs, integrations or restructures, professionalise finance, operations or governance functions, or stabilise businesses ahead of sale or refinancing.

With minimal onboarding and immediate impact, interim leaders ensure that value creation plans remain on track, even as employment regulation becomes more restrictive and permanent hiring decisions carry greater risk.

Cost Discipline and EBITDA Protection

While interim day rates may appear higher on the surface, they often deliver stronger overall economics for PE-backed businesses. Interim managers do not attract employer pension contributions and carry no liability for holiday pay, sick pay or family leave. There are no redundancy costs at the end of an assignment, and spend is directly aligned to defined outcomes and timelines.

Crucially, this model supports EBITDA and cash flow protection at a time when employment costs and liabilities are rising, enabling portfolio companies to remain financially disciplined without compromising on leadership capability.

Exit Readiness and Buyer Confidence

Employment risk is an increasingly important focus during due diligence. Expanded employee rights under the new Act heighten scrutiny around poorly documented employment decisions, unresolved disputes and inflexible leadership structures that may create legacy risk post-acquisition.

Interim managers help mitigate these concerns by keeping leadership arrangements contractual, transparent and time-bound. This reduces embedded employment risk, supports cleaner organisational structures and enhances buyer confidence at exit.

London
Head Office

+44 (0) 208 036 3530

info@compasscarterosborne.com

Follow Compass Carter Osborne

78 Pall Mall, St James's, London SW1Y 5ES

compasscarterosborne.com