

CLIENT GUIDE 4 : REDUNDANCY PAYMENTS AND AWARDS

Redundancies are inevitably on the increase in today's economic climate.

For employees, it is important to understand what you can expect to receive if facing redundancy.

An employee who is made redundant is normally entitled to their contractual notice monies and a redundancy payment.

The amount of a statutory redundancy payment depends on the employee's age, length of service and the amount of a week's pay. If an employee has been in employment for a minimum of two years, the law prescribes a minimum payment of:

- ½ a week's pay for each completed year of employment up to the age of 22
- 1 week's pay for each completed year of employment between the ages of 22 and 41
- 1 ½ week's pay for each completed year of employment after the age of 41.

Under the statutory scheme, a week's pay is subject to a limit – currently set at £330. The maximum payment is 30 weeks' pay (based on 20 years' service over the age of 41).

The length of employment is calculated up to the end of the employee's notice period. If an employee has not been given notice, the period is calculated up to the date the notice period would have expired had the employee been given the relevant notice.

If the contract of employment provides for a redundancy payment that is more generous than the statutory minimum, then the enhanced redundancy payment provisions will apply in place of the statutory minimum payment.

Employers may assert that the provision of an enhanced redundancy payment is discretionary but this will depend on whether a contractual obligation arises based on past conduct or as a result of badly worded drafting of the terms and conditions of employment.

Redundancy payments are usually only made by solvent employers. In cases of insolvent employers, employees may be entitled to payments by the Department for Business, Enterprise & Regulatory Reform in respect of certain debts owed to them by insolvent employers – up to eight weeks' arrears of pay, up to six weeks' holiday pay and up to twelve weeks' pay as compensation if the employer fails to give the proper period of notice of dismissal. In each case, the maximum payment for a week is £330.

If you require more information, please contact **Judith Long**.

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