

What is Redundancy?

Redundancy arises when employees are dismissed because of:

- closure of the business as a whole or closure of particular workplaces;
- a lack of work for the number of current employees;
- there is no longer the need for particular employees to carry out work of a particular kind.

What financial rights is an employee entitled to if they are made redundant?

Notice of Termination

Employees with at least 1 month's continuous service must be given the following minimum statutory notice:

| Service | Entitlement |
|--|---|
| Less two years service | 1 week |
| More than 2 years service but less than 12 years | 1 week for each complete year of employment |
| 12 years or more | 12 weeks (maximum required) |

Accrued Holiday pay

Your employee must receive payment for untaken holidays. You are required to purchase a holiday credit for each week they have been in employment with you from the SNIJIB Holiday Pay Scheme (www.snijib.org).

In the event that you are not in the Scheme, for every month your employee has been employed with you they receive one twelfth of the annual entitlement. As per the SNIJIB, your employee must receive 31 days holiday in one year but if they only work half of that year they will only be entitled to half (15.5 days). Additionally, if they have taken 5.5 days holiday from that year they will then only be entitled to the 10 days holidays untaken.

How to calculate: Every week the employee is employed in the holiday year, he will accrue 0.596 days of a holiday ($31 \div 52 = 0.596$). When he leaves it is the total accumulated for the period minus holidays they have already taken.

$(31 \text{ weeks} \times 0.596 = 18.5 \text{ days} - 11 \text{ days holiday already taken} = 7.5 \text{ days payment for untaken holiday})$

Statutory Redundancy Payments & Calculations

To receive a redundancy payment an employee must have been employed for a continuous period of between **2 and 20 years**. The payment will depend on three details:

1. the continuous length of service;
2. the continuous service in relation to a particular age band;
3. the gross week's pay (before tax).

The Employment Rights Act 1996 (ERA) regulation 162 defines the formula for calculating pay as follows:

| Age category | Number of weeks pay |
|---|--|
| Up to the age of 21 years you receive | 1/2 a weeks pay for each completed year of service |
| Between 22- 40 years of age you receive | 1 weeks pay for each completed year of service |
| 41+ years of age you receive | 1 1/2 weeks pay for each completed year of service |

The maximum pay is currently £719 per week however this is reviewed annually and may change in 2026. The calculation date for a redundancy payment will generally be the date of the statutory minimum notice period.