

## Increase in Redundancy Payments from 1 October 2009

The Government has today confirmed that the limit on weekly pay will increase from £350 to £380 on 1 October 2009. This one off increase was announced in the 2009 Budget to provide larger payments for employees being made redundant in the current recession.

The weekly limit is used to calculate an employee's statutory redundancy payment and also applies when calculating some other types of payment such as the basic award for unfair dismissal. The amount of any statutory redundancy payment or basic award is calculated by reference to a week's pay (capped at the weekly limit) multiplied by a maximum of 20 years' service and the appropriate age factor. Statutory redundancy payments are only payable to those employees with over two years' continuous service. The maximum basic award or statutory redundancy payment will now rise from £10,500 to £11,400 for dismissals which take effect on or after 1 October 2009. It is important to take into account these increases when considering future redundancies because the cost will be greater from October 2009.

Normally the limit on a week's pay is increased in line with the Retail Prices Index every February. Employers will be pleased to know that, in an attempt not to place an undue burden on companies, the Government has indicated that the limit will not be further increased in February 2010. Therefore, after October 2009, the limit on a week's pay will remain £380 until February 2011.

### NEED SOME GUIDANCE? PLEASE CONTACT US ...

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