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Hot Topic – Employment Law

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Increase in Statutory Redundancy Payments

As most people know, statutory redundancy payments are calculated upon age and length of service. What constitutes a maximum 'week's pay' for statutory redundancy pay purposes is usually increased around February of each year. However, in the Chancellor's budget speech he announced that the maximum limit on weekly pay to be taken into account when calculating statutory redundancy pay, is to be increased from its current level of £350 (increased in February 2009 from £330) to £380. Thus, the maximum statutory redundancy payment which an employee can benefit from will now be £11,400.

At the time of writing, there has been no indication of when the increase will be effective nor indeed of whether or not it will affect the calculation of a basic award of compensation in unfair dismissal cases (which is currently calculated on the same basis as statutory redundancy payments).

Employers who are already struggling to keep businesses afloat have openly expressed dismay at the Chancellor's announcement, but those employers might take some comfort from the fact that the increase has not met the demands of trade unions and employee organisations who have been campaigning for an increase to reflect average UK earnings of over £500 per week.

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