

# Redundancy



## What is Redundancy?

As an employer, you may be in a situation where you need to make your PA redundant. This only happens when the job ceases to exist, and it's known as compulsory redundancy. Reasons might include:

- You are moving to residential care.
- Your budget is reviewed and you no longer receive a Direct Payment.
- Your situation or health changes and your PA does not have the skills to meet your new requirements.
- You are moving to a different location.
- On your death.

You cannot simply make your PA redundant because you are unhappy with them or their work - you must follow a disciplinary and dismissal procedure.

## What is redundancy pay?

All employees have certain rights and may be entitled to redundancy pay if they are made redundant. To be eligible, your PA must:

- be an employee working under a contract of employment, and
- have at least 2 years' continuous service.

## What is the rate for statutory redundancy payments?

Your PA will be entitled to a payment of:

- 1.5 weeks' pay for each year of employment after their 41<sup>st</sup> birthday
- 1 week's pay for each year of employment after their 22<sup>nd</sup> birthday
- 0.5 week's pay for each year of employment up to their 22<sup>nd</sup> birthday

The redundancy payment will be calculated by your payroll provider, so you don't need to worry. You will receive a pay slip setting out the amount you need to pay your PA.

The maximum weekly earnings are currently capped at £719 and the length of service is capped at 20 years.

## Does my PA have to pay tax on the payment?

Redundancy pay is not taxable if it is less than £30,000. Nor will the payment be subject to National Insurance. Other termination payments, like payment in lieu of a holiday or notice, must have tax and National Insurance deducted.

## What period of notice of redundancy must I give my PA?

You will need to give your PA notice of redundancy and agree a leaving date. You should give your PA at least the statutory notice period, based on how long they have worked:

- 1 month to 2 years - at least a week
- 2 years to 12 years - one week's notice for every year employed
- 12 or more years - 12 weeks

### **Do I need to pay PA wages for a notice period?**

You must give staff notice pay, based on their pay rate and notice period. You can also make payment in lieu of notice if you do not need them to work this period. Your payroll provider can work this out for you and the amount due will be included on the final pay slip, along with any annual leave the PA may be entitled to.

**Please note:** If the redundancy is because of the death of an employer, this is treated in a slightly different way. In law, redundancy will not be the reason for the end of the contract and there is no 'dismissal'. The contract of employment will end by way of 'frustration' and the notice period is not taken into account. Although it is not treated as a redundancy as such, the PA is still entitled to redundancy pay where they have the appropriate length of service.

### **What if there are not enough funds in my DP account?**

Your employer's liability insurance should have a level of cover for redundancy and AoD can help you make a claim for up to £3,000 (Fish Insurance) or £4,000 (Mark Bates Insurance). This may depend on the circumstances of the employer and is not guaranteed. If the insurance does not cover the redundancy cost in full, so it is possible that the employer may need to cover the balance. You should check the Direct Payment Agreement signed by the client for details of responsibility for making redundancy payments.

### **Is there any help for a PA being made redundant?**

Your PA can contact the local Jobcentre and ask for their Rapid Response Service:

- if they suspect they are going to be made redundant
- during their notice period
- up to 13 weeks after they have been made redundant

ACAS also has an on line redundancy helpline. For information go to [www.acas.org.uk](http://www.acas.org.uk) and click on Advice and Guidance.

Please don't worry, we can help! For further information, contact the DP team:

 **020 3080 0380**

 **dpsupport@aod.org.uk**

 **[www.aod.org.uk](http://www.aod.org.uk)**