

Information Sheet - Institute of Welfare

Redundancy

The concept of redundancies falls on the demand side of the labour market framework. They occur when an employee leaves a job because the position no longer exists or it ceases to exist in the place where the employee worked. This may be the result of a fall in an organisation's employment requirements, a restructuring of the organisation, or a combination of both.

Redundancies can be either voluntary or involuntary. Employees take voluntary redundancy when they agree to leave a post that is being removed from the workplace. In contrast, involuntary redundancy occurs when the job loss is forced upon the employee.

Employers are required by law to inform and consult employee representatives over planned **collective redundancies** and transfers of undertakings.

Key Points: -

Redundancy has two different meanings for the purposes of UK employment law. One to establish entitlement to redundancy payments and one for the right to be consulted.

For entitlement to redundancy payments, under the Employment Rights Act 1996, redundancy arises when employees are dismissed because:-

- the employer has ceased, or intends to cease, to carry on the business for the purposes of which the employee was so employed
- the employer has ceased, or intends to cease, to carry on the business in the place where the employee was so employed
- the requirements of the business for employees to carry out work of a particular kind has ceased or diminished or are expected to cease or diminish

For the purposes of the right to be consulted, which applies when an employer proposes to make 20 or more employees redundant over 90 days or less, the law defines redundancy as:

“dismissal for a reason not related to the individual concerned or for a number of reasons all of which are not so related.”

Redundancy Payments:

A payment is due only if the worker is an employee. For example, the self employed, freelance agents or partners do not qualify.

The employee must have at least two years continuous service. Service before the age of 18 does not count. Also, those who would reach the age of 65 before the date of dismissal do not qualify for a redundancy payment.

If an employer is thinking of dismissing an employee on the grounds of redundancy they must follow a standard dismissal procedure. This normally involves writing to the employee, setting out the reasons for the dismissal; meeting with the employee to discuss the dismissal; and, where necessary, holding an appeal. This procedure does not apply to some collective redundancies.

Further information is available at:-

www.gov.uk/browse/working/redundancies-dismissals

www.acas.org.uk/index.aspx?articleid=1611