Making staff redundant: a guide to the redundancy process in the UK

Making redundancies can be a stressful time for both you and your staff. We've collaborated with Wilkes to produce this guide full of practical advice that makes the process clear, and helps you deal with redundancy dismissals as fairly as possible.

Before you make the decision to start a redundancy process in your business, it’s important to double-check that you’ve considered other potential alternatives first. For example, [**layoffs and short-time working**](https://www.farill.io/guides/guide-to-layoffs-and-short-time-working) may be a better solution for temporary work shortages. (We'll touch on a number of other alternatives below too.)

However, if none of the alternative options work for you, you probably need to consider redundancy.

You should have an existing [**redundancy policy**](https://www.farill.io/templates/redundancy-policy/preview). This will steer you through the logistics and time-frames involved in the process, because redundancy is a very process-driven exercise and it’s important to ensure that you take the essential steps at the right time, with the right people and using the most appropriate communications and choice of wording.

Meanwhile, this guide provides a step-by-step recipe, bringing together all the relevant materials, options, calculations and legal necessities, to help you make the process as smooth and fair as possible for both you and your employees.

Even with this guidance, we strongly recommend that you also take good expert advice on how to approach and manage this process. It will help to avoid inadvertent omissions or errors that can cause difficulties later.

Employees who have less than 2 years' service with your business

There's no prescribed process for making someone redundant where they have less than 2 years' service as one of your employees.

This means that if an employee hasn’t yet worked for you for at least 2 years, you don’t need to go through the full redundancy process. Instead, you'd likely serve the employee with notice under their normal contract terms.

You do, however, need to ensure that you're following a fair and compliant procedure for any dismissal. The best way to ensure you're doing this is to follow the steps outlined in your redundancy policy and/or according to the relevant employment contract terms.

Check the contract terms

Make sure you check these, in each case, as some contracts will contain obligations on you relating to dismissal processes and your employee's rights and you will need to comply with them.

Length of service does not preclude claims

Just remember that an employee can still challenge your decision to dismiss them for a number of reasons, including unfair dismissal and/or discrimination.

Less than 2 years' service does not preclude these types of claim.

Employees who have more than 2 years' service with your business

If an employee (or more than one affected employee) has been working with you for at least 2 years, you’ve already ruled out other solutions, and you have valid reasons for making redundancies, then you’ll need to formally notify that employee (or employees) of the potential redundancy situation and that it is possible their job within your business may be affected.

This guide continues on the basis that you know you need to run a redundancy process and it's time to share that news with your staff.

Making more than 20 employees redundant

If you’re making more than 20 employees redundant, you’ll also need to go through an additional process called 'collective consultation'.

This is where staff are given 1–2 weeks to elect representatives to consult with your management on their behalf.

These elected representatives can be a valuable help to you and to your affected staff, as you progress through the redundancy process. They are able to gauge sentiment, relay staff anxieties to you, help you to manage these and explain why there may be no way to avoid what is happening, etc.

Elected representatives have the right to reasonable paid time off to carry out their representation duties. They are also protected against dismissal and any other detrimental treatment.

They are not entitled to extra pay or any other benefit, however.

If you need to invite staff to elect representatives because you fall into a 'collective consultation' situation, you can use our [**template invitation**](https://www.farill.io/templates/invitation-to-elect-employee-representatives/preview) when prompted to do so later in this guide.

There's also a [**nomination notice**](https://www.farill.io/templates/nomination-notice-collective-redundancy/preview) that you'll need to make available to your staff at that stage, so they can put forward their nominations for the position(s).

Trade union representatives

If your staff have a trade union representative (take a look at our [**guide to trade unions**](https://www.farill.io/guides/employers-guide-to-employees-and-their-trade-union-rights) for more information on this), you’ll need send to the trade union written information (in [**form HR1**](https://www.gov.uk/government/publications/redundancy-payments-form-hr1-advance-notification-of-redundancies)) about the redundancy situation, and be prepared to work with the trade union and its representative(s) **before** starting the collective consultation process.

When this situation arises...

Taking advice is invaluable where you believe you're going to need to let more than 20 employees go.

In reality, you're unlikely to be considering this staffing impact in isolation of wider business activities (e.g. sale of a business, restructuring activities, shutting a business unit down), on which you are probably already taking advice from legal and/or tax and financial experts.

How long does the redundancy process take?

For redundancies affecting fewer than 20 employees, it’s possible that a redundancy consultation could complete within 2 weeks – but often it takes longer, and it’s important to take the time needed to ensure everyone receives a fair consultation, otherwise, as an employer, you may be legally vulnerable to challenge by your affected employees.

For redundancies affecting 20 employees or more, the consultation process (described earlier as the collective consultation), must continue for longer as a matter of law – precisely 30 days for 20–99 redundancies and 45 days for 100 or more redundancies.

So far as possible, you should take reasonable steps to ensure that all affected employees have received all your redundancy-related communications.

What you need to run a redundancy process

Here's what you should have to hand and expect to be using during this process:

1. Your [**redundancy policy**](https://www.farill.io/templates/redundancy-policy/preview)
2. Template [**letter warning employees of a potential redundancy situation**](https://www.farill.io/templates/template-letter-warning-employees-of-a-potential-redundancy-situation/preview)
3. Template [**letter inviting employees to elect employee representatives**](https://www.farill.io/templates/invitation-to-elect-employee-representatives/preview), if you're making more than 20 employees redundant (you don't need this otherwise)
4. Template [**letter inviting applications for voluntary redundancy**](https://www.farill.io/templates/letter-inviting-volunteers-for-redundancy/preview)
5. The [**redundancy calculator**](https://www.gov.uk/calculate-employee-redundancy-pay), helping you to work out to what affected staff may be entitled as payment from you, if you do make them redundant
6. Template [**redundancy consultation and provisional selection letter**](https://www.farill.io/templates/template-redundancy-consultation-and-provisional-selection-letter/preview)
7. Template [**second redundancy consultation and confirmation letter**](https://www.farill.io/templates/template-second-redundancy-consultation-and-confirmation-letter/preview)
8. Template [**letter informing employee they are being made redundant and their employment will be terminated**](https://www.farill.io/templates/template-notice-of-termination-of-employment-redundancy-letter/preview)
9. Template [**invitation to appeal hearing (about redundancy) letter**](https://www.farill.io/templates/template-invite-to-appeal-hearing-letter/preview) - responding to an employee appeal about their termination
10. Template [**decision on appeal (about redundancy) letter**](https://www.farill.io/templates/decision-on-appeal-redundancy/preview) - to confirm your final decision on the employee's redundancy position, following an appeal meeting

Put your redundancy policy in place

Redundancy Policy

Every redundancy process should be run according to your redundancy policy. Ideally, this should be in place from the outset of recruiting staff in your business.

If you don't already have one, you can use our [**template redundancy policy**](https://www.farill.io/templates/redundancy-policy/preview) to get one in place ASAP.

What does a redundancy policy contain?

A good redundancy policy will:

* **make clear that it only applies to your employees**, not any other form of worker.

Self-employed contractors, consultants and/or agents are not covered by this policy. Termination of your relationship with these folks will depend on your contract terms, and, in the case of agents, on additional legal obligations that exist even outside your contact terms (see our guide to [**commercial agency relationships**](https://www.farill.io/guides/guide-to-the-commercial-agents-regulations-1993-regulations))

* **not have contractual status in any employment contract** that you put in place, (but your employment contracts should all reference it, make clear that you expect all employees to comply with it and give you the right to update or revise it, in your discretion and when you want to)
* **include all the statutory requirements** for running a redundancy process, as well as any optional elements for you to consider
* **describe in detail, the process that you will follow** if a redundancy situation arises within your business; including the alternatives that you will consider to try to avoid having to let staff go, how employees can contribute constructively to discussions to also help avoid redundancies, and what happens if any employee wants to appeal any redundancy decision that you may ultimately make.

All steps that you take next should be guided by, and consistent with, the redundancy policy that you have put in place for your business.

Template Letter 1 - warning employees of a potential redundancy situation

You should use this letter when you are facing a situation where you may have to let some employees go and you will not be replacing them.

[**Letter warning employees of a potential redundancy situation**](https://www.farill.io/templates/template-letter-warning-employees-of-a-potential-redundancy-situation/preview)

This is the first letter in any redundancy related communications with your employees and **before** you start one-to-one communications with employees who have been identified as being potentially at risk of redundancy.

Warn employees verbally first if at all possible

Before you send this letter, in an ideal world, you would have called your employees together so that they first hear this news from you directly.

Whether that communication is via Skype, a conference call, or in a meeting room, does not matter. What counts is the fact that your employees can see you taking the time to run a human, sensitive process.

The more effort that your staff can see you have gone to, to make this process kinder for them, the more you optimise your prospects of running a less acrimonious and stressful process.

Both the letter that you send and your verbal communication should make clear:

* why redundancy is needed
* why particular employees' job may be affected
* how you have looked at alternative options to avoid / reduce the need for redundancies, and
* that you're inviting employees to contribute suggestions for how redundancies might be avoided.

Explaining why the situation has arisen

You'll see that the template letter prompts you to make this clear to your staff.

The circumstances leading up to a contemplated redundancy are always fact- sensitive to an employer’s situation. And much of your success in managing a redundancy process successfully is in communicating well with employees.

It's a good idea to take legal advice when you’re drafting this wording. Employees can act unpredictably and in all sorts of different ways when faced with redundancy. It’s helpful to have an expert on your side, helping you to gauge what’s normal, reasonable, common and, of course, legally acceptable.

Additional wording if you're making 20 or more employees redundant

The templates includes some additional optional wording referring to the staff consultation process that you'll need to select, if you’re contemplating making 20 or more employees redundant.

And if you *are* contemplating this, you'll need to send out the [**invitation to staff to elect representatives**](https://www.farill.io/templates/invitation-to-elect-employee-representatives/preview) letter immediately after this step.

The alternatives to redundancy that you've considered

The template guides you through including this important explanation.

You’d be expected to be considering, a number of the following possible alternatives to compulsory redundancies - as appropriate:

* restrictions on recruitment
* offering alternative employment elsewhere within the business
* re-training employees to take roles elsewhere in the business
* offering voluntary early retirement under the pension scheme, voluntary redundancy or short-time working and restricting overtime
* strategic re-organisation
* sale of a business or investment

Identifying who will be affected

You will also be expected to make this clear and the template prompts you to set out which 'pool' or group(s) of staff will be most at risk of redundancies. It might be that all staff are affected, if your business is very small.

Criteria for selection

When you identify those affected and those provisionally selected for the next stage of consultation, you'll need to apply fair and quantifiable criteria to your employees. And you must do this impartially, keeping good records of your assessment process and outcome in each case.

If there is a trade union, you’ll need to consult with them on the specific criteria you propose to use, but typically, you can, for example, base your decision on criteria such as:

* length of service
* performance
* qualifications
* skills
* experience
* attendance (taking into account the reasons for any absences), or
* disciplinary record.

**Automatically unfair criteria for identifying a redundancy candidate(s) include the following:**

• Maternity, paternity, adoption, parental leave, or time off for dependents

• Trade union memberships

• Part-time or full-time employee status

• Age, race, gender, sexual orientation, disability, religion, or marital status

You can also invite employees to put themselves forward for voluntary redundancy or early retirement; but if you do, you should make the offer to everyone (or everyone in the division or location affected by potential redundancies) rather than only specific employees. (See Template Letter 3)

Template Letter 2 - Invitation to staff to elect representatives (collective consultations only)

You should use this letter if you believe you're going to need to let 20 or more employees go (a collective redundancy situation). If less than 20 employees are at risk, you can skip this step.

[**invitation to employees to elect employee representatives (collective redundancy process)**](https://www.farill.io/templates/invitation-to-elect-employee-representatives/preview)

Can an employee nominate themselves?

Yes. They can – provided that they are among the group of employees identified as affected by the redundancy risk at the date where the elections are scheduled to take place.

Criteria for eligibility to be a representative

In addition to being an affected employee, the sort of eligibility criteria that you’d may want to specify here would include things like:

* the nominated employee having been an employee with your business for at least a minimum period of (stated) time, and
* that the candidate is not serving out their own notice at the time the elections take place.

Number of elected representatives

How many elected employees you decide to specify (you'll see the letter contains wording setting a maximum number) will be quite fact-dependant.

You’ll need to reach a view depending for example, on:

* how many employees are affected
* whether the employees are all based in the same location or spread out (if the latter, that’s an indication that at least one representative at each affected site makes sense)
* how senior the affected employees are – senior roles are typically closer to the strategic management reporting and decision-making process and may have a more extensive understanding of the situation (and so need less extensive numbers of representatives) than those much further removed from it
* which areas of the business are affected and what the impact on them is likely to be.

It’s a good idea to run your proposed number of candidates by an expert adviser. This is particularly sensible where there may be trade unions involved.

Our [**Speak to an Adviser**](https://www.farill.io/speak-to-an-adviser) service can get you practical, fast support on this point.

The employee nomination notice

Alongside this election invitation letter, you should also provide employees with your agreed format for a nomination notice.

There are certain legal requirements for the format of this notice. You’ll find a copy of it annexed to the above invitation letter template and your employees must use this format if they wish to elect a colleague to represent them.

There is also a separate template version of this nomination notice on Farillio, so that you can make it generally available to your employees for them to elect their preferred representatives, if they want to do so (they’re not obliged to).

[**Nomination notice for employee elected representatives**](https://www.farill.io/templates/nomination-notice-collective-redundancy/preview)

Does the nominee need to confirm their consent to the nomination?

This is not legally mandatory, but it is helpful in terms of ensuring that precious time and effort is not wasted with nominations of individuals who would not be willing to perform the role.

Template Letter 3 - Invitation to staff to request voluntary redundancy

Although you’re not legally obliged to offer employees the opportunity to apply for voluntary redundancy, providing it can bring costs- and time-savings for employers.

This letter sets out your invitation to affected employees to consider putting themselves forward for consideration.

[**invitation to employees to request voluntary redundancy**](https://www.farill.io/templates/letter-inviting-volunteers-for-redundancy/preview)

The terms of the voluntary redundancy package

You'll see that the Farillio template steers you to set these out. You need to provide this detail. This is an area where we definitely recommend you taking some expert advice.

You will need to explain in this communication, and in the wider ongoing discussions with your employees, that you’ll be considering, for example:

* **affected employees’ length of service and age** (this information is necessary in order to calculate entitlement to statutory redundancy pay)
* **the redundancy pay calculation**. You may decide to simply offer statutory redundancy pay, or offer a higher sum, at your discretion.

If you’re going to offer more than the required legal minimum, you should probably make this clear, as it can act as a bigger incentive to volunteer.

(You can use the government’s handy redundancy pay calculator to help you work this out, when you come to actually calculating the sum applicable to each individual – obviously you won’t be able to specify that in this general communication.)

* **The employee’s contractual notice entitlement** – and any employee-favourable revisions to this that you may be prepared to offer/agree
* **Payment of the employee’s outstanding holiday pay**
* **Any additional ‘sweetener’ payments** (typically called ‘ex gratia payments’) that you may be prepared to offer in your discretion, again, as an incentive for employees to step forward and take up the offer.

If you offer any optional payments or agree any other positions to which the volunteer employee is not contractually entitled, just remember to treat all similar employees in the same way – unless there are exception reasons that justify you not doing so.

This way, you can ensure you are not discriminating between redundancy candidates in a way that could lay you open to a claim by a disgruntled employee who feels they’ve been less favourably treated than other colleagues.

Date for applications to be received

A reasonable time frame must also be given here.

Some of this decision will be driven by the circumstances of your redundancy situation and you may not have lots of time to spare.

14 days (10 working days) is typically considered a reasonable period for applications to be received, once the letter has been sent to your affected employees.

The ‘hard-stop date’

You’ll need to state the deadline date for changes of mind amongst applicants for voluntary redundancy.

There is no set rule for how long this time frame should last.

It needs to be sufficiently lengthy for the volunteer employee to find out all that they need from you and to consider whether they remain willing to complete the process.

A reasonable time period would typically be 14 days (10 working days).

You are not obliged to accept a request for voluntary redundancy

But if you have requested applications, you must consider each fairly and according to objective criteria that you have set in place for this decision-making process.

Template letter 4 - redundancy provisional selection and consultation letter

You should use this letter when you have provisionally selected an employee for redundancy and you need to consult with them individually about this for the first time.

[**Redundancy provision selection and consultation letter**](https://www.farill.io/templates/template-redundancy-consultation-and-provisional-selection-letter/preview)

This is typically the first of the one-to-one communications that you'll have with employees who fall within the pool of staff whose jobs may be at risk.

This will be the first time that an affected employee has had it confirmed that their particular job is at risk.

As before, if you can discuss this with the employee before you hand them this letter, the more you can ensure that they understand what this means for them and that they are not feeling unfairly singled out.

Following on from the initial warning letter, you'll see that this letter prompts you to reiterate:

* **the reasons/events** etc. that have led to your business concluding that it is necessary to make redundancies and
* **the effect of this conclusion** on the relevant part/location/division or department of your business
* **the steps you've taken so far to try to avoid** making compulsory (non-voluntary) redundancies

Explain what you've considered to avoid making employees redundant

In relation to the final point above, you may be considering a number of steps here, such as:

1) placing restrictions on recruitment activities

2) offering alternative employment to staff at risk of redundancy elsewhere within the Company

3) re-training employees to be able to work differently and therefore remain in employment

4) offering voluntary early retirement under the pension scheme

5) voluntary redundancy

6) short-time working and/or

7) restricting overtime.

It's helpful to list in this letter all the options that you’ve been considering and to explain that in spite of your efforts to make any of these options, alone or in combination, suffice to address the challenges faced by your business, you have not been able to avoid redundancies.

Explaining the criteria you've used to select the pool of affected employees

The template also guides you through your explanation of your redundancy selection criteria too. The earlier guidance on which criteria is appropriate is very relevant to what you say here.

You are not obligated to disclose the actual score attained by an affected employee, though (and you should not disclose the scores of other employees).

It can help to show the employee their score, however. Because while an employee might not like the score that you have reached, explaining it now may help to prevent more time-consuming and protracted challenges later on, as it provides the opportunity for a full understanding by the employee of the decision-making process, and ensures a more robust and defensible process for you, as a result.

No final decision has been reached

The template makes this clear and encourages the employee to contribute ideas to the discussions to see whether their redundancy can be prevented.

Details of a consultation meeting

You'll see that the template contains suggested wording to help you describe next steps in the process and to manage the employee's expectations.

The wording in the Wilkes template also reassures the employee that they can have a companion at this meeting, in a supporting role. This person can assist them but cannot speak for the employee.

In a redundancy situation, you're not obliged to allow the presence of a trade union representative or other companion, but it's considered good practice to permit this.

Next steps

After the initial news about redundancy selection has been discussed, the first thing that employees often want to understand is what they will be paid in consequence of being made redundancy.

The template contains suggested wording as well as guidance to you about how the payment elements work and which components you'll need to tackle.

Additionally, it helpfully covers what are called '*ex gratia*' payments, i.e. optional payments that you are not legally obliged to make, but which you might choose to make.

There's more guidance about calculating redundancy pay further on in this guide.

Template Letter 5 - Second redundancy consultation and confirmation

You should use this letter when you have provisionally selected an employee for redundancy and you have already consulted with them individually once already about this for the first time.

[**Second redundancy consultation and confirmation letter**](https://www.farill.io/templates/template-second-redundancy-consultation-and-confirmation-letter/preview)

This letter assumes that you have sent the earlier letters in the redundancy suite.

It provides the employee with feedback on the process so far, and informs them that in spite of your efforts, you have so far not been able to identify an alternative to making them redundant.

The wording also makes clear that you have not yet reached a firm conclusion and you are continuing with your process - meaning that you are still open to suggestions or ideas from the affected employee.

Are you obliged to offer suitable alternative positions to the employee?

As an employer, you have an ongoing duty to continuously explore ways to avoid a redundancy situation, including by looking at alternative roles within the organisation.

You don't have to explicitly say this within the letter though it does often help to generate goodwill and to reassure the employee that you are treating them fairly and respectfully.

If there is suitable alternative employment, this avoids a redundancy situation and therefore means that the employee will not be entitled to statutory redundancy pay.

It's helpful to make this clear to the employee, as they may otherwise have the expectation of getting some money *and* staying employed.

Invitation to a further consultation meeting

There is a general duty in a redundancy exercise for the employer to have 'meaningful consultation' with the affected employees.

This could just mean having one consultation meeting. These template letters recommended by Wilkes have been drafted based upon 2 (or more) meetings being held with the affected employees.

This is in line with recommended good practice.

Details about what happens if the redundancy is confirmed

Finally, the letter also covers what the employee can expect if you ultimately conclude that there is no other option but redundancy in their case.

Template Letter 6 - Redundancy Termination

You should use this letter when you have reached a decision to terminate an employee’s contract with you, because of a redundancy situation.

[**Notice of termination of employment (redundancy) letter**](https://www.farill.io/templates/template-notice-of-termination-of-employment-redundancy-letter/preview)

This is the final letter that an employer would send in a redundancy situation, unless the employee appeals the decision.

The letter recaps the process that you have followed, explains the conclusions that you have reached and sets out, in detail, what this means for the individual employee in terms of their notice period and rights.

Your duty to keep looking for alternatives

You'll see that the template explains your continued commitment to trying to find an alternative to making the employee redundant, even while the employee is serving out their notice period.

The employee's right to appeal

The employee has a right to appeal your decision, you should inform them of this and you should be prepared for them to appeal. If you've run a good redundancy process to date, you should be in a good position to defend your decision without external reproach.

Template Letter 7 - Invitation to redundancy appeal meeting

You should use this letter when an employee/worker has appealed against a decision that you’ve taken during your redundancy process.

[**invitation to redundancy appeal hearing**](https://www.farill.io/templates/template-invite-to-appeal-hearing-letter/preview)

The invitation sets out the logistics for the appeal hearing and provides an opportunity to attach any documentation that you are relying on to justify your decision that the employee must be made redundant.

This documentation may include materials that the employee has previously seen, such as your selection criteria, the employee's score against that criteria, any notes or correspondence (including emails) you have with other colleagues about the possibility of finding the employee a role within another part of your business, redundancy pay calculations, etc.

It's important to present a complete picture of your process and all the steps that you have taken in relation to your staff and the affected employee who has appealed.

Who should chair the meeting?

It's good practice to have the appeal hearing chaired by someone other than the person with whom the majority of the redundancy discussions have taken place. This may not always be possible, but where you can achieve this with someone of suitable management authority and experience, it is recommended.

Template Letter 8 - Outcome of appeal (redundancy)

You can use this letter to confirm your final decision on the employee's redundancy position, following the appeal meeting.

[**Decision on employee appeal (redundancy)**](https://www.farill.io/templates/decision-on-appeal-redundancy/preview)

Giving the reasons for your redundancy decision – in all cases

The Acas Code\* recommends that an employer should inform the employee of the outcome of the appeal in writing as soon as possible after the hearing.

There are no formalities about the content of this letter.

Nevertheless, it is advisable to make clear the reasons for your decision in a reasonable level of detail.

The decision taken at the appeal stage is equally open to scrutiny as the original decision. It should never be viewed as a rubber-stamping exercise.

Take care to ensure that you have addressed each ground of appeal that the employee has raised.

(\* The Acas code is a UK code of practice for employers to follow when handling employee performance concerns and/or employee complaints in the workplace.

Employers aren’t legally obliged to follow the code, but not following it (or not running a process that is consistent with it) is likely to negatively influence an employment tribunal’s attitude towards you as an employer, if you end up defending yourself against an employee claim in a tribunal hearing.)

Apart from consultation, what other rights do employees have?

Redundancy rights for eligible employees include:

* time off to look for work
* a notice period (or payment in lieu of notice)
* a payment in place of accrued but unused holiday entitlement
* a consultation with their employer, and
* redundancy pay (if the employee has served at least 2 years’ they are entitled to statutory redundancy pay).

The ability to seek out other work

You should offer redundant employees alternative employment within your business where possible.

The offer should be unconditional, in writing, offered before their current contract ends, and it should start within 4 weeks of their current contract ending.

The employee is entitled to accept the new role on a trial basis for 4 weeks and may still be entitled to redundancy pay if they decide the alternative job isn’t for them.

If an employee unreasonably refuses an offer of suitable alternative employment, they will lose their right to a statutory redundancy payment - and you should make them aware of this.

You should also give redundant employees time off when needed for job seeking, interviews, and/or training.

A notice period

Notice period entitlements vary:

* if the employee has worked for you between 1 month and 2 years, this should be at least 1 week.
* for employees who’ve worked for you for over 2 years, you should give them 1 week for each year to a maximum of 12 weeks.

Payment in place of serving out their notice period

If you have a clause in the employee contract that permits this, employees can leave the role earlier if you offer them payment instead of notice.

The usual deductions must be made

This payment must have NI and tax deducted and must include pension contributions and any other agreed benefits.

You should also consider whether the employee is due a payment in place of any accrued but unused holiday entitlement. If so, any such payment would be subject to the usual deductions for tax and National Insurance.

Redundancy pay

Eligible employees who’ve worked for you for over 2 years are entitled:

* **to 0.5 weeks of pay** for each working year for employees under 22 years of age
* **1 week of pay** for each working year for employees between 22 and 41, and
* **1.5 weeks of pay** for each working year for employees over 41.

This is up to a maximum of 20 working years with a maximum weekly pay of £508, and a maximum statutory pay total of £15,240.

(These rates of pay change every year and the rates shown apply to redundancy dismissals taking effect from 6 April 2018.)

The government has a handy [**redundancy calculator tool**](https://www.gov.uk/calculate-employee-redundancy-pay) which can help you work out what you're legally obliged to pay your affected employee(s).

Tax-free elements of redundancy pay

Tax is only charged on amounts over £30,000, and you don't need to pay NI contributions on redundancy payments either.

**Note:** this tax-free advantage doesn't include other termination payments such as pay in lieu of notice, which is subject to usual taxes.

So always make the redundancy pay the first element in any calculation of overall payment due.

You’re free to give your employees more than the statutory amount, or if you have employees who’ve worked fewer than 2 years for you, you’re also able to give them redundancy pay at your discretion.

The right to appeal

If an employee doesn’t agree with a decision to make them redundant, they are entitled to appeal.

The employee, their representative, employer and a note-taker should attend an appeal hearing where the employee can challenge the redundancy decision.

This will run just like any other appeal, which you can read more about in our [**guide to grievance hearings and appeals**](https://www.farill.io/guides/guide-to-grievance-hearings-and-appeals).

To invite your employee to the appeal hearing about their redundancy position, you can use our [**invitation to an appeal hearing**](https://www.farill.io/templates/template-invite-to-appeal-hearing-letter/preview) template letter.

What happens if an employer can't afford the redundancy payment?

The Insolvency Service’s Redundancy Payments Office may be able to help if statutory redundancy payments would likely result in your business becoming insolvent - or if your business is already facing an insolvency situation.

You can call the Redundancy Payments Helpline on 0845 145 0004.