

## Redundancy

A redundancy situation generally arises where an employee's job no longer exists and they are not replaced. This can occur when a company closes down or goes into liquidation or receivership. It can also occur where an employer reduces the number of staff perhaps due to a recession.

- Statutory redundancy pay is tax-free.

## Voluntary Redundancy

Voluntary redundancy situations arise when an employer requires fewer workers and asks for employees to volunteer for redundancy. The employees who volunteer for redundancy have to satisfy the general conditions attached to qualifying for a redundancy. There must also be a genuine redundancy situation.

## Written periods of notice

An employer is obliged to issue a written notice of redundancy to the employee ([Form RP50](#)) and to send a duplicate of the form with the employee's signature to the Department of Enterprise, Trade and Employment. Generally, the minimum period of notice will depend on a person's length of service or the period of notice in the person's contract of employment. The following table lists the minimum period of notice which a person is entitled to receive.

Length of employment	Minimum Period of Notice
Less than 13 weeks	Nil
13 weeks - 2 years	1 Week
2 years - 5 years	2 Weeks
5 years - 10 years	4 Weeks
10 years - 15 years	6 Weeks
More than 15 years	8 Weeks

The employee is entitled to reasonable time-off to look for work during their period of notice.

If you do not get the amount of notice to which you are entitled you can get payment instead of notice. This payment is not regarded as wages or salary but as compensation for loss of employment. It is not, therefore, subject to the normal tax and PRSI. (If you work for the period of notice you pay tax and PRSI in the normal way.)

### **Eligibility criteria for Statutory redundancy payments**

In order to be eligible for a statutory redundancy payment, an employee must:

- Be aged over 16 years of age
- Be in employment and paying PRSI contributions, which are insurable for all social welfare benefits. Currently this is only a PRSI Class A contribution
- Have worked continuously for the employer for at least 2 years (104 weeks)
- Have been working continuously for the employer for more than 2 years if working part-time

### **Redundancy payments**

Redundancy payments are payments made to people who have lost their job as a result of a redundancy and who satisfy the eligibility conditions. The Statutory Redundancy payment is the minimum payment received by a person who qualifies for a redundancy payment. However, many employers make provision for redundancy payments above the statutory requirements.

## **If an Employer fails to pay a statutory redundancy payment**

Employers are obliged to make redundancy payments. In situations where the employer is unable to pay employees their entitlements, the Department of Enterprise, Trade and Employment pays the full amount direct to the employees. The employee should complete the [RP50 Form](#) and send it into the Department. These applications are usually a priority for the Department.

## **Redundancy payments and tax**

The statutory redundancy payment, or the statutory redundancy part of an enhanced redundancy payment, is tax-free. Any enhanced element of a redundancy payment is liable for tax.

## **Calculating a Redundancy Payment**

The amount of the Redundancy payment is determined by the employee's length of continuous service and weekly earnings. Weekly earnings include gross weekly wage, average regular overtime and benefits-in-kind. Currently, the maximum weekly amount for a statutory redundancy payment is €600.

If an employee is eligible for a Redundancy payment, they are entitled to: two weeks pay for each year they have been employed and a bonus week's pay

If an employee has worked part of a year, they are entitled to two weeks multiplied by the part of the year they have worked.

Breaks in service may be taken into account when a statutory redundancy payment is being calculated, though any breaks are only relevant for the three years prior to being laid off.

#### **Example - Calculating a Redundancy Payment**

A person has worked for an employer for 8 years and 200 days. Their statutory redundancy payment will be calculated as follows:

Two week's pay  $\times$  8 = 16  
+ Two week's pay  $\times$  200 days (400 days) = 1.15  
+ A Bonus week's pay = 1

Total Statutory Entitlement 18.15 weeks

A [Redundancy Calculator](#) is provided by the Department of Enterprise, Trade and Employment. This allows employees to calculate how much statutory redundancy they are entitled to based on their circumstances.

#### **A disputed redundancy situation**

If a redundancy situation is disputed, it can be submitted to the [Employment Appeals Tribunal](#).

The Tribunal is an independent body established to provide a speedy, inexpensive and relatively informal means for the adjudication of disputes that come under its scope, including redundancy situations.

#### **Other aspects of losing your job**

You may be entitled to some holiday pay and/or pay in lieu of notice.

## **Pension contributions**

If you were a member of an occupational pension scheme and you leave your job, whether voluntarily or otherwise, you are entitled to preserved benefit if you have 2 years contributions. You can only get a refund of your contributions if you have less than 2 years' contributions and these refunded contributions are subject to tax at 20%.

You can leave the preserved benefit where it is and claim it when you reach the appropriate age or you may have it transferred to your new employer's pension scheme or to a life assurance annuity contract or to a Personal Retirement Savings Account (PRSA).

## **Money the employer owes to you**

If your employer owes you wages or salary, you may look for the money from him/her directly or you may sue him/her. If your employer is insolvent, then this money may be claimed from the Social Insurance Fund.

## **Last day at work**

On this day, you should get whatever money is due for redundancy, wages, holidays, and payment instead of notice. You should also get a document called a P45. The P45 states the amount of pay you received to date, the amount of tax and social insurance (PRSI) you paid to date and the name of your employer. You need this to establish your claim to Jobseeker's Benefit and to allow you to claim any tax refund that may be due.

## **Claims from the Social Insurance Fund**

The Social Insurance Fund exists primarily for social insurance payments and benefits but it also incorporates the Redundancy and

Employers' Insolvency Fund which was set up to meet various payments owed to workers by insolvent employers.

### **What may be claimed from the Fund**

The statutory redundancy payment may be claimed from the Fund but you may claim some other things if your employer is unable to pay.

These are:

- Any arrears of normal weekly pay, up to a maximum of 8 weeks pay, in the 18 months prior to the insolvency
- Any arrears in respect of the company's sick pay scheme, again up to a maximum of 8 weeks, in the 18 months prior to insolvency
- Payment instead of notice
- Holiday pay to which you are entitled (maximum of 8 weeks) in the previous 18 months
- An award by the Employment Appeals Tribunal for unfair dismissal or an award recommended by a Rights Commissioner in certain circumstances
- Arrears due under an Employment Regulation Order - that is, if the employer had failed to pay the statutory minimum wage applicable in certain employments
- Certain awards, fines and damages awarded under the employment equality legislation

These claims apply only to employees who pay Class A PRSI.

The maximum weekly pay which is taken into account is the same as for the redundancy lump sum (€600). The amount payable in respect of a company sick pay scheme cannot be greater than the difference between your normal weekly pay and the amount of Illness Benefit which you were receiving.

Under certain circumstances, the Fund may also pay out the employer's unpaid contributions to occupational pension schemes. You may appeal to the Employment Appeals Tribunal if you are not satisfied with the payment from the Fund.