

Compensation and benefits limits: how to give with one hand and take away with the other

The Government has announced changes to certain benefits and compensation limits as follows:

From April 2010, maternity and paternity pay, adoption pay, and maternity allowance will all rise from £123.06 to £124.88. However, the earnings threshold for these benefits will also rise from £95.00 to £97.00 per week. The earnings threshold is an amount set each year by the government that dictates whether or not an employee is entitled to a particular benefit.

Statutory sick pay will remain at its current level of £79.15 even though the earnings threshold will rise to £97.

In the past, rises in these benefits have been linked to the Retail Prices Index. The RPI is currently at -1.4%. Although, we had not expected these benefits to be reduced (not with an election next year) our expectation was that they would be maintained at the current level. The announcement was made by the Minister for Pensions and the Aging Society who said:

"Despite negative RPI we don't want disabled people, carers and other vulnerable groups to miss out on an increase this year. Rather than freezing these benefits we are providing support now to help them through the recession."

These benefits are either payable directly by the government or, subject to the rules of the national insurance scheme, these benefits can generally be off set against your national insurance bill thereby reducing the amount of overall national insurance collected by the government.

The government has also announced the new employment tribunal compensation limits payable from 1st February 2010. This time and for the first time that we can remember, the limits are going down. The limits include guaranteed pay and compensation for exclusion from a union. However, the most important of the limits being reduced is the maximum compensatory award for unfair dismissal, which is currently £66,200. From 1st February it will be £65,300. The reduction is because this limit and the others being reduced are all linked to the RPI.

Out of interest, we looked up the most recent statistics produced by the employment tribunals, which cover the period from April 2008 to March 2009, to see just what percentage of successful unfair dismissal cases were awarded up to the maximum. According to the statistics, only 2% of cases with unfair dismissal jurisdictions were awarded over £50,000. With the average award being £7,959, the reduction is not going to affect very many claims.

The limit on a week's pay for the purpose of calculating statutory redundancy pay will remain the same at £380, as it was increased in October 2009. We wrote about this in our September 2009 newsletter.

In what is going to be a tricky year for the government, we can only assume that it has had its electorate in mind when deciding on these increases and reductions. While it clearly wants to help individuals, it likewise does not wish to alienate businesses. Consequently, the increase is made where the government helps pick up the bill for the benefit through the national insurance scheme and the decrease is made on limits payable by businesses alone.

Finally, we would like to wish you all season's greetings and that we start the new year with gusto.

For more specific information or to discuss your requirements please call either Amanda Galashan or Julie Calleux at EmployEase on 0845 123 3741, or email us at info@employease.co.uk.

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