

## **Changes coming into force on 1 October 2009**

### **Rise in weekly limit for calculating statutory redundancy pay**

From 1 October 2009, the limit on a week's pay for the purpose of calculating statutory redundancy pay will rise from £350 to £380.

The formula for calculating statutory redundancy remains unchanged. It is based on age and length of service and varies from 0.5 week's pay to 1.5 weeks' pay. For the exact formula you can use the BIS statutory redundancy pay ready reckoner:  
<http://www.berr.gov.uk/whatwedo/employment/employment-legislation/employment-guidance/page33157.html>

The increase was announced during this year's budget. It was the government response to a campaign by a powerful coalition of unions and labour MPs to raise the limit to £500 in order to protect the large number of workers made unemployed as a result of the financial crisis. The limited rise was given a subdued welcome by certain business groups who believed that increasing the cap to the £500 requested would have crippled many businesses in this time of economic difficulty. Many other business groups believed that any rise was inappropriate in the circumstances.

In March 2009, when Alistair Darling made the announcement, he omitted to announce the start date. The start date of 1 October was confirmed in May, but was not widely publicised. Many websites still have the £350 rate without highlighting the imminent increase.

The rise applies when the effective date of termination is 1 October or later. For reasons linked with the definition of the effective date of termination, if you pay pay in lieu of notice, it would be prudent to apply the new rate to any dismissal taking effect on or after 23 September 2009.

### **Tips, service charges and other similar payments excluded from the calculation of the national minimum wage**

There is also bad news for restaurants, bars, hairdressers and other businesses regularly relying on tips. From 1<sup>st</sup> October 2009, tips, service charges and other similar payments will now be excluded from the national minimum wage.

At least this change puts an end to a complicated distinction between tips and service charges paid directly to the employee that were excluded from the calculation of the national minimum wage and similar payments received through pay roll which could count towards the national minimum wage.

Those businesses that include tips and similar gratuities in the calculation of the minimum wage will have to increase salary so that it complies with the appropriate rate.

### **Increase in the national minimum wage**

The national minimum wage rate increases in October each year. From 1 October 2009, the new rates will be:

**£5.80** an hour to workers aged 22 and above

**£4.83** an hour to workers aged 18-21

**£3.57** an hour to workers aged below 18 who are no longer of compulsory school age

You will be able to offset from the national minimum wage an amount of **£4.51** per day for each day that you provide a worker with living accommodation.

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](mailto:info@employease.co.uk).

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