

DOCUMENT NAME:	Redundancy Factsheet
LINKED DOCUMENTS:	This factsheet is part of a suite of factsheets.
HEALTH WARNING/USAGE RESTRICTIONS:	This factsheet is drafted on the basics/law on redundancy.

Disclaimer

This document has been prepared on the basis of what is required by law at December 2025 what is good practice, and our understanding of common issues. This document is not intended to be a comprehensive guide, may not be suitable for your circumstances and should not be considered a substitute for the advice of a lawyer. You agree you use this document at your own risk in these respects.

Redundancy

Factsheet

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1 Legal terms explained

“Redundancy” is a term used to explain a situation where a business decides to reduce the number of its employees either within the business as a whole or within a particular site, business unit or job function.

“Employment Rights Act (ERA) 1996” is an Act of Parliament dealing with employment rights including redundancy and prescribing rights and remedies in short term working and lay off situations.

“Suitable alternative employment” is an offer of alternative employment in a redundancy situation. If the employee unreasonably refuses to accept a suitable alternative job they will not be entitled to receive a statutory redundancy payment.

“Statutory redundancy payment” is a payment that an employer may be obliged to make by law where a role is made redundant.

“Unfair dismissal” is a claim that can be pursued in an Employment Tribunal where a dismissal is in breach of statutory rights or protections.

“Lay off” is a term used to explain a situation where an employee is not required to attend work for a temporary period, usually because of a shortage of work. An employee can only be laid off if the employer has a contractual right to do so, which can be implied through custom and practice. A lay off may eventually give rise to the right to receive a redundancy payment.

“Short term working” is a term used to explain a situation where an employee does less work either in terms of the number of hours or days worked - normally due to a shortage of work - and receives less than half their normal weekly pay.

“ACAS” is the advisory, Conciliation and Arbitration Service set up by Acts of Parliament to assist in dealing with employment situations.

“Employment Tribunal” is part of the Ministry of Justice. Employment Tribunals determine the validity of disputed employment cases and award compensation.

2 What is redundancy?

To fall within the statutory definition of redundancy set out in the Employment Rights Act 1996 an employee's dismissal must be wholly or mainly because the employer:

- Is ceasing or intends to cease carrying on the business for the purposes of which the employee was employed or at the place where the employee was employed (such as a business closure)
- Where the requirements of that business for employees to carry out work of a particular kind have ceased or diminished or are expected to do so, or are expected to cease or diminish at the place where the employee is employed.

Redundancy is a potentially fair reason for dismissal. However, even if the employer can show that there is a genuine redundancy situation, it has to go through a number of steps before making an employee redundant.

If an employer fails to do so, the employee may be able to claim unfair dismissal provided they have worked for at least two years at the date of their dismissal.

Before starting a redundancy programme, an employer will normally consider whether it is possible to avoid redundancies by:

- Asking for voluntary redundancies
- Reducing overtime
- Restricting or freezing recruitment
- Natural wastage
- Re-training and transferring employees to other work.

An invitation for voluntary redundancies will usually state that the employer is not obliged to accept any applications for voluntary redundancy.

3 Correct procedure

The ACAS Code of Practice does not apply to redundancies. However, an employer must still act fairly. This will normally mean that the employer must:

- Warn and consult with employees, or their representative(s) about the proposed redundancy
- Adopt a fair basis on which to select for redundancy. An employer must identify the correct pool from which to select potentially redundant employees and must select against objective criteria
- Consider suitable alternative employment to employees who may otherwise be made redundant. Some employees, such as women on maternity leave, have the right to be offered alternative employment in priority to other staff.

4 Consultation

An employer should consult with all affected employees at an early stage to discuss the proposed redundancies. The matters that should be discussed during the consultation process will depend on the specific circumstances but, typically, fair consultation will include the following:

- An opportunity for the employee or their representative to comment on the basis for selection, both in terms of the pool and the selection criteria
- An opportunity for the employee to challenge their redundancy selection and to explain any factors that might have led to their selection of which their employer might not have been aware
- An opportunity for the employee to put forward any suggestions for ways to avoid their redundancy
- Consideration of any alternative employment positions that may exist
- An opportunity for the employee to address any other matters or concerns that they may have.

Most employers will usually allow employees to be accompanied by a trade union official or co-worker at consultation meetings. Companions can address the meeting but cannot answer questions on behalf of the employee.

The employer should disclose their individual redundancy selection scores to the employee, explaining how they were arrived at and give the employee a chance to challenge his individual markings.

5 Identifying the correct pool

Before selecting an employee for dismissal on grounds of redundancy, an employer must consider what the appropriate pool for redundancy selection should be.

In order to be reasonable, the criteria must, as far as possible, be both objective and capable of independent verification. This means that the criteria should be measurable, rather than just being based on someone's personal opinion.

Potentially fair selection criteria include:

- Performance and ability
- Length of service
- Attendance records (although certain types of absence such as maternity leave or disability related absences should be ignored)
- Disciplinary records.

6 Last in first out

Last in first out (LIFO) can be used as one part of a selection process but should not be the sole ground upon which an employee is selected for redundancy, as this is potentially discriminatory on the grounds of age, sex or both. Some organisations use it to make decisions in the event of a "tie break".

7 Collective consultation

Where an employer intends to make 20 or more employees redundant within a 90-day period, there is an obligation by law to undertake a process known as collective consultation before consulting with affected employees on a one-to-one basis.

Further information on collective consultation is set out below.

8 Alternative employment

Employers must consider if there is a suitable alternative job available before it dismisses an employee for redundancy. The employer must offer a suitable alternative role to the employee if one exists and an employee may be able to bring a claim for unfair dismissal if the employer fails to do so.

An employee will lose their right to a statutory redundancy payment if they unreasonably refuse a suitable alternative offer of employment.

8.1 What does suitable alternative employment mean?

There is no precise legal definition of a suitable alternative job but the tribunals will consider such things as changes in status, salary and location when deciding if a role is a suitable alternative.

The employer is not obliged to create alternative employment for redundant employees where none already exists. However, they should make sure that they undertake a sufficiently thorough search for alternative employment.

Where an employer is dealing with more than one potentially redundant employee, it should ensure that all potentially redundant employees are made aware of any vacancies and consider how it will choose which employees to make any offer of alternative employment to.

In addition, any potentially redundant employees who are on maternity, adoption, additional paternity leave or shared parental leave have an automatic right to be offered any suitable vacancies before any other employee.

If the job offer differs from the job the employee was previously doing the employee has a right to a trial period of four weeks. The trial can be terminated by the employee or employer and on its completion, the employee will still be deemed to have been made redundant if the job is not suitable.

The consequences to the employee will depend on whether the alternative employment was suitable and whether their rejection of it was reasonable. If the employer still considers that the new role was a suitable alternative they can refuse to pay the employee's statutory redundancy payment.

8.2 What happens if the trial period is successful?

If the trial period is successful, the employment continues. The employee will not have been made redundant and is therefore not entitled to a redundancy payment.

9 Time off to look for work

When an employee is given notice of their redundancy (but not when they are placed at risk) the employee is entitled to paid time off to look for, a new job, provided that by the time the employee's notice ends, they have worked for the employer for two years.

The employer must give a reasonable amount of time off to the employee to look for other work. There are no set rules about what constitutes reasonable.

10 Statutory redundancy payments

To qualify for a statutory redundancy payment, the employee must have worked for the employer for at least two years at the date of dismissal.

Statutory redundancy pay is calculated by reference to the employee's weekly pay, age and number of years in service and is subject to a maximum number of 20 years' service.

It is:

- One and a half week's pay for each complete year of service after reaching the age of 41
- One week's pay for each complete year of service between the ages of 22 and 40 inclusive
- Half a week's pay for each complete year of service under the age of 22.

A week's pay is calculated on the basis of gross pay and is subject to a maximum amount. This amount usually increases in April each year. From 6 April 2025 the cap on weekly pay is £719 and the maximum statutory redundancy is £21,570.

11 Enhanced redundancy payments

In some cases, the employee will have a contractual right to receive an enhanced redundancy payment to be made in excess of the statutory redundancy scheme.

12 Notice

A redundant employee is entitled to receive notice in accordance with their contract of employment. There are minimum notice periods set out in the ERA 1996 and all employees are entitled to receive these minimum notice periods, even if their contract provides for less notice or they do not have a contract. If the employer does not require the employee to work their notice, they are entitled to be paid salary in lieu of notice.

13 What happens if the employer does not pay?

Where an employer fails to make a redundancy payment, the employee has six months to bring a claim to an Employment Tribunal from the effective date of termination. This is known as the "primary limitation date".

However, before a claim can be issued, the employee must engage in a process known as ACAS Early Conciliation. Employees are required to contact ACAS on or before the "primary limitation date" to start Early Conciliation. If they fail to do so, the Employment Tribunal will not be able to consider their claim.

ACAS Early Conciliation enables the employee and employer to try and resolve the dispute without the need to bring a claim in the Tribunal. If the parties agree, an ACAS conciliator will act as a "go between" and try and reach agreement. There is no need for the employee to communicate directly with their employer unless they wish to do so.

This process can last for up to twelve weeks. If Early Conciliation fails, the employee will be issued with a Certificate which the employee needs before they can issue a claim in the Employment Tribunal.

Limitation is paused from the day after the employee submits the Early Conciliation Form until the date the employee receives a Certificate.

Generally the employee will have a minimum of one calendar month from the date of the Certificate to issue a claim in the Employment Tribunal.

Details about Early Conciliation are available from ACAS: www.acas.org.uk.

If an employer fails to make a redundancy payment because it is insolvent, the employee may apply to the Secretary of State for the payment or outstanding balance to be paid out of the National Insurance Fund.

If an employer refuses to make a redundancy payment because the employee has unreasonably refused to accept a suitable alternative role, and the employee disputes this, they can make a claim to an Employment Tribunal for the payment by lodging an ET1 claim form. The Tribunal will then decide if the job was a suitable alternative and whether the employee's decision to refuse it was reasonable.

Time limits are strictly enforced in the Employment Tribunal and a claimant will not usually be able to bring a claim unless they have submitted an application for Early Conciliation within the primary limitation period and issued an ET1 within the adjusted limitation period.

ET1 claims must be submitted online, or by post. It is possible to submit the ET1 in person at some of the Employment Tribunal offices but not all allow claimants to do this and we recommend that you take advice before the end of your primary limitation period.

14 Consultation for large scale redundancies

There are special duties in cases of multiple redundancies where the employer plans to:

- Dismiss 100 or more employees at the same workplace within a period of 90 days or less. Consultation must begin at least 45 days before the first of the proposed redundancies takes effect
- Dismiss between 20 and 99 employees at the same workplace within 90 days or less. Consultation must begin at least 30 days before the first proposed redundancies takes effect.

If there are Trade Union representatives on site who have the authority to represent affected staff, the consultation must be with them. If there are no such representatives, arrangements will have to be made for affected employees to elect employee representatives for the purposes of collective consultation. There are strict rules that apply to such elections.

Consultation should be about ways of avoiding the dismissals, reducing the number of employees to be dismissed and mitigating the consequences of dismissals and must be undertaken with a view to reaching agreement with the representatives.

The appropriate representatives should be supplied with the following information in writing before the collective consultation process begins:

- The reasons why the redundancies are proposed
- The type and number of employees who are at risk
- What selection criteria will be adopted to choose who will be made redundant
- The timescale for the procedure
- The amount of the redundancy payment that will be made.

The appropriate representatives have statutory rights to paid time off to carry out their duties and to have access to the affected staff. The employer also has an obligation to give them such facilities that it is reasonable to give them to enable them to carry out their duties.

Throughout the consultation process, the employer has a duty to listen to any points put forward by the appropriate representatives and to respond to them in writing.

Once collective consultation has been concluded the employer should discuss the proposed redundancies with all affected employees and conduct individual meetings.

Penalties

If an employer does not comply with its obligation to collectively inform and consult representatives about proposed redundancies, a claim can be brought in the Employment Tribunal. However, there are important restrictions as to who can bring a complaint.

The only situation in which individual affected employees can bring a complaint for the failure to inform and consult is where:

- they are not represented by a recognised Trade Union
- they are not represented by another standing body of representatives
- no other employee representatives have been elected.

Where there are representatives, they must bring the claim on behalf of the affected employees. If successful, each employee who is covered will be entitled to a protective award of up to 90 days' pay.

15 Unfair dismissal

Redundancy is a potentially fair reason for dismissal. However in some circumstances an employer may claim that it is making an employee redundant as a "cleaner" way of getting rid of a troublesome employee.

An example is where the redundant job role still exists and, after making the employee redundant, the employer recruits someone else into the same role. These are often referred to as "sham redundancies" and these may give rise to the right to bring an unfair dismissal claim in an Employment Tribunal.

In addition, even if the need to make redundancies is genuine, if the employer does not follow a fair procedure, the employee may be able to bring a claim for unfair dismissal. In most cases an employee needs to have worked for the employer for at least two years before they can bring a claim of unfair dismissal.

For more information about unfair dismissal and the time limits that apply to such claims, please refer to the factsheet on Unfair Dismissal.

16 Discrimination

If a person is selected for redundancy because of a reason connected to their sex, sexual orientation, race, religion, belief, age, disability, gender reassignment, marriage, civil partnership, pregnancy or maternity, this is likely to constitute unlawful discrimination.

For more information about discrimination and the time limits that apply to such claims, please refer to the factsheet on Discrimination.

17 Lay offs and short time working

Some employers will lay off staff or put them on short term working as an alternative to making redundancies, particularly where the employer believes that the work situation is likely to improve in the near future.

Employees can only be laid off or placed on short time working where:

- this is provided for in the contract of employment; or
- the employee is subject to a collective agreement; or
- if a term can be implied by custom and practice.

If an employee is placed on short time working or is laid off without the employee's consent, or in the absence of an express or implied term, the employee may be able to bring a claim to the Employment Tribunal for unlawful deduction from wages or constructive dismissal.

An employee laid off or put on short term working for a certain period of time can apply to their employer for a redundancy payment.

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