

## Compensation Limits: Annual Increase

The annual increase in compensation limits for employment claims has recently been announced. These changes will apply to dismissals which take effect after 1 February 2009.

The basic award for unfair dismissal and statutory redundancy payments are both calculated using a capped sum for a 'week's pay'. This capped amount for a 'week's pay' will increase from £330 to £350. The amount of any basic award or statutory redundancy payment is calculated by reference to the same capped 'week's pay' multiplied by a maximum of 20 years' service and the appropriate age factor. The maximum basic award or statutory redundancy payment will now rise from £9,900 to £10,500. It is important to take into account these increases when considering redundancies because the cost will be greater from February 2009.

The maximum compensatory award for unfair dismissal will also increase from £63,000 to £66,200. This award generally covers lost earnings and the value of benefits in the period the employee is unemployed or in new, but lower paid, employment.

In summary:

- A 'week's pay' for statutory awards: £300 to £350
- Maximum basic award/redundancy payment: £9,900 to £10,500
- Compensatory award: £63,00 to £66,200

It is important to note that these compensation changes do not affect claims for discrimination. Discrimination claims have an unlimited level of compensation, which is calculated with regards to the employee's loss of earnings, injury to feelings etc.

Clive Dobbin 023 8048 2370 Paris Smith  
Chamber's Tax Finance and Legal Committee.

**The information contained on these web pages is for general guidance only and is in no way a substitute for seeking professional advice on your specific circumstances.**