

# Redundancy factsheet

Financial stress and worry are an inevitable companion to redundancy. The purpose of this factsheet is to make potential benefit entitlement clear for those who have lost their jobs.

If you have been made redundant we recommend seeking specific advice about your benefit entitlement through a local advice agency. You can also use an online benefit calculator – see 'Further information and support'. The details given in this factsheet are general and do not indicate individual entitlement.

## Contributory benefits

Entitlement to contributory benefits depends on your National Insurance record. Contributory benefits are not means-tested and are individual awards (you could be entitled even if you have a partner who works, or you have savings).

### Contribution-based Jobseeker's Allowance

Contribution-based Jobseeker's Allowance (also known as new-style JSA) is available to people who are unemployed (or who work less than 16 hours a week). You must be available for and actively seeking work and sign a Claimant Commitment which outlines your responsibilities.

National Insurance contribution conditions apply, payment is limited to 26 weeks and there is usually a 7-day waiting period.

Contribution-based Jobseeker's Allowance is not means-tested, but payment is reduced if you receive an occupational or personal pension of over £50 per week, and any earnings you receive are taken into account (after an earnings disregard, usually £5, has been applied).

### National Insurance conditions for JSA

You must have:

- paid Class 1 contributions on earnings at least 26 times the lower earnings limit in either of the last two relevant tax years (and worked at least 26 weeks in one of these years); **and**
- paid or been credited with Class 1 or 2 contributions at least 50 times the lower earnings limit during both of the relevant tax years.

**Relevant Tax Year:** the relevant tax years are the last two complete tax years (6 April – 5 April) before the current benefit year (first Sunday in January – last day in December). For example, a claim made in November 2020 would need to satisfy the conditions for the 2017/18 and 2018/19 tax years.

### Amount of benefit (2020/21 rates)

£74.35 per week (payment limited to 26 weeks)

## **Contributory Employment and Support Allowance**

If you have a health condition or disability that limits your capability for work, you may be entitled to contributory Employment and Support Allowance (also known as new-style ESA). You will need a medical certificate (usually from your GP) to start your claim. You must have (or be treated as having) limited capability for work – this is assessed through the Work Capability Assessment. You will be placed in the support group or the work-related activity group; this determines work-related activity and the amount you receive.

National Insurance contribution conditions apply. Payment is limited to 52 weeks unless you are put in the support group and there is usually a 7-day waiting period.

Contributory Employment and Support Allowance is not means-tested, but payment is reduced if you receive an occupational or personal pension of over £85 per week.

### **National Insurance conditions for ESA**

You must have:

- paid Class 1 or 2 contributions on earnings at least 26 times the lower earnings limit in either of the last two relevant tax years (and worked at least 26 weeks in one of these years); **and**
- paid or been credited with Class 1 or 2 contributions at least 50 times the lower earnings limit during both of the relevant tax years

### **Amount of benefit (2020/21 rates)**

£74.35 per week (assessment rate)

£74.35 per week (work-related activity group – payment limited to 52 weeks)

£113.55 per week (support group – paid indefinitely)

## **Non-contributory benefits**

Entitlement to non-contributory benefits does not depend on your National Insurance contributions. Some of these benefits are means-tested and some are not.

### **Carer's Allowance**

Carer's Allowance is available to people who provide at least 35 hours a week care to someone who receives a qualifying disability benefit (eg. Personal Independence Payment daily living component).

Although Carer's Allowance is not a means-tested benefit, there is an earnings condition (you cannot earn more than £128 per week), so stopping work may mean that you qualify when work previously discounted you.

Carer's Allowance is an overlapping benefit; if you are eligible but cannot be paid due to the overlapping benefit rule, you will retain an underlying entitlement to Carer's Allowance, which can increase your entitlement to means-tested benefits.

### **Amount of benefit (2020/21 rate)**

£67.25 per week

## Means-tested benefits

Entitlement to means-tested benefits depends on the amount of income/savings that you have. If you live with another person as part of a couple, you will be assessed as a couple, with the income and savings of both partners taken into account. Any dependent children or qualifying young people that you are responsible for will be included in claims for certain benefits.

### Impact on existing claims

For most means-tested benefits, being made redundant will mean that any existing awards of benefit will be recalculated, resulting in a higher award. The exception to this is Working Tax Credit; if you are made redundant then any award of Working Tax Credit will end (unless the conditions are still met by you or your partner).

### Universal Credit

Universal Credit can be claimed if you are working age and on a low income. It is assessed and paid monthly, and can include amounts for housing costs, children, childcare, carers and people who are unable to work due to a health condition or disability. You are not entitled if you have capital over £16,000.

You will have to agree to a Claimant Commitment, which outlines the work-related responsibilities that you must undertake.

#### Universal Credit: impact on existing benefits

Claiming Universal Credit will mean that any existing claims for legacy benefits will end. You may be better off on Universal Credit and therefore choose to claim. However, you could be worse off. It's important to check your benefit entitlement before you claim.

### Legacy benefits

Universal Credit has replaced most new claims for income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit (working age only), Child Tax Credit and Working Tax Credit. New claims for these benefits can only be made in very limited circumstances.

#### Universal Credit: advance payments

If you are unable to manage until the first payment of Universal Credit (5 weeks after you make a claim), you are able to request an advance payment. This will be repaid over 12 months by reducing your ongoing award.

#### Universal Credit: when to make your claim

Usually, it is best to make a claim straightaway as backdating is very limited. However, if you have been made redundant and are due a final payment from your employer (eg. wages or holiday pay), it is often important to make a Universal Credit claim after these payments have been made. Delaying can increase the amount of

Universal Credit you receive as most payments received after you claim will reduce your first Universal Credit payment, possibly to nil.

### **Example Universal Credit claim**

Aleks has been furloughed since April and his employer is unable to keep him on. He is made redundant on 1 February, with a final payment due on 3 November. Aleks makes a claim for Universal Credit on 4 February. He lives in social housing, has no income and has an eligible rent of £450 per month.

Standard allowance            £409.89 (single over 25)

Housing element                £450

Total UC payment               £859.89 per month

**Note:** due to the COVID-19 pandemic, the standard allowance in Universal Credit has been temporarily increased by £20 per week. It has not been confirmed whether this increase will remain in place from April 2021.

## **Over State Pension age**

If you are over State Pension age, the means-tested benefits that are available to you are Pension Credit and Housing Benefit.

If you are part of a couple and your partner is working age (this is known as being a mixed-age couple), then you will not be able to make a new claim for Pension Credit or Housing Benefit until your partner reaches State Pension age. You may be able to claim Universal Credit instead.

## **Pension Credit**

Pension Credit can be claimed if you are on a low income. It is made up of two parts: **guarantee credit** and **savings credit**. Income and capital over £10,000 is taken into account. There is no upper capital limit.

**Guarantee credit** ensures that no one lives on less than a set amount. Extra amounts are payable if you qualify for the severe disability addition, you are a carer or you are responsible for a child or qualifying young person (if you do not receive Child Tax Credit or Working Tax Credit). If your income is less than your needs, guarantee credit will top you up to the level you are entitled to.

**Savings credit** is an extra amount paid to people who have non-benefit income and/or savings. It has closed to new claims for people reaching State Pension age after 6 April 2016, but new claims can still be made for people who reached State Pension age before that date.

## **Housing Benefit**

Housing Benefit helps you pay your rent if you are on a low income. New claims for Housing Benefit are possible for claimants who are over State Pension age. If you live with a partner, you must both be over State Pension age. A capital limit of £16,000 applies unless you receive Pension Credit guarantee credit.

The amount of Housing Benefit that you receive may be different to the amount of rent that you pay. This depends on several factors, including who you rent from (a

social landlord or a private landlord), whether your rent includes ineligible services charges, and whether you have other people living with you.

## Other help

### Council Tax Reduction

You can claim a Council Tax Reduction if you are liable to pay Council Tax and you are on a low income. Local authorities have their own schemes. You will usually have to pay a percentage of your Council Tax liability. Check the scheme in your area by contacting your local authority.

### Local Welfare Assistance Schemes

Local authorities have discretionary schemes to help meet essential costs. These are usually only available in specific circumstances (eg. you are under exceptional pressure). Support is often provided in the form of essential household goods direct from a supplier or vouchers for specific purposes. You usually have to be on a means-tested benefit or a low income to qualify.

### Food bank vouchers

Local food banks can provide food parcels in emergency situations. Rules vary in different areas, but usually you need to have a referral from an agency or your local council.

## Impact of redundancy payments

There are several different types of redundancy payment which may be due when you finish work. Some of these payments are treated as income or earnings and some are treated as capital. Payments which count as capital may mean that you are affected by the capital limits for means-tested benefits.

Be aware that these rules are complex. As a general rule, the following applies to means-tested benefits:

- Statutory redundancy payments count as capital.
- Contractual redundancy payments count as capital after job ends.
- Other payments (eg. ex gratia payments or payments in lieu of notice) are likely to count as earnings.

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## Further information and support

[www.welfare-benefits-unit.org.uk/resources](http://www.welfare-benefits-unit.org.uk/resources) - includes factsheets on Universal Credit, including an overview and further details on making a claim if you are self-employed or a student.

[www.entitledto.co.uk](http://www.entitledto.co.uk) – a benefits calculator available to the public.

[www.acas.org.uk/your-rights-during-redundancy](http://www.acas.org.uk/your-rights-during-redundancy)

[www.citizensadvice.org.uk/work/leaving-a-job/redundancy/redundancy-pay/](http://www.citizensadvice.org.uk/work/leaving-a-job/redundancy/redundancy-pay/)

[www.gov.uk/calculate-your-redundancy-pay](http://www.gov.uk/calculate-your-redundancy-pay)

[www.moneysavingexpert.com/family/redundancy-help/](http://www.moneysavingexpert.com/family/redundancy-help/)