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Ireland: Severance pay/redundancy compensation

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Ireland

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 27 October, 2017

Native name:

Redundancy Payments Acts 1967-2007

English name:

Redundancy Payments Acts 1967-2007

Article

7 (as amended)

Description

An employee who is being made redundant is entitled to a statutory payment, conditional on them having at least 104 weeks of continuous service in an employment insurable under the Social Welfare Consolidation Act 1993; is over the age of 16; and is being made redundant as a result of a genuine redundancy situation.

Employees made redundant are entitled to two weeks' gross pay for each year of service, plus one week's wages. The payment calculation is subject to a ceiling of €600 per week. Statutory redundancy payments are exempt from tax. Any ex gratia redundancy amount (above the legal minimum) is subject to taxation.

If the employer company is liquidated and is unable to pay the redundancy entitlements, redundant employees can seek payment from the Social Insurance Fund, maintained by the Department of Social Protection, for their statutory entitlements.

Comments

Employees may benefit from enhanced redundancy sums by way of custom and practice or industry norm. In practice, employers may negotiate an ex gratia severance payment from between two to seven weeks' pay per year of service, which may or may not be in addition to the statutory payment.

Formerly, the government paid a rebate to employers for redundancy payouts to employees. Up until 1 January 2012 this rebate amounted to 60%; between 1 January 2012 and 1 January 2013, the government rebate was 15%; from 2013 onwards the government rebate was abolished.

In the public sector, the standard redundancy package, which is repeatedly recommended by the labour court, is for five weeks' pay inclusive of statutory entitlement (i.e. three weeks' pay plus the statutory entitlement of two weeks' pay).

The lacuna whereby employees affected by informal insolvency (where the employer has not sought a formal winding up process through the courts) can be left without recourse to the Social Insurance Fund - therefore not receiving their statutory entitlement - has yet to be remedied in law. The 2017 Court of Appeal judgement in *Glegola -v- Minister for Social Protection & ors* ([2017] IECA 37) found Ireland had failed to adequately transpose Article 2(1) of Directive 2008/94/EC in this regard.

Trade unions are involved in redundancy negotiations at companies that have collective bargaining . There is no legal requirement to negotiate with trade unions in respect of redundancy pay, but the practice at unionised firms is that trade unions are involved during any such talks. Theoretically works councils can perform this function as well, but they are not as prevalent a feature in this process as trade unions.

Cost covered by

Employer

National government

Involved actors other than national government

Employer organisation
Trade union
Works council
Other






Involvement others

Social Insurance Fund (in the event of company insolvency liquidation)

Thresholds

No, applicable in all circumstances

Sources

-  Purdy, A. (2011), Termination of Employment: A Practical Guide for Employers (2nd ed.), Bloomsbury Professional
-  Redundancy Payments Acts 1967-2007
-  EMCC legal framework of restructuring
-  EMCC actors in restructuring
-  Glegola v Minister for Social Protection judgment of the Court of Appeal

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