

Explanatory Memorandum to Tynwald Members

Issued by the Department of Economic Development

To the Hon Clare Christian, President of Tynwald and the Hon Council and Keys in Tynwald assembled

1. Title of measure

Employment (Maximum Amount of a Week's Pay) Order 2016 (SD 2016/0219)

2. Changes in policy

The Order is consistent with previous policy.

3. Effects of the measure

Under the Employment Act 2006 some awards by the Employment Tribunal, such as the Basic Award for unfair dismissal or an award for failure to issue a written statement, are calculated on the basis of the weekly rate of the employee's pay, subject to a prescribed maximum amount. The Employment (Maximum Amount of a Week's Pay) Order 2016 increases this maximum amount from £480 to £540.

It should be noted that redundancy payments under the Redundancy Payments Act 1990 are also calculated with reference to the same maximum amount.

4. Reasons for the measure

The maximum amounts was last increased in 2009, that is seven years ago. The maximum amount of a week's pay is based on the median level of a week's pay in the Island (the median level of a week's pay stands at £536 as reported in the Earnings Survey 2015).

5. Resource implications

Treasury has responsibility for:

- rebates to "small employers" in respect of redundancy payments they have made to their former employees (known as "redundancy rebates") under the Redundancy Payments Act 1990; and
- payments to individuals who are owed money where the employer is insolvent or otherwise unable to pay specified debts (such as a redundancy payment or the basic award made by the Employment Tribunal where an employee has successfully brought an unfair dismissal case against the employer) under the Employment Act 2006.

According to the Treasury the additional costs to the National Insurance Fund as a result of the Employment (Maximum Amount of Awards) Order 2016 will be no more than £20,000 per annum. Treasury is content with this and has agreed to the Order.

6. Tynwald procedure

As required by section 175(1) of the Employment Act 2006, this Order will not have effect until it is approved by Tynwald.

Signed on behalf of Department of Economic Development