

# **STATES OF JERSEY**



## **WOOLWORTHS EMPLOYEES: REDUNDANCY PAYMENTS**

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**Lodged au Greffe on 5th January 2009  
by Deputy G.P. Southern of St. Helier**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to request the Minister for Treasury and Resources to allocate £139,500 to provide compensation equivalent to that provided under the United Kingdom Statutory Redundancy Scheme to employees of the Jersey branch of Woolworths made redundant following the collapse of the parent company and, if this sum cannot be identified through the reprioritisation of existing heads of expenditure or year-end balances, to request the Minister to bring forward a request under Article 11(8) of the Public Finance (Jersey) Law 2005 for the necessary additional funding to meet the cost of these payments.

DEPUTY G.P. SOUTHERN OF ST. HELIER

## REPORT

On 27th December 2008, about 200 of the UK Woolworths chain's 800 shops ceased trading and closed for good. Another 200 shut on 30th December; a further 200 were due to close on 2nd January, and the rest on 5th January. In total some 27,000 temporary and permanent staff will lose their jobs.

The company has been the highest profile casualty among retailers as the UK slides into recession. Other victims have included the furniture retailer MFI and the music and games chain Zavvi, which went into administration on Christmas Eve.

The administrator, Deloitte, has held talks with other retailers to take on the leases of about 300 stores as well as the Woolworths trademark – meaning the famous name may return to the high street at some point and offer jobs for sacked staff.

In Jersey, the staff were called together on Tuesday 30th December to be informed by representatives of Deloitte that they would be receiving their last pay packets on January 23rd 2009. Since Woolworths' employees are paid 2 weeks in arrears, this effectively meant that they were dismissed as of January 9th. At the time of writing this report, the employees have still not received formal dismissal notice in writing.

There are some 84 staff in total {34 fulltime (32 – 45 hours per week) 10 parttime (8 – 30 hours) and 40 Saturday staff} who have been affected by the collapse of the parent company and the subsequent closure of the Jersey branch. Between them, they have put in over 620 years of service with the company. Many have worked for the company for 30 years or more, indeed some have never known other employment.

It is obvious to all who have witnessed events that the treatment of Woolworths' employees by the administrator, Deloitte, has been shoddy in the extreme. Not only have contractual notice periods (4 to 13 weeks) been ignored but the equivalent statutory notice periods (up to 16 weeks in Jersey and 12 weeks in the UK) have also been breached.

Where these statutory and contractual rights have been breached, employees, both in the UK and in Jersey, have been advised to file a claim as a creditor, or for unfair dismissal, with the relevant employment tribunal. What compensation they receive will depend on the assets that can be realised from the company, and may only be a few pence in the pound. What is worse, for Jersey employees, I am informed by JACS that whilst it is fairly clear that claims can be established, it is not certain that they can be enforced in the UK on what is a UK company. Jersey employees may end up with no compensation.

There can be no doubt that for all Woolworths' employees, this is a traumatic time; it is especially so for those in Jersey. Some are non-locally qualified (less than 5 years resident) and so may not qualify for income support while they seek another job; others with employed partners already know that they are ineligible for Income Support: some of the longest-serving members of staff in their 50s wonder if they can find other employment, or lack the confidence in seeking a fresh start.

There is moreover one factor which above all makes the plight of Jersey workers worse than that of their UK equivalents; there is no statutory redundancy scheme operating in Jersey. Under the UK Statutory Redundancy Scheme, where a company cannot pay redundancy, which is the case with a company such as Woolworths in administration, the government pays out. Thus in the guide to redundancy published by the Department for Business Enterprise & Regulatory Reform (BERR), it states the following:

### ***What if my employer cannot pay?***

If your employer is insolvent, we will pay you and claim back the payment from the assets of the business. Ask your employer's representative (for example: liquidator, receiver or trustee) for a claim form "RP1". Fill it in as soon as possible after your employment has ended and send it to the Redundancy Payments Office.

### ***How to claim a payment: time limits***

Under the Act, your employer must make the payment when or soon after you are dismissed. There is no need for you to make a claim unless your employer does not pay or says that you are not entitled to a payment. If this

happens, you should write to your employer asking for payment or take the matter to an employment tribunal, or both. You must act within six months of the date your employment ended.

This payment is tax free and has no effect on the entitlement to the UK job seeker's allowance.

Thus in the UK, those made redundant will have prompt access to what may be significant sums to ensure that they can meet their bills and pay their rent, etc. whilst they find new employment. If the UK scheme were in place in Jersey today, then 41 of the Woolworths employees would be able to claim redundancy payments of between £24 and £9,900, based on the formula below:

***What are the payments?***

The amount of your lump-sum redundancy payment depends on:

- how long you have been continuously employed by your employer;
- how your years of continuous service relate to a particular age band;
- and your weekly pay, up to a legal limit.

**The amount of redundancy pay will be calculated as –**

- 0.5 week's pay for each full year of service where age during year less than 22
- 1.0 week's pay for each full year of service where age during year is 22 or above, but less than 41
- 1.5 weeks' pay for each full year of service where age during year is 41+

The maximum number of years' continuous service that can be counted for statutory redundancy payments purposes is 20.

There is a limit on the amount of a week's pay that can be taken into account in working out your entitlement. The current weekly limit is £330.

Under these terms, the total statutory redundancy payment required would be £139,472.19 as agreed by the administrator, Deloitte. The results of these calculations for the 41 Jersey employees eligible for such payments are shown in Table 1.

**Table 1**

	<b>Statutory redundancy, weeks</b>	<b>Statutory redundancy, £</b>		<b>Statutory redundancy, weeks</b>	<b>Statutory redundancy, £</b>
1	30	9,900	21	7.5	430.20
2	1	24.52	22	1	274.56
3	7	1,957.41	23	17.5	5,775
4	3	430.20	24	30	9,900
5	27.5	7,689.83	25	22.5	6,508.80
6	28.5	7,969.46	26	25.5	7,130.57
7	1	29.68	27	19.5	6,084
8	8.5	2,805	28	1	24.08
9	15	2,151	29	1	24.08
10	4	1,320	30	29	7,277.55
11	24	7,920	31	19	2,724.60
12	22	7,260	32	1.5	36.78
13	3	838.89	33	1	24.08
14	12	3,960	34	15.5	4,950
15	1	24.08	35	13.5	3,775.01
16	22	4,732.20	36	2	660
17	1	24.52	37	3	172.08
18	5	1,398.15	38	12	3,355.56
19	10.5	3,465	39	23.5	6,571.31

20	2	114.72	40	5	1,650
20a	29	8,109.27			<b>TOTAL 139,472.19</b>

It is not clear at this stage whether the States of Jersey, like the UK Government, could seek recompense for these redundancy payments as a creditor from the administrator of the company and if it did so, what success it might have.

There is no doubt in my mind that the Jersey government has a duty of care to the Island's employees to offer protection in such cases of redundancy through insolvency. Legislation to cover these issues may be on its way, but is unlikely to be in place before the end of the year. The States of Jersey has a moral obligation to protect its workers to a standard which matches the UK. This proposition, if accepted, will deliver such protection when it is needed, which is now.

**Financial and manpower statement**

The financial costs are as set out above. The manpower costs cannot be great and can be met from within departmental budgets.