

Human Resources

Guide to Redundancy Processing

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Introduction

Overview

The Redundancy Processing facility within Infinium Human Resources/Payroll has the following features:

- Provides a means of automatic calculation of the amounts of employee redundancy payments, as of a given date, based on the statutory rules on redundancy, or company-specific redundancy rules.
- Amends these calculated employee redundancy amounts, if required.
- Provides a redundancy modelling capability so that the employees' and total costs involved in a particular redundancy scheme can be projected.
- Makes the calculated, approved, redundancy payments through the payroll cycle.

Redundancy Processing

Overview

Redundancy Processing comprises four main stages:

1. Building the Redundancy Control file with its parameter values.
2. Selecting employees to be included in the redundancy scheme and creating redundancy transaction records containing the calculated redundancy payment amounts.
3. Reviewing, amending or recalculating the redundancy transactions for individual employees.
4. Closing the approved redundancy transactions to the payroll cycle so that payments can be made to employees through payroll.

Employee redundancy transactions can be created, one employee at a time, using the *Update Employee Redundancy* function, or the transactions can be globally created using the *Mass Create Employee Redundancies* function. The Mass Create function allows selection of employees by any combination of :

- Organisation level
- Job Code
- Location Code
- Position
- Over a certain age
- Length of service

When the Redundancy transaction is created, particular employee skills can be excluded from the mass created by using the *Update Skills Exclusion* function.

Redundancy transactions are segregated by redundancy date. Thus it is possible to establish a redundancy scheme for one set of employees

under a particular redundancy date, with another scheme for a different group of employees who have a different redundancy date.

Having closed the Redundancy Transactions to the Payroll Cycle there is still the ability to change, or display, the information held against the employee.

The methods used for calculating the redundancy amount are as follows:

- **State Method:** The values set up in the Redundancy Control file are used to calculate the payment due. For each year of service, the employee will be entitled to the number of weeks corresponding to their age.
- **State + Lump:** The state method is used to calculate the amount due to an employee. Then a used defined lump sum is added to it.
- **Custom:** A custom program can be used to calculate redundancy payments. In this case, the program name must be entered into the control file.

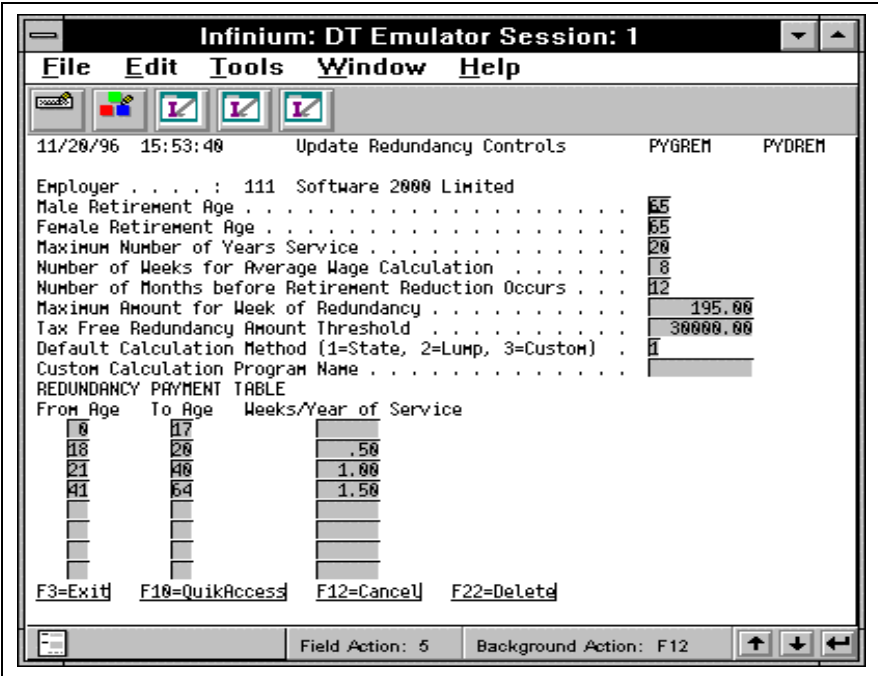
Redundancy Controls

Overview

The rules governing the generation of Redundancies must be established in the control file.

Type the *Employer Code* and press .

Screen 1 of 1



Key Information

Enter the current statutory rules and amounts. Specify which method of calculation the system should use. The different methods are as follows:

- State Method: The values set up in the Redundancy Control file are used to calculate the payment due. For each year of service, the employee will be entitled to the number of weeks corresponding to their age.

- State + Lump: The state method is used to calculate the amount due to an employee. Then a used defined lump sum is added to it.
- Custom: A custom program can be used to calculate redundancy payments. In this case, the program name must be entered into the control file.

Press to update.

Once the data has been established, it can be viewed through the *Display Redundancy Controls* function.

Redundancy Income Controls

Overview

In order for the redundancy payments to be paid through the payroll, two income controls must be established:

1. The first one must have an Income Code of ***RED1**. This will pay any amount up to the tax free threshold. It must be set up as a tax free payment.
2. The second one must have an Income Code of ***RED2**. This will pay any amount that is due over the tax free threshold. The payment will be liable for PAYE.

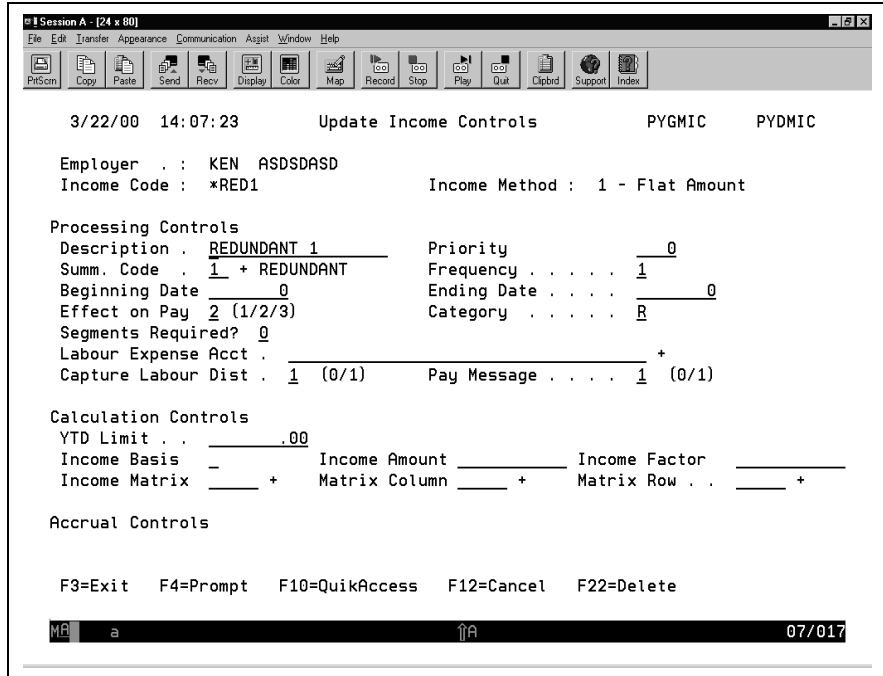
Remember that an *Income Summarisation Code* should be entered for the Redundancy Payment before the Income Controls can be established.

Income Code *RED1

Enter the *Employer Code* and the *Income Code* of ***RED1**. Select *Method 1 Flat Amount*. Then press .

Complete the screen as shown below.

Screen 1 of 4

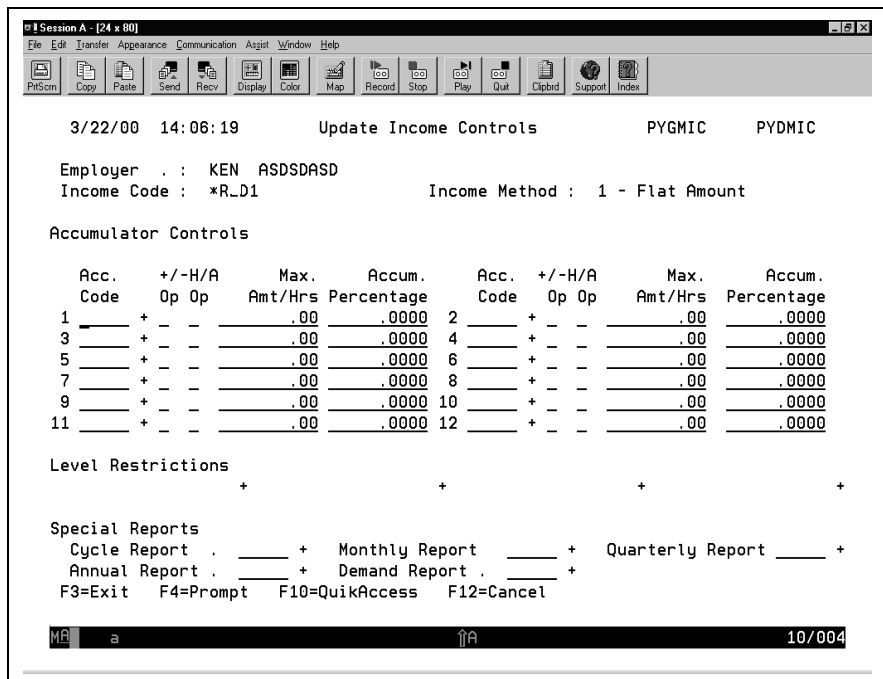


Key Information

It is important that the *Effect On Pay* field is set to **2**, *Pay In Addition To Net Pay*.

Press **Enter** to continue.

Screen 2 of 4



Key Information

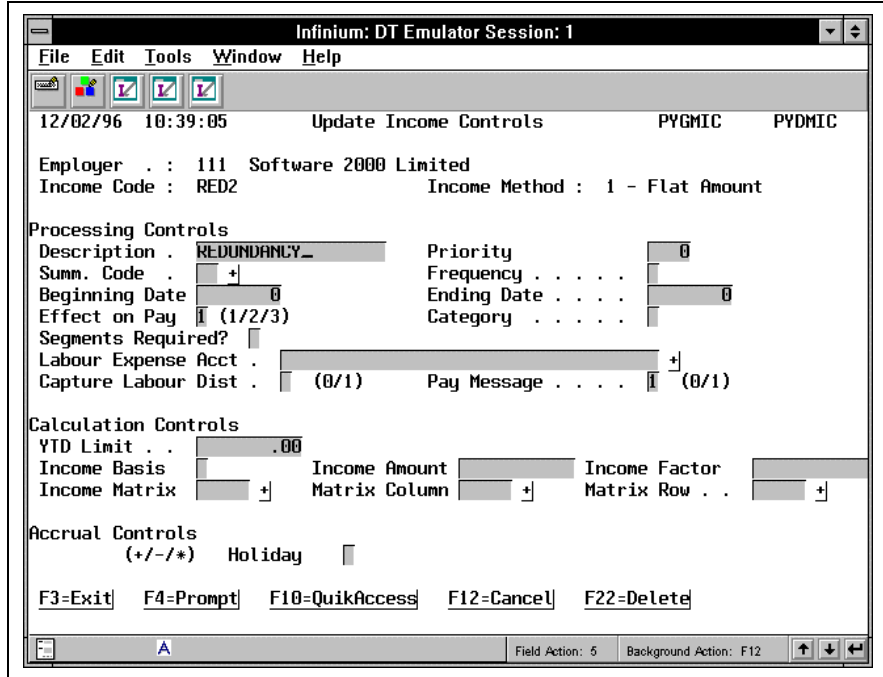
It is not necessary to pass this payment into an accumulator.

Press to update.

Income Code *RED2

Enter the *Employer Code*, and the *Income Code* of ***RED2**. Select *Method 1 Flat Amount*. Then press . Complete the screen as shown below.

Screen 3 of 4

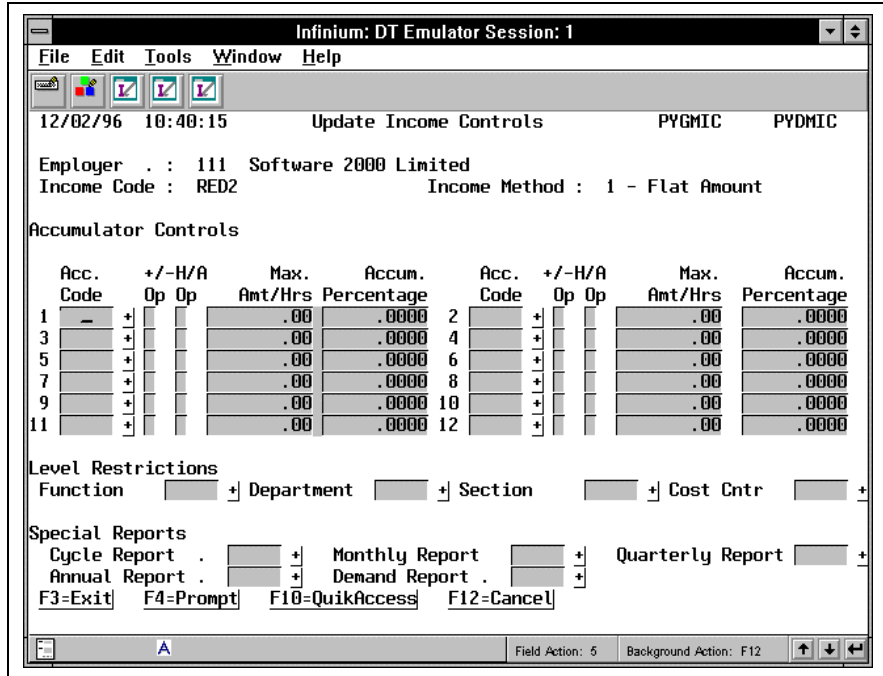


Key Information

It is important that the *Payment Method* field is set to **1**, *Include In Gross Pay*.

Press to continue.

Screen 4 of 4



Key Information

Include this payment into any required user defined accumulator.

Press to update.

Retirement Reduction

Overview

Where an employee is within the number of months specified of the retirement age, the statutory redundancy entitlement is reduced by $(1/\text{number of months})$ for each complete month after the retirement reduction occurs. This tapering gradually reduces entitlement to zero by the time the employee reaches the retirement age.

Example:

Retirement Age = 65 years

Retirement Reduction = 12 months

Redundancy Entitlement at 64 years = £9,000

For each month over the year from 64 to 65 the redundancy entitlement of the employee will reduce by $(9000/12) = £750$. Therefore if the employee is 64 and 5 months the entitlement after Retirement Reduction will be:

$$9000 - (5 \times 750) = £5250$$

Skills Exclusions

Overview

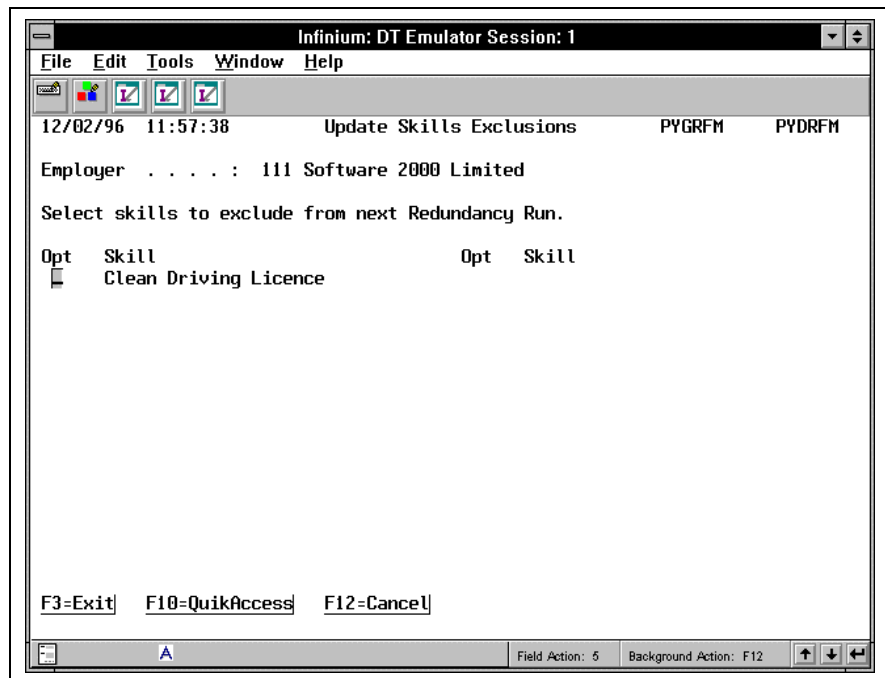
There may be some skills within the organisation that must be protected. Any employee who possesses those skills must not be made redundant. These can be identified in the *Skills Exclusion* option.

Enter the *Employer Code* for which the exclusions apply.

Press .

The following screen is displayed.

Screen 1 of 1



Key Information

Type **X** next to the skills that are to be excluded.

Press to update.

Mass Create Employee Redundancies

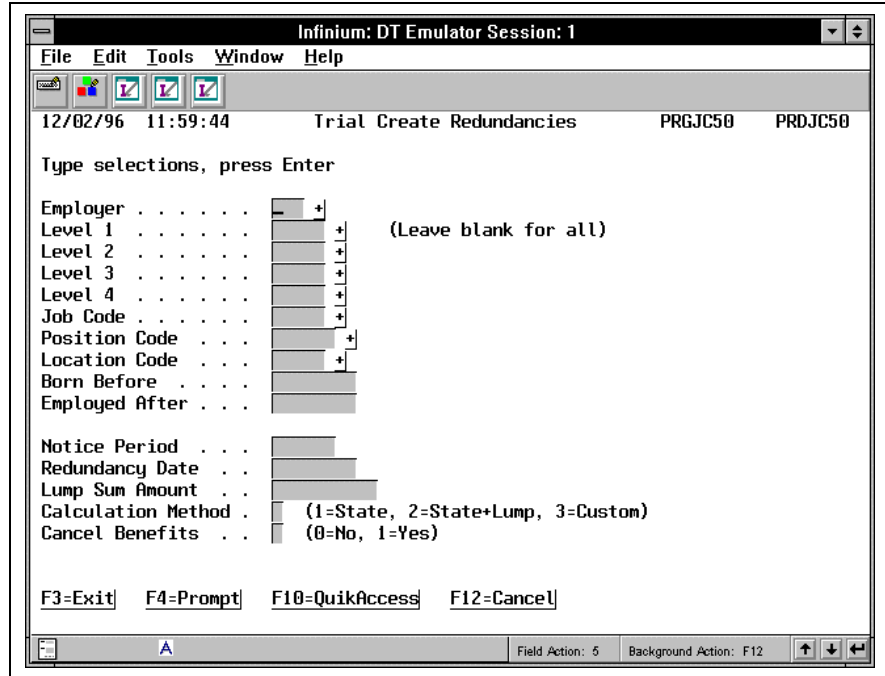
Overview

Redundancies can be created for groups of employees, this may be used if the organisation is closing down a department or closing one of its sites. An employee will be included in the redundancy selection, if both of the following conditions have been satisfied:

- There is a match with all the criteria specified
- Their particular skills have not been marked as a skill to be excluded from the redundancy run.

The *Employed After* field allows the Last In First Out method of selection to be used.

Use the *Trial Mass Create Employee Redundancies* option to perform redundancy modelling and evaluation. Once the selection of employees and associated cost have been approved, use the actual *Mass Create Redundancy* function.



Key Information

The top part of the screen allows the selection criteria to be specified. Use any combination of fields to identify the employees who are redundant.

Caution: All criteria must be met in order for an employee to be selected.

The final five fields are used in the payment calculation. Enter a value in weeks to the *Notice Period* field. This should reflect the amount of notice to be included in the redundancy payment. This will be multiplied by the Average Weekly Wage to obtain a notice amount.

Enter the date at which the redundancies are to take place into the *Redundancy Date* field. This will be used as the termination date of the employee.

If the method for calculating payments is to be the State + Lump Sum, then enter the *Lump Sum* to be added for this selection of employees. Input the *Calculation Method* code.

In the *Cancel Benefits* field, enter **1** to force the cancellation of the employee benefits on termination. An entry of **0** will have no effect on the benefits.

Press to continue.

The system calculates the redundancies and produces an audit report. If any discrepancies arise, then the calculated values can be updated or deleted in the *Update Employee Redundancy* function.

Update Employee Redundancies

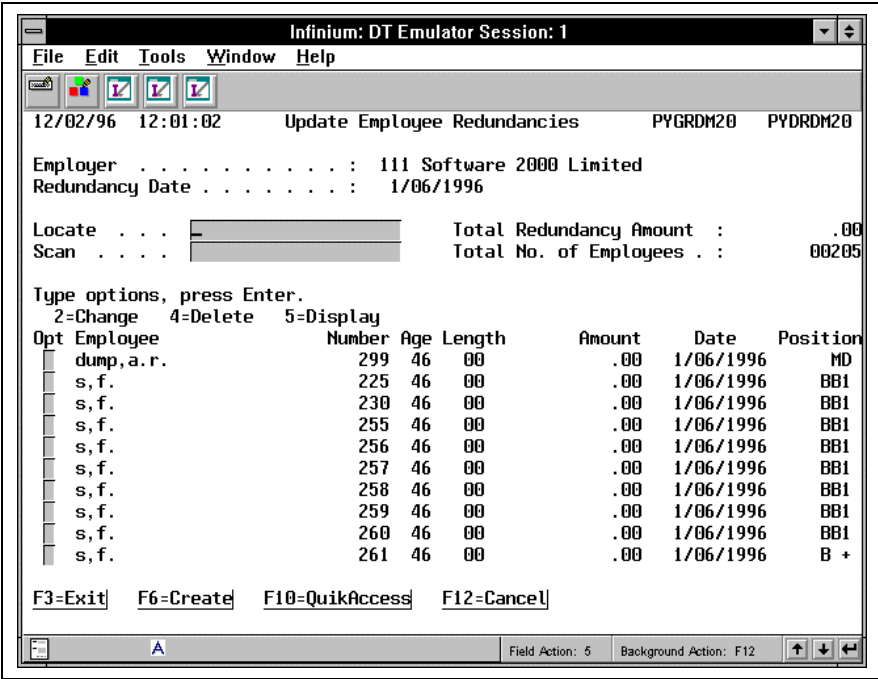
Overview

The *Update Employee Redundancy* option allows an individual's redundancy payment to be changed or deleted. An employee can also be added into the redundancy selection and have their payment calculated.

Enter the *Employer* and the *Redundancy Date*. A list of all the employees to be made redundant on that date will be displayed.

If a *Redundancy Date* has not been entered, all the outstanding employees who have not yet been made redundant, but have redundancy transactions, will be displayed.

Screen 1 of 1



Key Information

The total value and number of redundancies are displayed on the top right hand of the screen.

In order to find a particular employee, the scroll keys, search or locate facilities can be used.

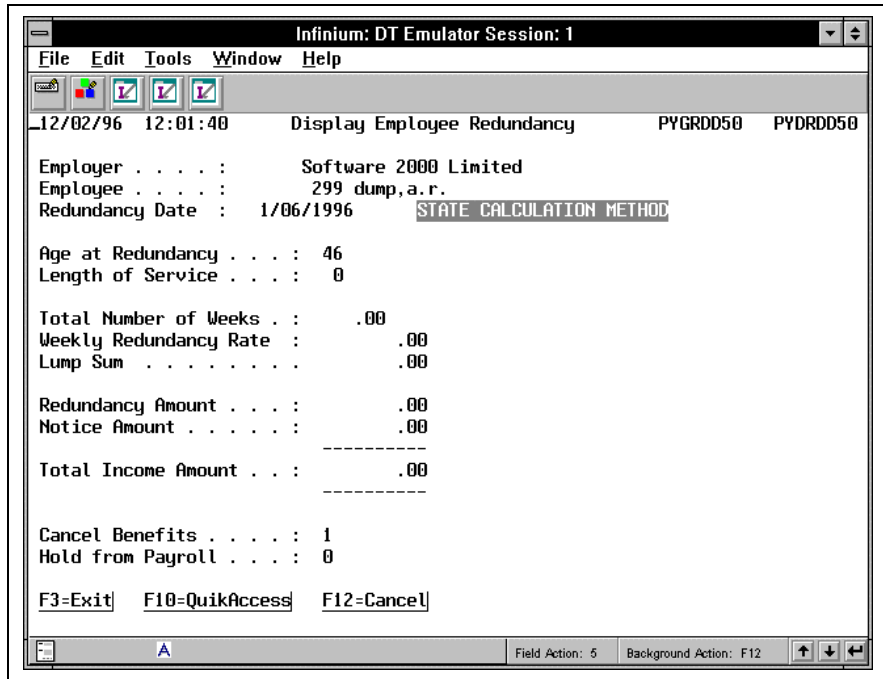
A number of functions are available at this stage:

- Display Employee Redundancy
- Update Employee Redundancy
- Delete Employee Redundancy
- Create Employee Redundancy

Display Employee Redundancy

To display the transaction in more detail, type **5** next to the transaction. The screen shown below will be displayed.

Screen 1 of 1



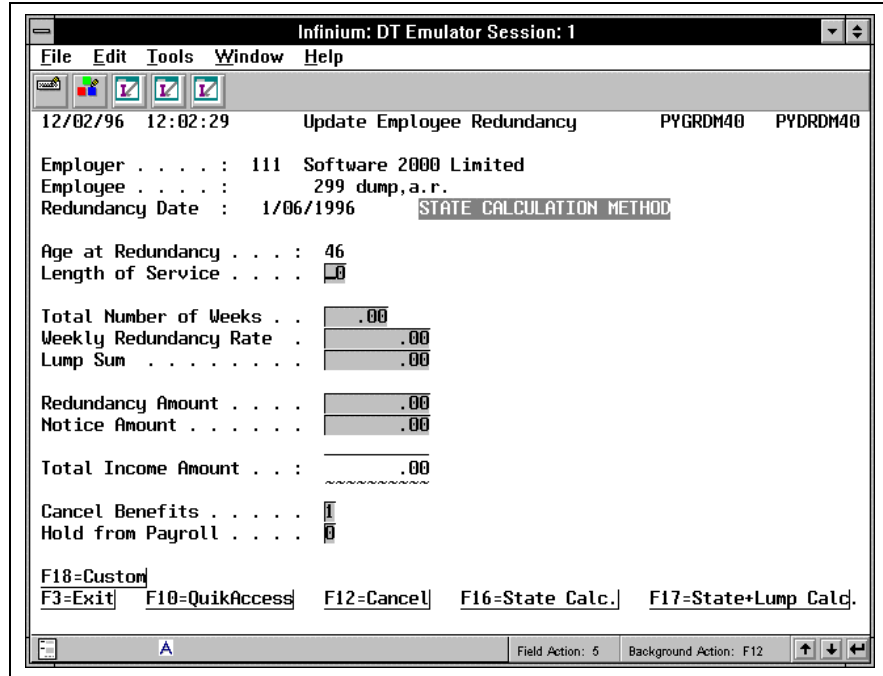
Key Information

The method used for the initial calculation of the redundancy amount is shown on the screen. This does not apply if any subsequent manual changes have taken place.

Press **F3** to update.

Update Employee Redundancy

To amend the transaction, type **2** next to the transaction and press **Enter**.



The fields described below will be available for amendment.

Key Information

The *Length of Service* may be overridden as the initial calculation does not take into account any leave of absence such as Industrial Action, which would not be included in the length of service.

If special circumstances exist, the *Total Number Of Weeks* pay to which the employee is entitled may be changed.

Again, if necessary, the *Weekly Redundancy Rate* can be altered. This is the amount which will be multiplied by the entitled weeks to calculate the payment due to the employee.

The *Lump Sum* amount is the value to be added to the calculated amount for that employee.

The *Redundancy Amount* is the total redundancy amount due to be paid to the employee. It should equate to the weekly entitlement plus the lump sum.

The *Notice Amount* is the amount to be paid to the employee in lieu of notice. This amount added to the Redundancy Amount will be displayed in the *Total Income Amount* field.

The *Cancel Benefits* field will show whether benefits are to be cancelled on termination of employment. This can be overridden here.

A value of **1** in the *Hold From Payroll* field denotes that the redundancy will not be carried over to Payroll at posting time. A value of **0** indicates that it will be carried over.

The method used for the initial calculation of the redundancy amount is shown on the screen. This does not apply if any subsequent manual changes have taken place.

The redundancy information may be recalculated. For example, if the Length Of Service is overridden, the function key to be used depends on the method of recalculation required.

F16 State Calculation

F17 State + Lump Calculation, this will use the lump sum entered on the screen.

F18 Custom Calculation

Note: The Notice Amount is not affected by a recalculation.

Press **F3** to update.

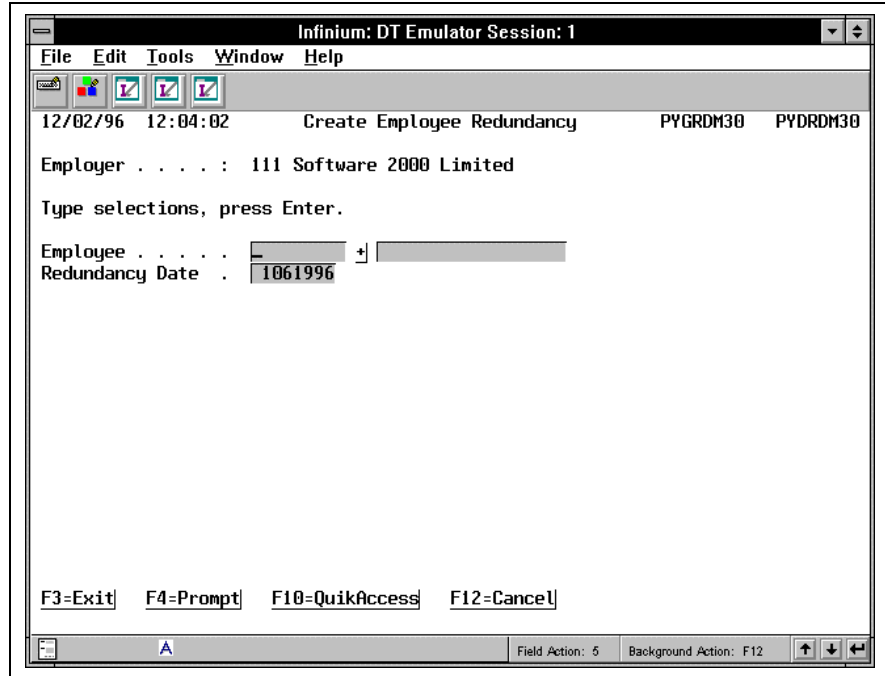
Delete Employee Redundancy

To delete a transaction, type **4** next to the transaction and press **Enter**. The screen will be redisplayed with the transaction removed from the list.

Create Employee Redundancy

To create an employee redundancy, press **F6**. This will present a screen where the *Employee* and *Redundancy Date* must be entered. The redundancy date will be pre-loaded if a date was entered when first entering the *Update Employee Redundancy* function.

Screen 2 of 2



Key Information

The screen displayed will show the pre-calculated Redundancy Information.

The criteria used for this calculation is as follows:

- Length of Service is the difference between Date of Employment and Redundancy Date.
- Lump Sum is Zero.
- Calculation Method is the Default Calculation Method specified in Update Redundancy Control.
- Cancel Benefits is set to **1**.
- Hold from Payroll is set to **0**.

All fields are available for amendment in the same manner as in the *Update Employee Redundancy* function. Use the function keys for recalculation.

Press **F3** to exit.

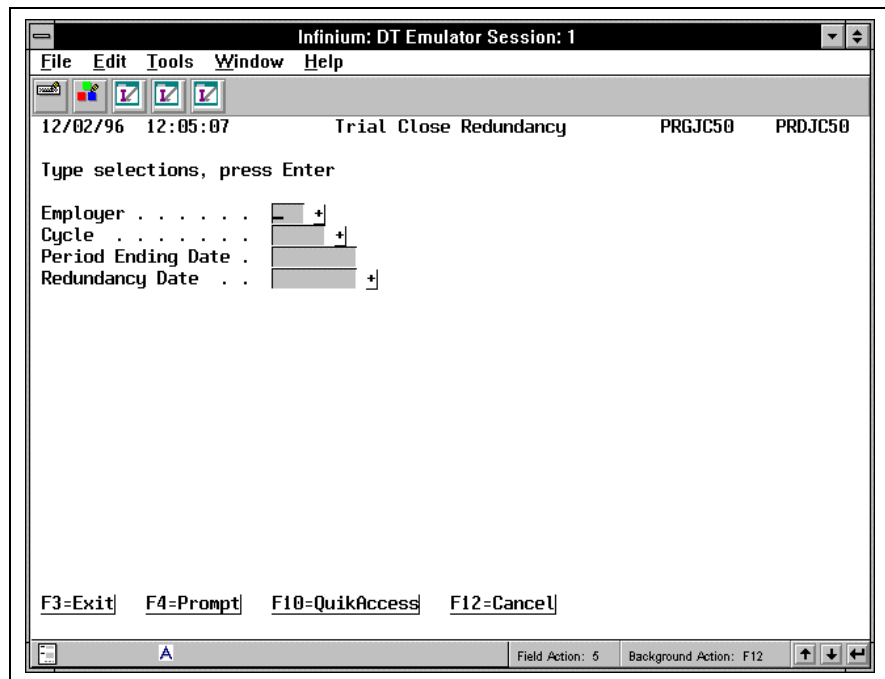
A confirmation screen is displayed. On confirmation the transaction will be added to the list of active transactions.

Close Employee Redundancies To Payroll

Overview

Having generated all the redundancy transactions and amended them accordingly, the transactions can now be closed to the payroll cycle. The *Trial close* option should be run and the report checked carefully before the actual close to payroll is performed.

Screen 1 of 1



Key Information

Enter the *Employer* and the *Cycle* in which to close the redundancy transactions into. The cycle must be at the *Timesheet Entry* stage of payroll processing. Input the *Period Ending Date* of the cycle.

Enter the *Redundancy Date*. Only transactions with this date will be closed to the payroll.

The redundancy will be closed into the cycle with an *Income Code* of ***RED1**. This income code needs to be set up in payroll as a tax free payment, i.e., excluded from the ***PAYE** accumulator. The balance of any redundancy amount that exceeds the Tax Free Threshold, set up on *Update Redundancy Control*, is placed into the *Income Code* ***RED2**. This income code needs to be defined in payroll as being included in the ***PAYE** accumulator. Note that if these income codes have not been set up in payroll income controls, then the close will not run. If, however, the employee has not been authorised to the income codes, the function will automatically give the employee authority.

For example, if the redundancy amount payable to the employee is £50,000, then a ***RED1** income transaction will be created in timesheet for £30,000 (the current 1991 threshold) and a ***RED2** income transaction will also be created for the balance amount of £20,000.

An *End of Employment* PE action will be created for each employee with a reason code of *REDUN*, and with date of leaving equal to the date of redundancy. *REDUN* must be a valid leaving code in the *Employer Codes* file.

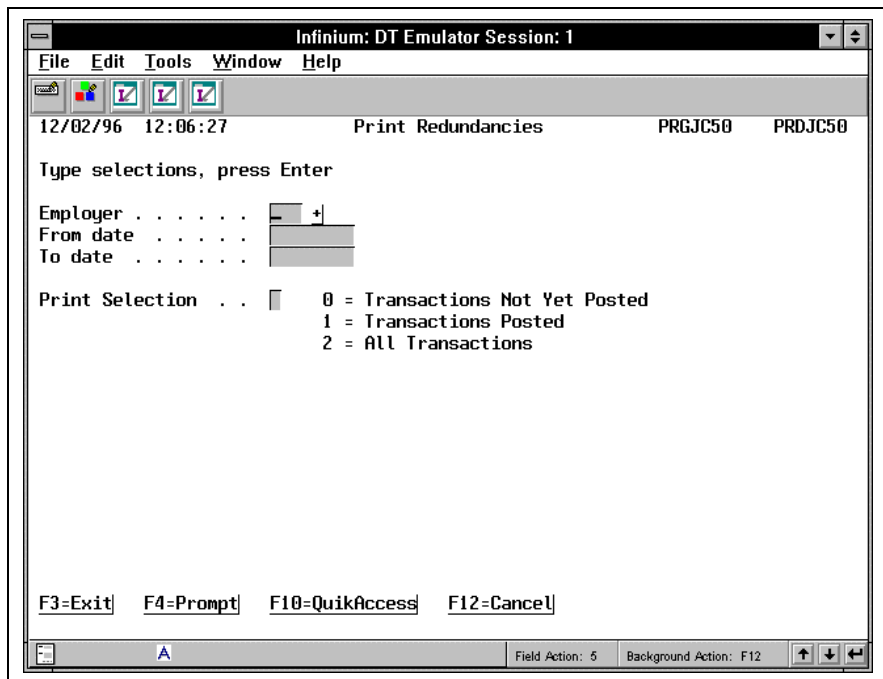
The *End Employment* action is created as a future transaction. It will not update the employee's Basic Data file until the *Mass Update Personnel Actions* function is run.

Print Employee Redundancies

Overview

The employee redundancy transactions may be selected by date range. It is also possible to select to print posted, unposted or both types of transactions.

Screen 1 of 1



Notes