Davies Associates

Newsletter

Since last year's general election there have been far fewer significant changes in employment legislation, when compared to previous years. This edition of the newsletter focuses on the key changes that have taken place recently or are about to take place, with our feature article (in the form of a Q & A) referring to the National Living Wage which is shortly due to be introduced.

No Changes to Statutory payments

The government announced earlier in the year that there would be no changes to Statutory Payments effective from April 2016, which is usually the time when such payments are increased. This applies to Statutory Sick Pay, Statutory Maternity, Paternity & Adoption Pay, Lay-off Pay, Statutory Redundancy Payments and other allowances that are usually reviewed and increased at this time of year,

The **current rates** will therefore continue to apply until the next time they are reviewed, which is likely to be in April 2017, although the actual date from which any future changes is as yet unknown. The current Statutory Payment rates, which were last set in April 2015, are:

SSP - £88.45/week.

SMP/SPP/SAP - £139.58/week.

Max weeks' pay – £475 (i.e. for the calculation of statutory redundancy payments)

Guaranteed Pay - £26.00/day (for the first 5 days of lay-off)

Key changes in employment law in 2016

Gender Pay Gap Reporting becomes Compulsory

From March 2016 the government has the power to make regulations to bring into force gender pay gap reporting. This effectively means that companies employing 250 or more employees will be required to carry out an equal pay review and publish their gender pay gap.

State Pension

The Pensions Act 2014 introduces a new state pension for people reaching state pension age.

The earnings-related part of the current system for people, who are employed, called the Additional State Pension, is being abolished. The new State Pension will be based on your National Insurance (NI) record alone. To receive the maximum new State Pension, you require 35 years NI record. From April 2016 the new State Pension will be £155.65 per week.

If you have been 'contracted out' of the state scheme at any time in their working life the amount they receive under the new state pension may be reduced. Calculating this is complicated, but you can find out more information on the gov.uk website.

Zero Hours Contracts.

Effective from January 2016, zero hours contract employees have protection against unfair dismissal and detriment for an employers failure to comply with an exclusivity clause.

National Insurance Payments for Apprentices Abolished.

National Insurance Contributions in respect of employees serving apprenticeships are due to be removed in April 2016. This applies to all apprentices under the age of 25. The rationale behind this change is that it will encourage employers to increase the number of skilled workers within the UK workforce.

National Living Wage (NLW)

The National Living wage will soon be with us and employers will be expected to comply with this new piece of legislation, which will come into force on 1st April 2016. So what does this mean and how will it affect Employers and Employees? This feature article summarises the main provisions and also outlines some key considerations for employers:

Question. What is the hourly rate of pay employers will be expected to pay from April?

Answer. Providing employees are 25 years of age or older the minimum hourly rate employees should be paid is £7.20 per hour.

Question. Does it apply to workers under the age of 25?

Answer. No but the National Minimum Wage levels will still apply to employees under the age of 25 as follows:

- £6.70 for employees between age 21 and under 25 years old.
- £5.30 for employees age 18 to 20 years old.
- £3.87 for employees under 18 years old (but over school leaving age).
- £3.30 for apprentices.

Question. Who will be entitled to receive the NLW?

Answer. All those who are currently covered by the National Minimum Wage over age 25 are covered by the National Living Wage and this includes:

- PAYE employees
- Most workers & agency workers
- Casual labourers
- Agricultural workers
- Apprentices aged 25 and over

Question. What effects may this have on my pay scales and wage/salary bill?

Answer. Employers will naturally need to budget and provision for additional payroll costs but will also need to consider the wider implications and the potential "knock-on" effect on their pay scales. There could be potential implications where wage differentials need to be maintained, i.e. between unskilled and semi-skilled employees. Differentials will be eroded when employees currently receiving less than £7.20 are increased in line with the requirement to pay NMW, unless employees occupying more senior positions have corresponding increase in their rates of pay. Readers of this newsletter are therefore encouraged to seriously consider the wider implications and the effects it will have on their wage bill and potential consequences of not addressing wage differentials which could lead to low morale, reduced productivity and potential turnover of employees.

Question. What happens if I choose to ignore payment the new hourly rate?

Answer. There will be penalties imposed for non-payment of 200% of the amount owed, unless any arrears are paid within 14 days. The maximum fine for non-payment will be £20,000 per worker. Employers who fail to pay, could also face a ban from being a company director for up to 15 years!

Question. Are there any plans for the National Minimum Wage (NMW) to be increased?

Answer. Yes the government has already announced that the NMW rates will be increased, as follows, effective from October 2016:

- £6.95 for employees between age 21 and under 25 years old.
- £5.55 for employees age 18 to 20 years old.
- £4.00 for employees under 18 years old (but over school leaving age).

Auto Enrolment

It has now been over 2 years since Auto Enrolment was first introduced. Initially the change only applied to employers whose staff numbers mainly exceeded 250 employees or more. The process of Auto Enrolment will continue to be rolled out over the next twelve months, to cover all employers that do not have a pension scheme in place, and this will include the remainder of employers with less than 30 employees! Readers are advised that if they employ staff and are yet to consider setting up a pension scheme, they should do so without further delay and thereby avoid hefty financial penalties being imposed on them.

Furthermore, as we draw nearer the time when all employers, of whatever size, are expected to set up pensions arrangements for their employees, this will place time constraints on pensions providers in setting up a scheme with what is envisage as a huge demand on their services to set up schemes with limited time to do so. The advice of Davies Associates is simple; don’t get caught out, take action sooner rather than later by obtaining professional advice on setting up a pension scheme suitable for your needs!

General Advice

Readers of this letter are advised to review their existing contractual arrangements with their staff to establish whether any contractual amendments or changes to Policies and Procedures or other action is necessary on their part resulting from the changes identified in the Newsletter. Client Companies will however be contacted directly, if they subscribe to a fully retained HR support service and require changes to either their Statement of Written Particulars or Employment Policies and Procedures. We hope that you have found the information contained within this Newsletter useful but if you require any additional information or clarification on any of the content, we will be pleased to assist you. We would also welcome any feedback from readers with suggestions on what you would like to see in future editions of the Newsletter.

Disclaimer

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