

A guide to redundancy: Pay, entitlements and advice

Redundancy can be a real blow to your confidence. It can often come out of the blue, making the future seem uncertain. If you're ever facing redundancy, it's important to remember that it is due to the company no longer needing the role – it's not about you or your skills.

The meaning of redundancy is when a company phases out a role or job function, so they terminate an employee's agreement. Why does this happen? It could be one of many reasons, including new technology, restructuring, financial issues or the company closing down or relocating. For employees, it can be a stressful and emotional time, but it's important to remember there is nothing you could have done better or differently to change the outcome.

To help you [better understand redundancy](#) and what to expect, refer to this guide to redundancy to give you all the info you need. Covering the different types of redundancy and how to handle the redundancy process, here's what you need to know.

What is redundancy?

The Fair Work Ombudsman defines a redundancy meaning as, 'when a business no longer needs an employee's role to be done by anyone.' To be a genuine redundancy, the company must follow Fair Work's rules for their type of business, industry and your award. This includes a redundancy checklist of criteria employers must address in order to legally make a role redundant.

What is the definition of redundancy?

There are a few different redundancy definitions to be aware of. Here's a list of some

different types so you can determine what is a genuine redundancy for your circumstances.

Voluntary redundancy

Voluntary redundancy is when an employee is offered the choice between redundancy or a new role in the company. If you choose to be made redundant, the company terminates your employment and provides a [redundancy payout](#). Some voluntary redundancy examples include when a department needs to reduce headcount or when an internal reshuffle consolidates some roles. If there are other positions or departments in the company with vacant roles, you might get the choice between moving to a new position or volunteering for redundancy.

Compulsory or involuntary redundancy

Compulsory or involuntary redundancy is when a company decides a certain role is no longer required and terminates an employment contract with a redundancy payout. In this case, the employee is not given the option of working in a different role at the company. An example of compulsory or involuntary redundancy is when a company uses technology to automate a role or must reduce headcount due to financial difficulties.

Selective redundancy

Companies sometimes use selective redundancy criteria to decide who to make redundant. This happens when several people are performing similar roles and only some roles will be made redundant. An employer will use criteria such as experience, attendance and disciplinary record to rank employees, with the lowest ranking employees typically made redundant. LIFO (last in first out) and FIFO (first in first out) are two other forms of selective redundancy.

Collective redundancy

Collective redundancy refers to cases where an employer makes 20 or more employees redundant within a 90-day period. All, some or none of the employees may receive a partial redundancy with an offer to accept a different role in the company, or the option to terminate their agreement completely.

Legal aspects of employee redundancy

Under Fair Work, companies have strict redundancy requirements they must abide by and a redundancy checklist of criteria they must meet. This includes who they can make redundant, how the payout process works, whether employees should be offered voluntary redundancy and more. If you feel these requirements have not been met, you can contact Fair Work or speak with an employment lawyer about your next steps.

Redundancy pay eligibility and payouts

If your role has been made redundant and the company cannot offer you another suitable position, you may be eligible for a redundancy payout. Permanent employees who have been in their roles for more than a year are likely eligible for a redundancy payout, though this is not guaranteed if they're employed by a small business. Casual employees are usually not offered redundancy. Coming to the end of a fixed-term contract or apprenticeship is also not considered a redundancy.

Your redundancy payout is calculated by the number of years you have been with the employer, but may also change depending on your award or employment agreement. Consult the National Employment Standards website for more detailed information.

The redundancy consultation process

Regardless of the company and industry, all businesses must follow a consultation process when there are major changes to a workplace, such as situations involving redundancies. This process must include:

- Notifying employees who may be affected by the proposed changes
- Providing employees with information about the changes, and what to expect from these changes and their effects
- Discussing steps taken to avoid and minimise the negative effects on employees
- Considering employees' ideas or suggestions about the changes

This process must take place as soon as possible after the decision has been made.

Discrimination during redundancy

You are protected under Fair Work against discrimination against your gender, race, culture and religious background. It is illegal for companies to terminate an employee or make them [redundant on the basis of age](#), sex, sexual preference, physical or mental disability, marital status, family or carer's responsibilities, pregnancy, religion, political opinion, ancestry or social origin. If you believe you have been made redundant due to one of these reasons, you can lodge a claim with the Fair Work Ombudsman.

Unfair dismissal during redundancy

For a redundancy to be fair and genuine, your job must no longer be needed to be done by anyone. You must also receive consultation under your award, enterprise agreement or other registered agreement. If the company still needs the job to be done by someone, has not followed their required consult process and has not exhausted options to relocate you in the business, it may be considered an unfair dismissal.

Signs of redundancy

Sometimes redundancy comes out of the blue. Other times, there may be signs you can look out for to know if [redundancy is on the horizon](#) for you or your colleagues.

Common signs of looming redundancies include:

- Changes to the company structure
- Declining business performance
- Being merged with or acquired by another company
- Increased use of AI or automated technology

While there's little you can do in the face of redundancy, seeing these signs is a good reminder to get your resumé updated and reconnect with your network.

Preparing for redundancy

Once you have been informed your company is letting you go and the redundancy consultation process has started, it's time to get prepared for job seeking. If you have

not been made immediately redundant, you have some time to prepare for unemployment, which will help you feel more in control of your situation. Your redundancy payout is intended to give you time to process the sudden change in your circumstances and tide you over until you find other work.

Know your rights

On being made redundant, it's important to learn what your rights as an employee are. Even if the company you work for has given you resources and information, it doesn't hurt to do your own research. Understand the process that should have been followed by your employer and research what your payout should be. If something doesn't sound right, contact Fair Work for redundancy advice.

Update your resumé and find skill gaps

Being made redundant presents a good opportunity to look at your career and ask yourself if you're happy with where you are. Are you satisfied doing this type of work? You may decide to pivot and head down a different career path.

This break is also a good time to [learn new skills to improve your resumé](#), study or take a sabbatical. If you are planning on job hunting straight away, ensure your resumé is up to date with any new roles, responsibilities, skills, awards, certifications and other changes that may have happened since you started your last job.

Check in with your network and start job searching

[Networking is a great way to find new opportunities](#) and hear about jobs that aren't advertised online. Many business owners hire through word of mouth rather than advertise to the general public. Once you know for certain you're being made redundant, put the word out that you're looking for your next opportunity.

If you've made the decision to start [job hunting](#), it doesn't hurt to widen your search to include roles similar to, but not exactly the same as, the role you were in. You may have gained more skills since the last time you were looking for work. For example, if you were stepping into a supervisor role, you may be able to look at management or training roles, or other relevant industry jobs for people with senior experience.

Seek financial advice

Redundancy payouts can be large amounts of money. If you need to, speak to a financial planner about how you can make the most of this payout. If you've been considering starting a business or going freelance, now could be the time to do so. Whichever avenue you choose, get financial advice to help you make your money last and plan for the future.

Coping with redundancy

Whether redundancy came out of the blue or you were expecting it, you may be experiencing big emotions. You might feel anxiety, anger, or even relief. You may not even realise how much redundancy is impacting you until after the news has sunk in. It's important to know that your feelings are valid and that there are coping strategies you can fall back on when you need help and support.

Top tips for coping with redundancy and supporting your mental health

Coping with redundancy looks different for everyone. Some may feel optimistic, while others might feel resentful after being with a company for a long time. Whatever you're feeling, it's important to look after your mental health. Here are some top tips for coping with redundancy:

- Seek support from friends and family
- Consider therapy or counselling
- Prioritise self-care, including exercise and relaxation
- Maintain a daily routine to give your days structure
- Set [SMART goals](#) that are achievable
- Carefully consider all your options
- Try to keep a positive mindset

Try to see redundancy as the catalyst for new and better opportunities. Find a way to move forward that will make you excited and optimistic about the future.

Redundancy and finances

When facing redundancy, managing your finances becomes a top priority to ensure you

have enough funds to last until your next payday. Some [things to consider straight after redundancy](#) include managing your finances, ensuring you receive the funds you're owed and seeking financial help if you need it.

Claiming redundancy pay and benefits

When you are made redundant, your employer will give you a breakdown of any redundancy payouts or benefits you are eligible for. This will either be paid with your final wage on your last day or at a date advised by the company. Be sure to check that you are being paid according to industry regulations and that you're not entitled to more.

Managing finances during redundancy

Your redundancy entitlements may mean you get a large sum of money. Before you make any big purchases, set yourself a budget and consider how long you can live comfortably on your payout before you need to tap into your savings.

Seeking financial advice

Other than speaking to a financial advisor about your redundancy entitlements and payout, remember to take into account any debts you may have. Many institutions will allow you to temporarily pause repayments, but you may benefit from paying your debts off earlier too. Seek financial advice specific to your situation.

Career change options

A redundancy is the perfect opportunity for you to make a positive change. It could give you the funds and time to relocate, study or invest in a freelance career. Before heading straight into job hunting, take some time to consider your options.

Assessing your situation

Before you make your next move after redundancy, take time to assess your situation. Look at any new skills and experience you have, or even old ones you may be passionate about. It's a good time to think about your goals and values, and if you're happy with where you are in your career. Now is a good time to set goals, with an action plan of how to reach them, including any potential obstacles or advantages.

Exploring new career paths

Your skills may very well cross over to another industry, giving you new career opportunities. The industry you're in now might not offer many opportunities for growth, you might be as senior as you feel you can go, or perhaps you're simply not passionate about it anymore. Take a look at your skills and values and how they may transfer into another industry. Also tap into your network and see what opportunities may lie there.

Developing your career change strategy

[Changing careers](#) can be challenging, but who knows? It could be just the change you need. To make it feel less daunting, break it down into smaller goals and objectives. From there, create an action plan with measurable milestones, identifying any new skills or resources you may need to get to your goal.

Reskilling and upskilling

It's likely you have [gained some new skills](#) since you last looked for a new job. But what more could you learn? If you were in the same role for some time, do a deep dive into your skills and identify any gaps or [areas for improvement](#). With no commitments immediately lined up, you may have the time and funds to upskill or reskill, using online resources or even signing up for an in-person course.

Navigating the job market

There is a chance the job market has changed a little since the last time you were actively job seeking. Once you know the industry and types of roles you want to aim for, take a look at recruiting trends and market demands in that area, including what skills are highly sought after and where your existing experience could be leveraged.

You will also need to create a winning resumé, ensuring it's up to date and makes you stand out. Once you get some callbacks, brush up on your interview skills and practise your answers to the most [common interview questions](#).

Redundancy and age

It is against the law for companies to offer redundancy due to an employee's age.

Redundancy decisions should be based on factors like staffing inefficiencies and changing business needs, not how old you are. If you suspect age discrimination is the reason for your redundancy, seek legal advice and consider filing a complaint with the Fair Work Ombudsman.

Redundancy and disability

Employers cannot make redundancy decisions based on disability as it is considered discriminatory. As a workplace, they must make reasonable adjustments to accommodate any disabilities, explored to their fullest before redundancy is offered.

[Treating employees with disabilities fairly and without discrimination](#) during the redundancy process is not only ethical but also legally mandated.

Redundancy and maternity leave

If you are on maternity leave, you are still an employee. This means your employer can only end your employment contract if it's a genuine redundancy. It cannot be related to your pregnancy or because you have become a parent. If you feel as if you've been made redundant because you took parental leave, contact an employment lawyer or the Fair Work ombudsman.

Redundancy is unfortunately something you don't have much control over. But there are ways to minimise the disruption to your life and strategies you can take to make the most of the situation. With our redundancy advice in your back pocket, you'll know to check that your redundancy payout is correct and make sure the reasons for your redundancy are legitimate. Try to keep a positive mindset, remember to [look after your mental health](#) and consider this an opportunity to reach new goals.

H2: FAQs

What is redundancy?

Redundancy refers to an employer terminating a job position, typically due to downsizing, restructuring or other operational reasons. When their roles are no longer required, employees are typically offered a compensation (redundancy) package, depending on their state and industry regulations.

What are my rights during redundancy?

In Australia, fixed-term contract redundancy rights are protected under Fair Work laws. If you're on a fixed-term contract and facing redundancy, you have rights to fair treatment. Your employer should provide notice, offer consultation and consider redeployment options. Redundancy pay may apply, depending on your tenure. It's essential to understand your specific circumstances and employment contract, and seek advice if needed to ensure you receive the entitlements and support you're due.

How do I cope with redundancy?

Coping with redundancy can be challenging. You should aim to stay positive, take time to process what has happened and set small goals for yourself (like [updating your resumé](#)). Consider where you may be able to expand your skills and tap into your network for new opportunities when you do decide to search for a new job.

It's also important to seek emotional support from family and friends and consider professional counselling if needed. Explore financial-assistance options and consult employment agencies. Remember, redundancy isn't a reflection of your skills or performance at work; it's an opportunity for new beginnings

How do I claim redundancy pay?

You should not need to claim redundancy pay as it should be automatically paid by your employer on the date you leave work or on an agreed date soon after. It will be paid using the same method you usually receive your wages, such as via direct deposit to your bank account. If you do not receive payment, contact your employer or Fair Work for guidance.

What are my options after redundancy?

Your options after redundancy may include seeking new employment, enhancing your skills or even starting your own business. Carefully consider your options based on your skills, experience and goals.

Can I seek legal advice during redundancy?

Yes, you can seek legal advice during redundancy. If you have concerns about your redundancy process, entitlements or fair treatment, consulting an employment lawyer or a relevant legal authority can help protect your rights and provide guidance on the best course of action.

How do I prepare for redundancy?

You may not receive much notice before being offered redundancy. The only thing you can do is be on the lookout for any major signs of redundancy such as the company being acquired or restructuring departments. To make sure you're prepared for any unexpected changes at work, it's always best to build an emergency savings fund, keep your resumé up to date and maintain a professional network.

How does redundancy affect mental health?

Redundancy can significantly impact mental health, by causing stress, anxiety and depression. The loss of job security and financial stability, as well as feelings of self-doubt, can contribute to emotional distress. Seeking support from professionals, friends or family and maintaining a daily routine while you're job seeking can help keep you in a positive mindset.

How can I re-skill and upskill for a new career?

There are many ways to re-skill and upskill for a new career, including studying online, enrolling in a university course, attending a trades college, or pursuing an on-the-job training opportunity, like an apprenticeship. It's best to have a goal in mind and research the skills you need to reach it.

What are my retirement options during redundancy?

While superannuation is not typically payable for redundancy or termination payouts, you can contribute some or all of your redundancy payout to your elected retirement fund. You may wish to consult a financial planner for recommendations on retirement options after redundancy.