

## Step 6 Work out redundancy pay

Only those with the [legal status of employee](#) have a right to redundancy pay.

Someone is not likely to be an employee if they're:

- an agency worker
- a casual worker
- on a zero-hours contract

You must pay at least the 'statutory' (legal minimum) amount of redundancy pay to employees who have continuously worked for you for 2 years or more.

You should check employment contracts as they might say you need to pay more than the statutory amount. This can be called 'enhanced' or 'contractual' redundancy pay.

You can choose to pay higher amounts if you want to encourage voluntary redundancies.

[Use the redundancy pay calculator on GOV.UK](#)

Those in the following types of work do not qualify for statutory redundancy pay:

- armed forces
- crown servants
- domestic service, where they're a member of the employer's immediate family
- police

### Statutory pay

The maximum statutory pay for a week is £719. The rate can change each year.

The maximum total statutory redundancy pay is £21,570.

### Calculating how many weeks of redundancy pay is due

How many weeks' statutory redundancy pay someone is entitled to depends on both of the following:

- the employee's age
- how long they've continuously worked for you

Statutory redundancy pay is capped at the last 20 years that the employee has worked for you.

For example, Toni has worked at your company for 27 years. You only have to calculate their redundancy pay based on the last 20 years.

The 'relevant date' is usually the day the employee's notice period ends. Working backwards from the relevant date, you must add all of the following that apply:

- 1 and a half week's pay for each full year they were aged 41 years or older
- 1 week's pay for each full year they were aged 22 or older, but aged under 41
- half a week's pay for each full year they were aged under 22

## **Redundancy pay if you have given payment in lieu of notice**

'Payment in lieu of notice' (PILON) is when an employee stops work straight away but you still pay them for the notice period.

If you have given the employee payment in lieu of notice, the relevant date is the date their employment would have ended if they had worked all of the statutory notice period.

You'll need to add on the statutory notice period when calculating how many years' work the employee will get redundancy pay for.

This might mean an employee has another year's work to base redundancy pay calculations on.

## **Example of calculating redundancy pay when you have paid in lieu of notice**

If you have an employee who has worked for you for 8 years and 11 months, they would be entitled to 8 weeks' statutory notice.

If you make them redundant and pay them in lieu of notice you need to add 8 weeks to how long they have worked for you when calculating their redundancy pay.

This means they would have worked for you for 9 years and 1 month. They must then get redundancy pay for 9 years of work, not 8 years.

## **If you have given contractual notice**

If someone has contractual notice (longer than statutory notice) and they're taking payment in lieu of notice, the relevant date is worked out differently.

A contractual notice period is longer than the legal minimum notice period (statutory notice period).

To work out the relevant date for someone with a contractual notice period:

1. Work out how many weeks the statutory notice would have been.
2. Add those weeks to the employee's actual leaving date.

This will give you the relevant date to work out how many years' service the person has and how many weeks' redundancy pay they're entitled to.

## **Example of calculating redundancy pay when you have given contractual notice**

Bo's leaving date is 1 August 2022 and they've accepted pay in lieu of 6 months' contractual notice.

Bo will have 3 years' service up to 1 August 2022, but would have had 4 years' service by 8 August. So they want to know whether they're entitled to 3 or 4 years' redundancy pay.

To find this out, you need to work out the relevant date. Because Bo has 3 years' service, the statutory notice period would be 3 weeks.

Add these 3 weeks to Bo's leaving date of 1 August. This would make the relevant date 22 August 2022.

Because 22 August 2022 is after the date Bo would have 4 years' service, they would get 4 years' redundancy pay.

### **If the employee has regular working hours and pay**

You base their redundancy pay on their normal weekly pay before tax (gross weekly pay).

#### **Example of calculating redundancy pay for regular working hours and pay**

A 45-year-old employee is being made redundant after working for their employer for 22 years.

Their average weekly pay is £300 before tax.

They're entitled to:

- 1 and a half week's pay x 4 = £1,800 (for the 4 full years they were aged 41 or over)  
plus
- 1 week's pay x 16 = £4,800 (for 16 of the 18 full years they were aged 22 to 41)

They do not get anything for 2 of the years they worked, because the maximum statutory redundancy pay is capped at the last 20 years.

In total, they're entitled to £6,600 statutory redundancy pay.

### **If the employee's pay changes from week to week**

Work out their weekly pay by getting an average figure for a 12-week period. Use the 12 weeks up to the day they got their redundancy notice.

If they did not work for a whole week during that time – for example they were on holiday or off sick – replace it with an earlier week.

You must share in writing with employees how you've calculated redundancy payments.

### **Overtime, bonuses and commission**

Your employee's weekly pay should also include:

- 'guaranteed overtime' agreed in their contract – this is overtime you must offer and the employee must work
- any contractual bonuses or commission they're entitled to

[Find out how to work out average pay for bonuses and commission on GOV.UK](#)

### **When you must make the payment**

You should pay redundancy when employment ends or on an employee's final pay day. You can pay later than this if you both agree to another date in writing, for example in an email or letter.

You should tell employees when and how you'll make the payment. For example, if it'll be included in their monthly pay or as a separate payment.

If you do not pay an employee on time, they might be able to make a claim to an employment tribunal.

## If you cannot afford redundancy pay

If your organisation cannot afford to make redundancy payments, you can ask the Redundancy Payments Service (RPS) for financial help.

[Find out how to get financial help from the Redundancy Payments Service](#)

Related content

[/discrimination-and-the-law](#)