

Step 5: Work out redundancy pay

You must pay redundancy to employees who have:

- an employment contract
- worked for 2 full years

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

- armed forces
- crown servants
- domestic service, where they're a member of the employer's immediate family
- police
- share fishing
- apprentices who are not employees at the end of their training

During the coronavirus pandemic, employees have the same redundancy rights, including redundancy pay. This includes employees who have been on 'furlough' (temporary leave).

5. How to calculate redundancy pay

You must pay at least the statutory (legal minimum) amount to your employees.

You should check your employment contracts as you might need to pay more than the statutory amount.

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

[Use the GOV.UK redundancy pay calculator to work out an employee's statutory redundancy pay.](#)

How much redundancy pay each employee gets depends on:

- their age
- how long they've worked for you
- their weekly earnings before tax (gross weekly pay)

Redundancy pay is capped at 20 years.

Working backwards from the day of their redundancy notice, you must pay:

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

The maximum for a week's pay is £538. The maximum total amount of statutory redundancy pay is £16,140.

Example

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

Their average weekly pay was £300 before tax.

They're entitled to:

- 1.5 week's pay x 4 = £1,800 (for the 4 full years they were aged 41 or over)
- 1 week's pay x 16 = £4,800 (for 16 of the 18 full years they were aged 22 to 41)
- nothing for the other 2 years, because redundancy pay is capped at 20 years

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

If your employee's pay changes from week to week

Calculate the average weekly pay for the previous 12 weeks from the date you made them redundant.

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:

- regular overtime, if the employee's contract says they must get paid for it
- any bonuses or commission

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

Furlough and redundancy pay

If your staff have been put on [furlough](#), they may have received reduced pay. Their wages must be topped up to 100% when calculating redundancy pay.

For example, if an employee's weekly pay is usually £300 but they received 80% pay while on furlough, their redundancy pay must be their full normal pay of £300 a week.

Example 1 – someone who works variable hours

An employee who is 35 years old has worked for their employer for 6 years and their hours vary each month. They get paid £10 an hour.

They've been put on furlough during the 12 weeks and received 80% of their pay (£8 an hour).

The employer already worked out the employee works an average of 30 hours a week when they claimed from HMRC's Coronavirus Job Retention Scheme.

They must receive £300 a week redundancy pay as their wages must be topped up to 100%.

Example 2 – someone on flexible furlough

An employee who is 35 has worked for their employer for 6 years.

They normally work 30 hours a week and have agreed to be furloughed for half this time.

They now work for 15 hours a week on full pay, receiving £10 an hour. They're put on flexible furlough on 80% pay for the remaining 15 hours, receiving £8 an hour.

When calculating redundancy pay, their wage on flexible furlough must be topped up to 100%. This means they must receive £300 a week redundancy pay.

Example 3 – someone who has returned to work and is working more hours than usual

An employee who is 35 has worked for their employer for 6 years.

The employer had already worked out the employee's average hours and full normal pay when they claimed from HMRC's Coronavirus Job Retention Scheme. The employee normally works 30 hours a week on £10 an hour, receiving £300 a week.

They spent 6 weeks on furlough earning 80% pay. When they returned to work, they worked 40 hours a week for 6 weeks, receiving £400 a week.

To work out their weekly pay, the employer adds up the 6 weeks of pay during furlough, at their full normal pay of £300 a week. Then they add up the 6 weeks the employee worked at £400 a week.

The employer adds up these figures and divides by 12 to work out their average weekly pay of £350 a week. This means the employer must pay the employee £350 redundancy pay a week.

When you must pay redundancy

You should pay redundancy no later than an employee's final pay day. You can pay later than this if you both agree another date in writing.

You should clearly communicate when and how the payment will be made. For example, let employees know if payments will be included in their monthly pay or as separate payments.

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 to pay redundancy

If making redundancy payments puts your business at risk you can ask the Redundancy Payments Service (RPS) for financial help.

If you're insolvent you can get RPS to make your redundancy payments and recover the debt from your assets.

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

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