New Regulations for Calculating Statutory Redundancy Payments

Employees who are made redundant will usually be entitled to a statutory redundancy payment if they have been working for their employer for two years or more. The payment is calculated based on the employee's age, length of service and weekly pay.

Since the Government introduced the Coronavirus Job Retention Scheme (the 'Scheme') in March 2020, it has urged employers to use employees 'normal' wage when calculating redundancy payments, rather than the reduced wage under the Scheme. Despite this, some employers have been using the employee's lesser furlough wage to calculate redundancy payments. This means that some employees who were placed on furlough leave, and subsequently made redundant, were disadvantaged as they received a reduced redundancy payment as a result of being on furlough leave.

In order to avoid furloughed employees being short-changed, the Government has introduced new legislation in relation to statutory redundancy payments. The legislation dictates that employees who are made redundant whilst on furlough leave will receive a redundancy payment based on their 'normal' wage.

Business Secretary Alok Sharma commented that employers should "do everything they can to avoid making redundancies, but where this is unavoidable it is important that employees receive the payments they are rightly entitled to."

The legislation also applies to Statutory Notice Pay, where an employee is given a paid notice period before their employment ends.

For more information about redundancy and specifically the rights of employees in a redundancy situation, please see our article here.

For further information about redundancy, furlough or any other employment related matters, please contact our employment solicitors. Get in touch by emailing online.enquiries@la-law.com or if your query is urgent, please call 01202 786135.

Tel: 0344 967 0793 | Email: info@LA-Law.com | www.lesteraldridge.com

Lester Aldridge LLP is authorised and regulated by the Solicitors Regulation Authority (SRA ID: 463177). It is a limited liability partnership registered in England and Wales under number OC321318. Managing Partner: Tom Alder; Compliance Officer for Finance and Administration: Dan Baker-Mist (Financial Controller); Compliance Officer for Legal Practice: Joanne Clarke (Partner) - See more on the Lester Aldridge Privacy Policy

© 2026 Lester Aldridge