**Worked Examples of Calculating Voluntary Severance and Early Retirement (on the grounds of redundancy) Payments in accordance with Ready Reckoners shown at Appendicies 1,2 and 3**

**Example 1: - Calculating the Voluntary Severance payment for an employee who’s basic weekly pay is BELOW the Statutory Maximum Weekly wage\***

If an employee is 45 years old with 15 years service the ready reckoner (Appendix 1) shows the severance payment will be based on 47 weeks pay.

If this employee’s basic weekly wage is £350.00 (this is currently below the statutory maximum payment\*) the severance payment is calculated as:

47 weeks X £350.00 = **£16,450**

**Example 2 – Calculating the Voluntary Severance payment for an employee who’s basic weekly pay is ABOVE the Statutory Maximum Weekly wage**

If however, an employee of the same age and service years as example 1 has a basic weekly rate of £680.00 (this is currently above the statutory maximum weekly payment\*). The same ready reckoner is used but in this case the statutory maximum weekly payment\* is subtracted from the employee’s basic weekly wage and the resulting figure is multiplied by the number of weeks shown on the ready reckoner then further multiplied by 33%.

i.e.£680.00 - £380.00\* = £300 X 47 weeks = £14,100 X 33% = £4,653.00

This then is added to the number of weeks shown on the ready reckoner multiplied by the Statutory Maximum Weekly payment\*

i.e. 47 weeks X £380.00 = £17,860

Total severance payment is the sum of these two calculations

**i.e. £17,860 + £4,653 = £22,513**

**Example 3 - Calculating the voluntary redundancy payment for an employee who has applied for Early Retirement on the grounds of redundancy whose basic pay is BELOW the Statutory Maximum Weekly wage\***

If an employee is 56 years old with 20 years service the ready reckoner (Appendix 2) shows the severance payment will be based on 27.5 weeks.

If this employee’s basic weekly wage is £320.00 (this is currently below the statutory maximum payment\*) the severance payment is calculated as:

27.5 weeks X £320.00 = **£8,800**

**Example 4 - Calculating the voluntary redundancy payment for an employee who has applied for Early Retirement on the grounds of redundancy whose basic pay is ABOVE the Statutory Maximum Weekly wage\***

If however, an employee of the same age and service years as Example 3 has a basic weekly wage of £680.00 (this is currently above the statutory maximum weekly payment\*). In this case the statutory maximum weekly payment\* is subtracted from the employee’s basic weekly wage and the resulting figure is multiplied by the number of weeks then further multiplied by 33%.

i.e. £680.00 - £380.00 = £300 X 27.5 weeks = £8,250 X 33% = £2,722.50

This then is added to the number of weeks shown on the ready reckoner multiplied by the statutory maximum weekly payment\*

i.e. 27.5 weeks X £380.00 = £10,450

Total severance payment is the sum of these two calculations

**i.e. £2,722.50 + £10,450 = £13,172.50**

**Example 5 – Calculating a compulsory redundancy payment for an employee whose basic weekly wage is ABOVE the statutory maximum weekly payment\*.**

If an employee is 36 years old with 10 years service with a basic weekly wage of £750.00. The ready reckoner (appendix 3) shows the severance payment will be based on 10 weeks pay and the statutory maximum weekly payment\* will be applied.

**i.e. 10 weeks X £380.00 = £3,800.00**

**Example 6 – Calculating a compulsory redundancy payment for an employee whose basic weekly wage is BELOW the statutory maximum weekly payment\*.**

If an employee who is 48 years old with 22 years service and whose basic weekly pay is £250.00. The ready reckoner (Appendix 3) shows the severance payments will be based on 23.5 weeks pay and the employee’s basic weekly wage will be applied.

**i.e. 23.5 weeks X £250.00 = £5,875**

**\* This is the Statutory maximum weekly payment which is £380.00 (correct as at 1st October 2009) Please refer to BIS website for up to date figures www.berr.gov.uk.**