

Guide to calculating a week's pay

How is a week's pay determined?

A "week's pay" is a term that is regularly referred to in employment legislation as being the basis for calculating the following

- statutory guarantee payment
- pay during a statutory notice period
- statutory redundancy pay
- pay for time off to look for other work and
- holiday pay under the Working Time Regulations.

It is important to note however that both the statutory guarantee payment and the statutory redundancy pay are capped at levels which are set by Government in February each year.

The basis for calculating a week's pay varies depending on whether or not an employee has normal working hours. An employee will have normal working hours if the contract provides a specific number of hours per week e.g. 39 hours per week. Ordinarily overtime will not be included as part of the normal working hours if there is no contractual obligation on the employer to provide overtime and no contractual obligation on the employee to work a fixed amount of overtime except when calculating holiday pay for the first 4 weeks of the Working Time Regulations 1998 holiday entitlement. See our ealert ["Holiday pay landmark judgment laid Bear"](#).

In the circumstances where an employee works normal working hours and the employee's pay does not change from week to week, then the basic weekly wage is a week's pay.

Where an employee works normal working hours but receives different amounts of pay from week to week, e.g. a variable bonus payment, the employee's week's pay should be calculated by averaging the employee's hours and pay over the 12 weeks prior to the calculation date. If the employee was absent for any of those 12 weeks due to maternity, paternity, adoption leave or parental leave and received less than their normal pay, earlier weeks need to be substituted for those weeks when calculating the 12 week average. Any overtime hours will be calculated in the average although any overtime premium received is disregarded.

NB Where calculating a week's pay for the purposes of Working Time Regulations holiday then the reference period is 52 weeks and not 12

Where there are no normal working hours for the employee, a week's pay is determined by working out the average week's pay over a 12 week period prior to the calculation date. As above, if an employee does not receive pay for any week in the 12 week period, then previous weeks need to be included.

In both scenarios, work done for a previous employer can count towards the calculation of average pay if there has been no break in continuity of employment.

What are the relevant calculation dates?

In calculating notice pay, the calculation date is the day before the first day of the statutory notice period. However for redundancy pay purposes, the calculation date is the day that the statutory notice period begins or would have begun had the employee not been paid in lieu of notice.

For statutory guarantee payments, the calculation date is the day in which the guarantee payment is payable.

For Working Time Regulation holiday entitlement, the calculation date is the first day of that period of leave.

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