

Calculation of Statutory Entitlements on the Basis of the 12- Month Average Wages

Narrator: A new colleague of HR department, Chloe, is calculating the holiday pay of Tuen Ng Festival on 7th June 2019 for the staff. Let's see her calculation!

Chloe: It is equal to the average daily wages earned by an employee in the 12-month period preceding the specified holiday. Using Jason, a shopkeeper, as an example, his monthly wages include basic salary and commission. His monthly basic salary is \$18,000. The total wages earned in the 12-month period preceding the holiday was \$447,000, including basic salary, commission and 5-day sickness allowance, \$4,800, which was paid at a rate of four-fifths of the average daily wages. I think the calculation is: \$447,000 is divided by 365 days.

Mandy: Wrong! Wrong! Wrong! You missed a step, Chloe!

Chloe: Mandy.....

Mandy: According to the Employment Ordinance, any periods for which an employee is not paid full wages and the sum paid for such periods have to be excluded.

Therefore, you need to exclude the 5-day sickness allowance of \$4,800 from the 12-month total wages of \$447,000 because the sickness allowance was at four-fifths of the average daily wages. Meanwhile, the 5 days concerned have to be excluded from 365 days. This is the correct calculation of average daily wages.

As required by the law, our company keeps record for each staff setting out the 12-month wage records, including the taken and untaken statutory holidays, paid annual leave, paid sickness day, payment details and so on.

Chloe: Oh, I see.

Mandy: Glad that you understand now. Don't underpay wages and statutory entitlements to the employees. Otherwise, we will breach the labour law.

Chloe: Got it, Mandy!

All: Paying wages in accordance with the law is conducive to
 harmonious labour relations.

Labour Department

Enquiry Hotline: 2717 1771

Website: www.labour.gov.hk