Set up holiday pay

Holiday pay · https://paiyroll.com/kb/set-up-holiday-pay/

This guide covers how to set up and configure holidays in paiyroll®. Holidays are complicated, and we recommend you read this article to understand the different types of holiday pay before proceeding.

Step-by-step set-up

Here are the steps to set up holiday pay.

1. Add Holiday Scheme Pay Definition(s)

You can set up as many schemes as required if you have different types of working patterns.

- Setup > Pay Definitions> Update to edit the default **Holiday scheme**, or
- Add to create a new one:
  - Select the company
  - Select the **Holiday scheme** Template
  - Use the default Name and Description
- Complete the settings according to your scheme type - typical settings are shown below:

Setting	**Fixed Hours and Pay e.g. Salary**	**Irregular 52-Week average**	**Irregular Accrued Hours**	**Variable Hours or Pay**
Units	Days	Days	Hours	Hours
Reset date	Holiday year reset date	Holiday year reset date or 0001-01-01 uses each worker's start date	Holiday year reset date or 0001-01-01 uses each worker's start date	Holiday year reset date
Working pattern	Fixed hours and pay	No (Irregular)	No (Irregular)	Variable hours or pay

Setting	Fixed Hours and Pay e.g. Salary	Irregular 52-Week average	Irregular Accrued Hours	Variable Hours or Pay
Carry limit **Buy limit** **Sell limit** **Exceed limit**	As required	As required	As required	As required
Average formula	Pay - all periods	Pay - only paid weeks	Daily or hourly rate	Pay - all periods
Average period weeks	-	52	52	52
Max history weeks	-	104	104	52
Bookable per week	Employee working days and/or bank holidays	Any day (allows workers to book weekends)	Any day (allows workers to book weekends)	Any day (allows workers to book weekends)
Units per week	0 (uses the number of employee's working days)	0 (uses the number of employee's working days)	0 (uses the number of employee's working hours)	0 (uses the number of employee's working hours)
Entitlement accrual	Pro-rata year 2 onwards, per month year 1	Pro rata	Percentage % (specified below)	Pro rata
Entitlement percentage	-	-	12.07	-
Payout balance	When leaving	When leaving	As required	As required

Notes

- **Units** are set to *Days* or *Hours* for Entitlement and Booking

- **Reset date** is the day and month the holiday scheme is reset. 0001-01-01 uses each worker's start date.
- **Working pattern** is how work is remunerated and contracted?
  - **Fixed hours and pay** is for salary-based employees
  - **No (irregular)** is for no fixed hours (irregular, casual, zero-hours)
  - **Variable hours or pay** is for salary-based workers who also earn *variable* hours or pay (overtime, commission, etc)
- **Carry limit** can be used to limit how many unused days can be carried over across the holiday year
- If you operate a holiday buy/sell arrangement, then **Buy limit** and **Sell limit** can be used to limit the number of days bought or sold in a holiday year. Set to zero if not used
- **Exceed limit** determines how many days/hours above the accrued entitlement can be booked. For example, if a worker has accrued 14 days, but you're happy for them to book for 28 days, you will need to specify an exceed limit of 14.
- **Average formula** can determine an average from the total Pay divided by weeks or monthly pay periods, whereas a daily/hourly rate formula divides total pay by the actual Hours or days worked
  - **Pay - All periods** is used for *Fixed* and *Variable* working patterns and will average all pay periods, including those where there is zero pay, or zero overtime/commission
  - **Pay - only paid weeks** for workers with no fixed pattern to average only paid weeks and ignore unpaid weeks
  - **Daily or Hourly rate** works out an average Hourly or Daily rate
- **Average period weeks** defines how many weeks should be used for averaging weekly pay. 52 weeks is the default
- **Max history weeks** is normally set to 104 weeks to comply with the new holiday pay law.
- **Bookable per week**
  - **Employee working days** means employee can only book the days of the week they work, excluding public holidays
  - **Employee working days and public holidays**, extends the above to public holidays.
  - **Any day** means non-working days e.g. weekends can be booked, which is convenient for irregular workers.

- **Units per week** means how many units (Days or Hours) a week is divided by. Zero uses the number of employees' working days or hours. So if the worker works 5 days a week, it would divide a week by 5, or if the worker works 37.5 hours, it would divide by 37.5. You only need to enter a non zero value if the days or hours are not specified in the working pattern or the salary scheme annual hours
- **Entitlement accrual** can be based on days since a worker started, or based on the days/hours they actually work
  - **Pro-rata** of holiday year x entitlement (default) means workers with 28 days' entitlement accrue 14 days after 6-months in the role
  - **Pro-rata year 2 onwards, per month year 1** is the same as above, except in year 1 it is always rounded up to a full month.
  - **Percent of Hours or Days worked** used the next setting percentage
- **Entitlement percentage** is generally 12.07% for the Percent of Hours or Days worked option above
- **Payout balance** determines how any holiday balance is paid out:
  - Not paid (default)
  - When leaving
  - At holiday year end
  - When leaving or year end

2. Add Holiday Pay Items to each worker

Attach a Holiday Pay Item to each worker using the Pay Item editor:

- Select the **Holiday** Pay Definition and click **+Create Pay Item > Holiday** to add a Pay Item to each worker
- In the row for the newly added Holiday Pay Item, set the **Annual entitlement** to the number of holiday days or hours, e.g. 28 days or 235 hours
- You will most likely commence using paiyroll® mid-way through a holiday year. Set the **Migrated balance** to account for the Days or Hours taken or carried over (if applicable). This will adjust the first year only as follows:
  - **Taken** is entered as a *negative* value and will be subtracted from the annual entitlement
  - **Carry over** is *a positive* value and will be added to the annual entitlement

- If you are using multiple schemes, set the scheme; otherwise, use the default **holiday scheme**
- Click **Update/View payslip** to save these changes

Bulk upload

If you have a large number of workers, it is easy to duplicate this first item onto the other workers.

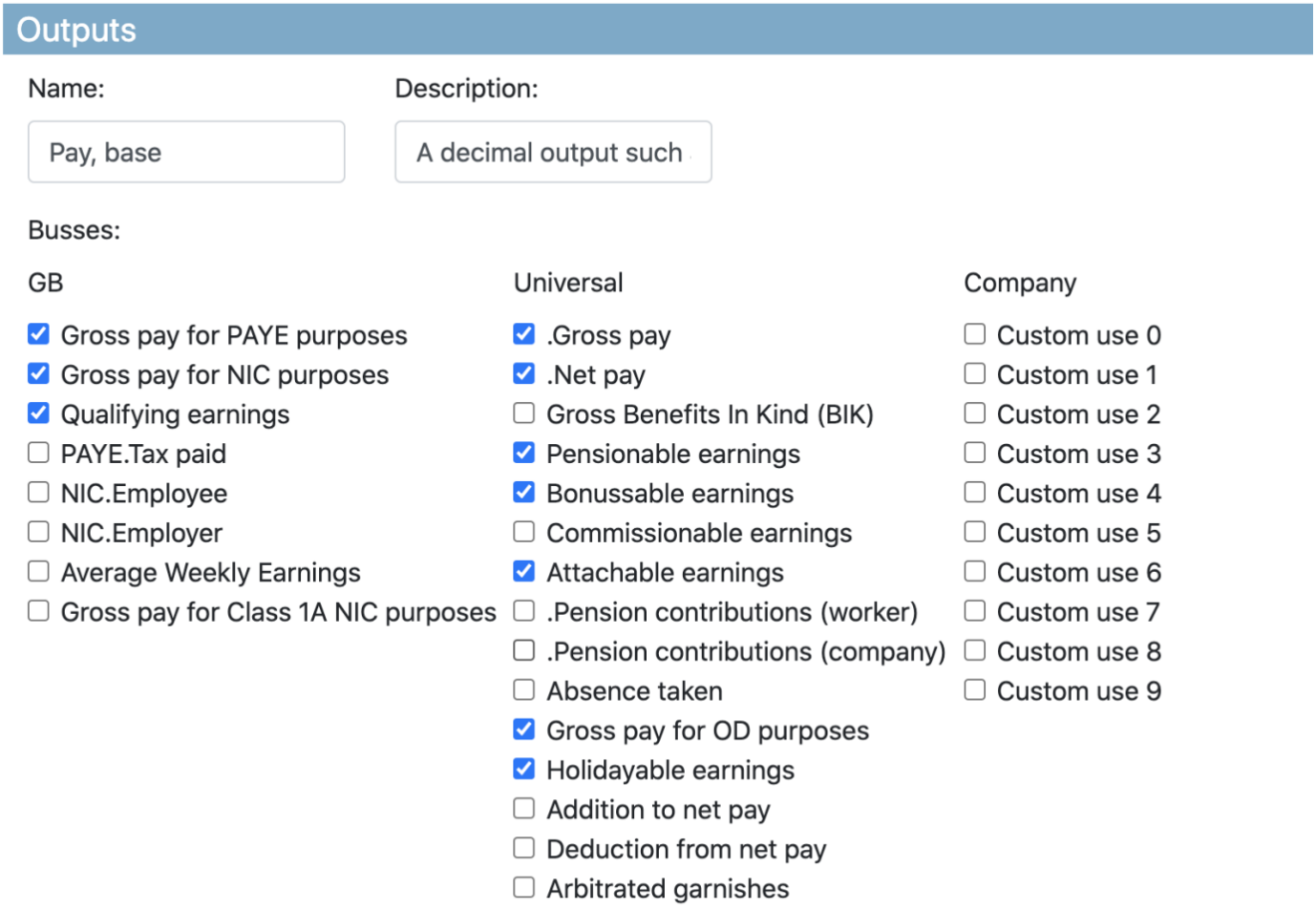
- Follow the steps in Pay Item workbook upload/edit/download
- At this point, you will be able to insert Taken and Carry Over

3. Pay Definitions contributing to Holiday pay

For a worker with a fixed working pattern, their holiday pay is determined from the Salary Pay Definition, which should be the only Pay Definition contributing to holiday pay. Therefore, you can skip this section.

For Irregular or Variable work patterns, you must determine which Pay Definitions contribute to holiday pay. To do this, you must categorise every Pay Definition and whether it forms part of holiday pay: those *included* in Holiday pay and those *excluded*. Salary-based items are almost always included.

By default, *Payment* Pay Definitions are set to contribute to holidayable earnings and are included. That means the Output on the Pay Definition is checked (a tick mark) for the Holidayable earnings Buss.



4. Holiday History

History accumulates from the first pay run after adding the holiday pay item. Generally, that means there is no history when you set up holiday. It is possible to operate holiday pay this way if you have no history - the averages will start building up in a short period. If history is available, then it should be uploaded to ensure the calculations are 100% accurate from day one. Please see this article on how to upload holiday history.

Operation

Holiday operates as follows:

- Holidays are booked and approved using a holiday workflow, recording the start, end, and duration.
- All repeating Pay Items (e.g. those based on Salary Pay Template) continue to output ‘pay’ during any holiday.

- Non-repeating Pay Items, such as Overtime or Shifts, will be zero during the holiday.
- Booked holidays will automatically generate pay if applicable, automatically calculated and provided by the Holiday Pay Item.
- Excluded Pay Items are, by definition, excluded.
- Unused holiday pay is paid out on leaving or at the holiday anniversary for employees on a fixed working pattern.

Display and reports

All days, dates and durations listed above are displayed when the holiday request is first created on the mobile view. The same information is available when a manager or administrator approves a request.

The Pre-approval summary2 report Holiday entitlements tab includes the full holiday report.

Appendix

The principle is that pay received by a worker while they are on holiday should reflect what they would have earned if they had been working

Different working patterns are supported as shown below:

Work pattern	**Fixed**	**Entitlement (set on the employee Pay Item input)**
Description	**No** fixed hours, e.g. casual work, zero-hours contract, irregular	Workers' start date rolled forward each year
Reset date (Year starting)	Date in the scheme rolled forward each year	**Entitlement earned** - calculated and updated after pay run approval
Fixed hours and pay, including part-time	**Annual entitlement**	**Entitlement earned** - calculated and updated after payrun approval
Holiday balance after import	Zero	Zero

Work pattern	Fixed	Entitlement (set on the employee Pay Item input)
Entering entitlement after import	Enter the remaining balance at date of import as the annual entitlement. e.g. full entitlement is 28 days and 5 days taken prior to import, enter 23. Just after the next reset date, enter the full annual entitlement of 28.	Enter full annual entitlement
Carried over, Bought and Sold	Displayed if scheme limits are not zero	Displayed if scheme limits are not zero
Remaining this year	**Annual entitlement** + (Carried over + Bought - Sold) - Approved bookings	**Entitlement earned** + (Carried over + Bought - Sold) - Approved bookings
Entitlement year to date	Displayed after payrun approval for information	–
Pay out on leaving	Automatically	No
Pay out on holiday anniversary date	Automatically	No