

GUIDE

The 52-Week Holiday Pay Ruling

And what it means for your business

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Request leave

Leave request from:

☒ All day 2023-04-01

Leave request to:

☒ All day 2023-04-15

Leave type

Holiday leave ▼

Total days: 15

What is the 52-week holiday pay ruling?

The 52-week holiday pay ruling is [a law that affects how businesses must calculate holiday pay for workers](#) without fixed hours or pay, including shift workers. This ruling states that if an employee works shifts that vary in hours from week to week, the employer must calculate and pay them a 52-week average for their holiday pay.

Holiday pay is the compensation employees receive during their annual leave, ensuring they are not financially disadvantaged for taking time off. The amount of holiday pay depends on various factors, including employment status and working hours.

Most workers and employees (except the self-employed) are entitled to 5.6 weeks of paid holiday time per year. Casual workers, including shift workers, are entitled to 5.6 weeks of holiday pay, just like their full-time counterparts. How many weeks an employer needs to reference for average pay and how far back they can look have been changed in [a law as of 6 April 2020](#).

What is the reason for the change?

Calculating average holiday pay is essential to ensure fair compensation for casual workers. Traditionally, holiday pay was based on the worker's earnings in the reference period before their leave. However, this method often failed to account for variations in income due to shift patterns or seasonal work. To address this, the 52-week average holiday pay rule was introduced.

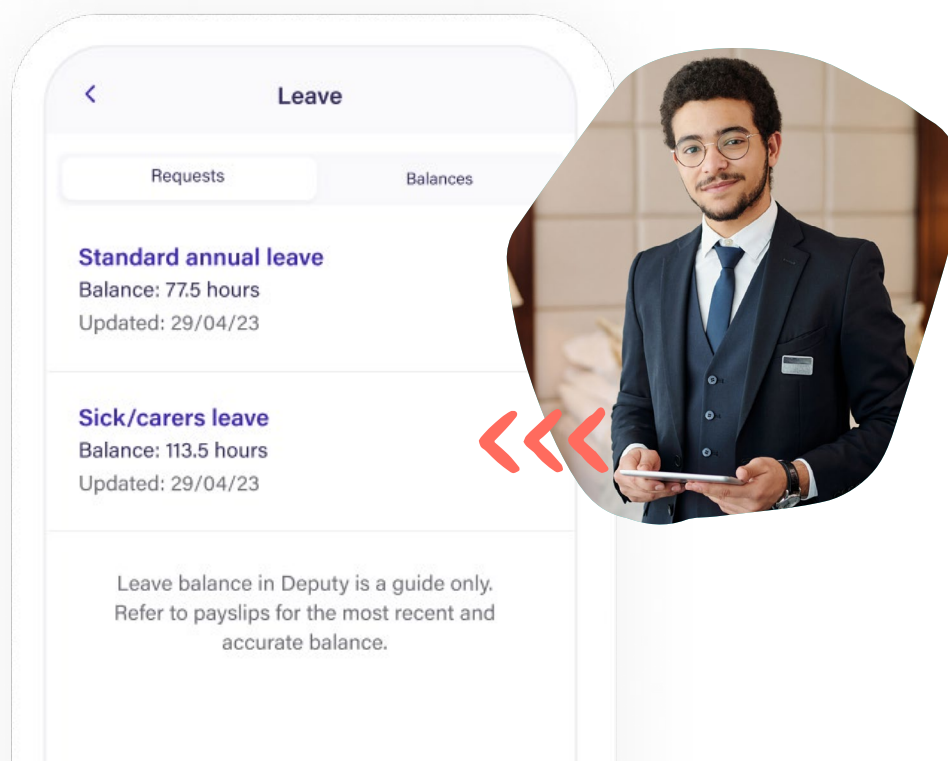
This new law is intended to ensure all employees are paid fairly for their holidays and compensate them for any additional costs associated with taking time off. The purpose of the new law is to simplify holiday entitlement calculations for shift workers who sometimes receive different amounts depending on when they take time off.

How to accrue holiday entitlement

According to [GOV.UK](https://www.gov.uk), annual leave builds up ('accrues') when a worker starts working.

Two main ways that holiday entitlement can be accrued:

- **Leave year system or upfront accrual:** Under this system, employees are entitled to all their statutory holiday entitlement at the start of the leave year. The leave year is usually the same as the calendar year, but it can be any 12-month period the employer chooses.
- **Accrual throughout the year:** Under this system, an employee accrues (builds up) holiday entitlement over time. The amount of holiday entitlement an employee accrues monthly is usually one-twelfth of their annual entitlement.



For example, an employee who works a 5-day week and is entitled to 28 days' annual leave under the accrual system would accrue two days' holiday entitlement each month. After three months of working, they would have accrued six days' holiday entitlement.

Employers are required to pay employees for their holiday entitlement. The amount of holiday pay is calculated based on the employee's average salary. For example, if an employee's regular pay is £100 per day, they would be paid £100 for each day of holiday they take.

Employees can take their holiday entitlement at any time during the year. However, employers can refuse holiday requests if they are unreasonable or if they would disrupt the business.

Dismissed or made redundant employees are entitled to be paid for any accrued holiday entitlement they have not taken.

Things to keep in mind about holiday entitlement in the UK:

- Some employees, such as agency workers and those on zero-hours contracts, may have different holiday entitlement arrangements.
- Employees who work part-time are entitled to pro-rata holiday entitlement.
- Employees who are sick or on maternity leave are able to carry over their holiday entitlement to the following year at the discretion of the employer.
- Bank holidays may or may not be included in the annual leave entitlement. It depends on your company's employment policy.
- Employees should check their employment contract to see their specific holiday entitlement arrangements.

How should holiday pay be calculated for workers with variable hours or pay?

1. Determine the reference period

The first step is establishing the reference period over which the average holiday pay will be calculated. In most cases, this period is 52 weeks over a 104 week period. However, where a worker has been employed for fewer than 52 weeks, the reference period is shortened to the number of weeks of their employment. Importantly, the reference period must only include weeks for which the worker was actually paid. Weeks where a worker was not paid must be excluded from the reference period.

2. Calculate total earnings

Add up the total earnings of the shift worker during the reference period. This includes the base pay and additional payments, such as overtime, shift differentials, bonuses, and commissions. Ensure that all remuneration forms part of the worker's regular pay.

3. Divide total earnings by the number of weeks in the reference period

Divide the total earnings by the number of weeks in the reference period (generally 52 weeks). This will give you the average weekly earnings.

4. Calculate total earnings

To determine daily pay, divide the average weekly earnings by the number of days the shift worker would typically work a week. This may vary depending on their schedule and the number of days they usually work.

5. Determine holiday pay

To calculate the holiday pay for a specific leave period, multiply the average daily pay by the number of days the worker is entitled to take based on their accrued leave entitlement.

What should employers consider?

1. Record keeping!!

Maintaining records of your employee's earnings over the 52-week reference period is crucial. These records will serve as the basis for calculating average holiday pay. Efficient scheduling software can help you generate comprehensive, accurate reports and documentation on hours worked, leave taken, and holiday pay calculations. These reports serve as a reliable audit trail and can be used for internal purposes, record-keeping, and potential compliance inspections or audits.

2. Payroll systems and calculation automation

You need to ensure your payroll systems can effectively calculate each employee's 52-week average holiday pay. This may require updating or modifying existing systems to comply with the ruling. Advanced scheduling software often comes equipped with integrated payroll functionalities. It can streamline the average earnings and holiday pay calculations based on the defined reference period. By eliminating manual calculations, this software saves time and reduces the likelihood of mistakes in determining holiday pay. [Atlas Hotels achieved payroll accuracy across 52 locations using Deputy.](#)

3. Communication and transparency 😊

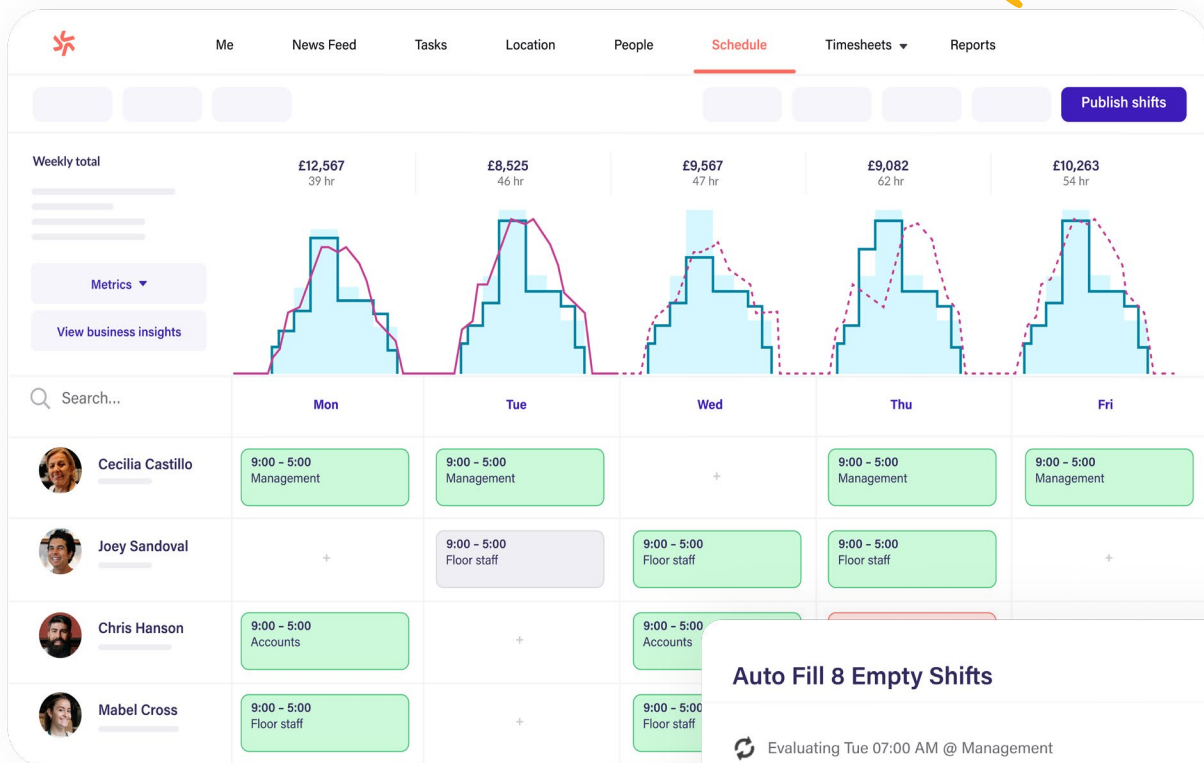
Inform your shift workers about their holiday pay entitlements and provide information on how their leave is calculated. Some scheduling software includes features that facilitate communication with employees. Employers can use these tools to transparently share information about holiday pay calculations, reference periods, and any changes in the process. Clear communication helps build trust, reduces misunderstandings, and promotes a positive working environment. [Deputy has helped The Castle streamline staff communication.](#)

4. Compliance

Adhering to the 52-week average holiday pay ruling is paramount for meeting employment laws and regulations. Inaccurate holiday pay calculations can expose businesses to legal risks and financial penalties. Automated scheduling software offers valuable assistance in maintaining compliance with employment laws and regulations. The software simplifies leave entitlement tracking for employees and aids in the accurate calculation of leave and corresponding holiday pay. Scheduling software provides a record over time of holiday pay calculations and payments, providing employers with proactive measures to prevent potential legal issues.

5. Accurate data tracking

Automated scheduling software can track and record shift workers' hours, including regular hours, overtime, and additional payments or allowances. This data is crucial for calculating the average holiday pay accurately. The software automatically captures and maintains this information, reducing the risk of human error and facilitating precise calculations.



“Our industry has been waiting for software to calculate our employee’s average leave entitlement.





We’ve finally managed to ditch the spreadsheets and lengthy data entry and let Deputy do it all for us.”

Rob Crawford

Financial Director, Coach Services Limited

6. Ability to recognise shift patterns

Shift workers often have irregular working patterns, complicating holiday pay calculations. Automated scheduling software excels in recognising and analysing complex shift patterns, considering factors like night shifts, weekends, or rotating schedules. This capability makes it easy to calculate the average earnings over the reference period, incorporating all relevant elements. [Deputy reduced staff scheduling for citizenM from 4 hours to 15 minutes.](#)

	8	9	10	11	12	13	14	15	
			10am - 3pm						
		Unavailable							
			9am - 5pm						
		Annual leave							

View profile

View shift history

Find replacement >

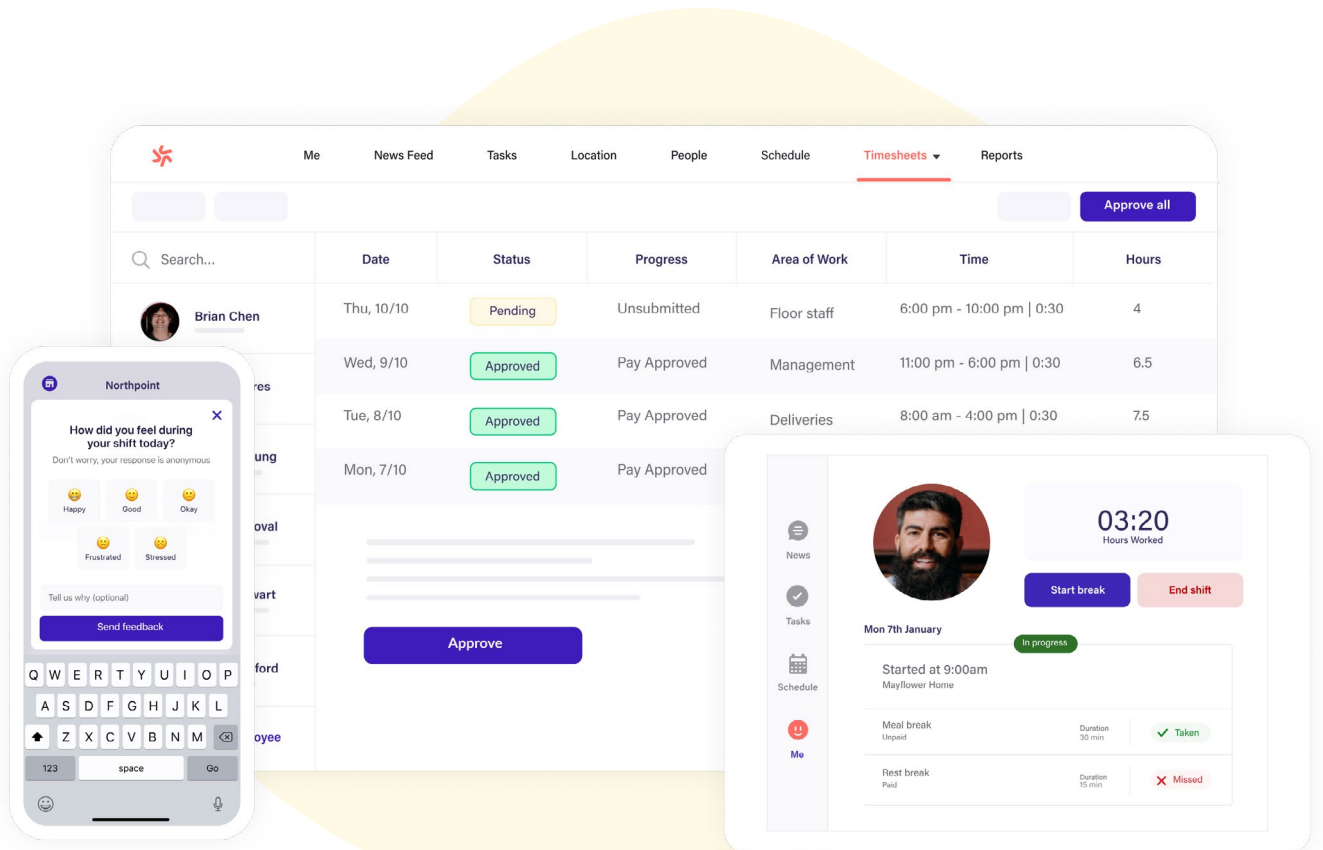
Your stress-free holiday checklist

- ☐ Have you got a reliable, time-saving and efficient way to track your employee's earnings over the 52-week reference period?
- ☐ Can your payroll systems quickly and effectively calculate each employee's 52-week average holiday pay?
- ☐ Are your shift workers aware of the change in holiday entitlements, and do you have tools that facilitate clear communication?
- ☐ What tools and processes do you have to ensure you stay compliant with the law?
- ☐ How are you tracking your shift worker's hours, including regular hours, overtime and additional payments or allowances?
- ☐ Are you able to spot changes to your shift worker's working patterns?
- ☐ Are you able to accurately accrue holiday entitlement for all employees?

Conclusion

The ruling requiring a 52-week average for holiday pay is designed to guarantee fair compensation for casual and shift workers, who often experience fluctuations in earnings. Businesses with shift workers must comply with this ruling to meet employment laws, create transparency, and promote a positive work environment. You can navigate this ruling by maintaining precise records, implementing payroll system updates, communicating well and helping shift workers receive their well deserved holiday pay.

While [Deputy](#) is designed to Simplify Shift Work™ by reducing the time required to apply the relevant legal requirements through automation, it is not a substitute for payroll or legal advice, nor is it intended to relieve you of your obligation to comply with the legal requirements applicable to your business. It is ultimately each customer's sole responsibility to pay its employees correctly and in compliance with all Legal Requirements. Please review our [Product Specific Terms](#) for more information about your compliance responsibilities.





Simplifying Shift Work.™