12 Things Every Wage Policy Must Include

Every company either has or needs a written Employment Manual codifying the rules that apply to the particular workplace. Best practices dictate splitting the Employment Manual into separate policies:

- An employee code of conduct; and
- A policy on wages, salaries, benefits and other economic terms of employment (which, for simplicity's sake, we'll refer to as the "wages policy").

The 12 Key Policies of the Wages Policy

There are 2 broad sets of issues a wage policy should address:

- The employment standards law ("ESA") minimum wages and benefits that apply in your jurisdiction; and
- The additional benefits your company voluntarily provides under collective agreements with union employees and individual employment contracts with non-union employees.

While the latter vary by (and within the) organization, ESA-related benefits are pretty universal. There are 12 kinds of ESA benefits any wage policy should address, no matter what part of Canada you're in.

1. Payment of Wages

Every ESA includes provisions requiring employers to pay wages promptly. **Policy Tips:**

- Indicate when and how often wages are paid;
- Define what wages include;
- Say that wages will be paid in Canadian currency;
- List the methods of payment—typically cash, cheque or direct deposit into the employee's bank account.

2. Pay Statements

ESAs require employers to furnish employees a written statement with each payment. **Policy Tips:**

- Say that you'll provide such a statement;
- List the information the statement will include—typically pay period dates, gross wages, itemized deductions and net pay;

- Indicate if you'll furnish pay statements electronically and, if so, under what conditions.

3. Source Deductions

The wage policy must set out clear rules for deductions from pay. **Policy Tips:**

- Say that deductions will be made where required by law—for federal and provincial income tax, EI premiums, CPP contributions, to enforce a court order, etc.
- List any other deductions required or allowed by your jurisdiction's ESA, e.g., for board or lodging;
- List deductions you will not or may not make, e.g., deductions to recover money an employee owes you;
- Say that deductions will not reduce net pay below minimum wage levels.

4. Hours of Work

Explain the rules for calculating time worked for employees paid on a time basis. **Policy Tips:**

- Explain who sets the work schedule and how;
- Explain when employees are entitled to meal breaks and if those breaks are paid;
- List how many sick days employees have and if they're paid or unpaid.

5. Overtime

Unless they're part of management or otherwise exempt, employees are entitled to overtime at time-and-a-half. **Policy Tips:**

- List the standard work hours after which overtime accrues—typically 40 hours per week;
- Say if employees are allowed to bank overtime or trade it for additional time-off;
- Explain your policy on averaging of overtime;
- Require employees to get permission to work overtime (unless, of course, they're ordered to work overtime).

6. Minimum Wages

Indicate in your wage policy that all employees will be paid at least the minimum wage required by your jurisdiction.

7. Call-in Pay

All ESAs require employers to pay minimum call-in or reporting pay to employees who are required to report to work and end up not working or working less than the call-in minimum. **Policy Tips:**

- Indicate the minimum number of hours of call-in pay employees are guaranteed under your jurisdiction's ESA;
- List any call-in pay exceptions that apply in your jurisdiction, e.g., where the reason the employee didn't work the minimum number of hours was due to some kind of natural catastrophe beyond your control.

8. Statutory Holiday Pay

Addressing statutory holiday pay is a must for any wage policy. **Policy Tips:**

- List the statutory holidays in your jurisdiction;
- List the requirements an employee must meet to be eligible for stat holiday pay—and how employees can lose eligibility;
- Explain how employees will be paid for stat holidays not worked;
- Explain how they'll be paid for stat holidays they do work;
- Indicate if employees can trade stat holidays for another paid day off;
- Say what happens if a stat holiday falls while an employee is on leave or vacation.

9. Paid Vacation

Under ESA laws, employees accrue paid annual vacation after a certain period of service. **Policy Tips:**

- Explain when employees become eligible for paid vacation—and for how many weeks;
- Explain when and how employee vacations are scheduled—advance notification, in blocks or separately, etc.;
- Indicate how vacation pay is calculated and when it's paid out;
- Explain how they'll be paid for stat holidays they do work;
- Indicate if employees can trade stat holidays for another paid day off;
- Say what happens if a stat holiday falls while an employee is on leave or vacation.

10. Unpaid Leaves of Absence

Each jurisdiction gives employees the right to take unpaid leaves of absence without forfeiting their jobs. **Policy Tips:**

- Specify the types of unpaid leave to which an employee is entitled;
- Explain how long each kind of leave can last and when it can be taken;
- Explain what employees must do to provide notification of leave, including any verification required;
- Explain if employees continue to accrue benefits and seniority while on leave;
- Say that employees will be restored to their original or a similar position when they return.

11. Unpaid Leaves of Absence

Employees are entitled to receive notice of termination or wages in lieu of notice. **Policy Tips:**

- Specify how long an employee must work with your organization to become eligible for termination notice;
- Explain how much notice employees are entitled to receive for particular lengths of employment;
- List any exceptions to termination notice that apply in your jurisdiction, e.g., if the employee is fired for just cause, shortage of work, circumstances beyond your control, etc.
- Explain how and when notice will be provided or wages in lieu of notice paid;
- List any other amounts employees are entitled to receive upon termination, e.g., accrued but unused vacation, statutory severance (in Ontario and Federal), etc.;
- Explain how employees must provide notice if they decide to leave the organization.

12. Protection from Reprisals

Most ESAs include a provision that makes it illegal for an employer or its

representatives to take “discriminatory actions” or reprisals against employees for exercising their employment standards rights. **Policy Tips:**

- List the things employees may do without suffering discriminatory action, e.g., asking about their ESA rights or filing a wage claim;
- Define “discriminatory action” or reprisals;
- Say that employees won’t suffer discriminatory action or reprisals if their wages are garnished.

To read about the 15 Key Policies of the Employee Code of Conduct click here.

Access a Employee Wages Policy Checklist here.