

Statutory Holiday Pay Mistakes Canadian Employers Keep Making and How HR Can Prevent Payroll Compliance Problems



Statutory holiday pay is one of those payroll issues that looks straightforward until a real workplace schedule gets involved.

A full-time employee works Monday to Friday, has the statutory holiday off, and receives holiday pay. That's the easy case. Most payroll problems show up in the less tidy situations: part-time employees, variable schedules, commission employees, workers who receive vacation pay on each cheque, employees who work on the holiday, employees who miss a qualifying shift, remote workers in another province, shift workers, substitute holidays, compressed workweeks and employees covered by different employment standards laws.

That's why statutory holiday pay is not just a payroll calculation. It's a workflow issue between HR, scheduling, managers and payroll.

HR may write the policy. Managers may approve the schedule. Employees may swap shifts. Payroll may process the time codes. Finance may handle remittances. If those pieces are not aligned, errors happen quickly. An employee may be underpaid, overpaid, denied eligibility incorrectly or paid using the wrong provincial formula. The amounts may appear small at first, but repeated mistakes across a workforce can create employment standards complaints, retroactive liability, employee distrust and unnecessary administrative cleanup.

The risk is especially high for Canadian employers operating in more than one jurisdiction. Public holiday rules differ across the country. Ontario's public holiday pay formula is not the same as British Columbia's. Federally regulated employees have their own general holiday framework under the Canada Labour Code. Manitoba uses a different approach again for employees with variable hours or wages. A national employer cannot rely on one calculation or one manager rule everywhere.

For HR professionals, the goal is not to memorize every holiday rule in Canada. The goal is to build a process that identifies the correct jurisdiction, applies the correct eligibility rule, uses the correct formula, codes the time properly and ensures payroll deductions are handled correctly.

That process should exist before the holiday arrives.

The First Mistake Is Using the Wrong Jurisdiction

The most basic statutory holiday error is applying the wrong law.

Canadian employment standards are largely provincial or territorial, except for federally regulated employers. That means statutory holiday entitlement usually depends on the employment standards jurisdiction that applies to the employee, not simply where the employer's head office is located.

This matters more now because many employers have remote and distributed teams. A company based in Ontario may have employees working in British Columbia, Alberta or Nova Scotia. A payroll team may be centralized in one province, while employees perform work in another. A manager may not realize the employee's holiday entitlement differs from the rest of the team.

Ontario, for example, recognizes nine public holidays under its Employment Standards Act guidance, including New Year's Day, Family Day, Good Friday, Victoria Day, Canada Day, Labour Day, Thanksgiving Day, Christmas Day and Boxing Day. Most qualifying employees are entitled to take those days off and receive public holiday pay. Ontario's public holiday pay formula is generally based on regular wages plus vacation pay payable in the four work weeks before the work week containing the public holiday, divided by 20.

British Columbia uses a different method. B.C. says statutory holiday pay equals an "average day's pay," and its formula is based on wages earned in the 30 calendar days before the holiday divided by the number of days worked in that 30-day period. B.C. also excludes overtime from that calculation.

Federally regulated employees fall under the Canada Labour Code framework. Federal labour standards guidance lists 10 general holidays for employees in federally regulated workplaces, including National Day for Truth and Reconciliation and Remembrance Day, in addition to holidays such as New Year's Day, Good Friday, Canada Day, Labour Day, Christmas Day and Boxing Day.

That variation creates immediate risk. If payroll applies Ontario's formula to a B.C. employee, or treats a federally regulated employee like a provincially regulated one, the payment may be wrong even if the employer acted in good faith.

HR should therefore begin every statutory holiday pay process with one question: which employment standards law applies to this employee?

The Second Mistake Is Assuming Part-Time Employees Do Not Qualify

Many managers still believe statutory holiday pay is mainly for full-time employees.

That assumption is dangerous.

In many jurisdictions, eligibility does not depend simply on whether the employee is full-time or part-time. It depends on the applicable employment standards statute, the employee's work history, whether they meet qualifying rules, and whether they worked or failed to work certain scheduled days.

This is especially important in retail, hospitality, restaurants, health care, security, logistics, warehousing, seasonal operations and any workplace with variable schedules. These are also the workplaces where statutory holiday work is common and where payroll errors can multiply quickly.

The manager may think, "She only works two days a week, so she does not get stat

pay.” Payroll may receive a time sheet coded as regular hours only. The employee may later discover they were entitled to public holiday pay or premium pay. By then, the employer has to reconstruct schedules, hours, wages and eligibility.

HR should train managers not to make eligibility assumptions based on status. Part-time, casual, temporary and variable-hour employees may still have statutory holiday entitlements depending on the jurisdiction and facts. The proper question is not “Is this employee full-time?” It is “Does this employee meet the statutory eligibility rules?”

That distinction matters because the wrong assumption can create systemic underpayment across a large group of employees.

The Third Mistake Is Misapplying Qualifying Rules

Eligibility rules are another frequent source of payroll problems.

Ontario uses what is commonly called the “last and first” rule. In general terms, employees must work their last regularly scheduled day before the public holiday and their first regularly scheduled day after the public holiday, unless they have reasonable cause for not doing so. Ontario’s public holiday guidance sets out the qualifying framework and related exceptions.

That sounds simple, but it can be hard to apply in real life.

What counts as the last regularly scheduled day before the holiday? What if the employee swapped shifts? What if the employee was sick? What if the absence was approved? What if the employee had reasonable cause? What if the manager removed the employee from the schedule? What if the employee works irregular shifts and there is no obvious “regular” day?

Managers often make snap decisions on these questions. That is where mistakes happen. An absence may be coded incorrectly. An employee may be treated as ineligible without considering reasonable cause. Payroll may not know the schedule history. HR may only hear about the issue when the employee complains.

B.C. uses a different eligibility approach. B.C.’s statutory holiday guidance states that employees qualify if they have been employed for 30 calendar days and have worked or earned wages on 15 of the 30 days before the statutory holiday, with special rules for employees under averaging agreements.

The comparison shows why HR needs jurisdiction-specific workflows. A qualifying rule in one province may not exist in another. A payroll system configured around one standard may not properly handle another.

The process should require managers to provide payroll with accurate schedule and absence information. Payroll should not have to guess whether an absence before or after the holiday affects eligibility.

The Fourth Mistake Is Mishandling Employees Who Work on the Holiday

Statutory holiday work is where errors often become more expensive.

An eligible employee who works on a holiday may be entitled to more than regular wages. Depending on the jurisdiction, they may be entitled to statutory holiday pay, premium pay for hours worked, another day off with pay, or some combination of those entitlements.

B.C.'s guidance states that statutory holiday pay is owed whether the employee works or takes the day off, and eligible employees who work on a statutory holiday are generally entitled to premium pay for hours worked in addition to statutory holiday pay. Ontario's rules also distinguish between employees who take the holiday off, employees who work on the public holiday, and arrangements involving substitute holidays.

This is where time coding becomes critical. Payroll must know whether the employee did not work and is owed holiday pay, worked and is owed premium pay, worked and will receive a substitute holiday, or was ineligible and worked the day under a different rule.

If the manager simply codes the day as regular hours, the employee may be underpaid. If payroll automatically applies premium pay without knowing whether a substitute day was agreed to, the employee may be overpaid or improperly recorded. If a substitute holiday is not documented, the employer may struggle to prove the arrangement later.

HR should work with payroll to ensure there are clear codes for each scenario. Managers should not have to invent a note in a time sheet. There should be a consistent process.

The more statutory holiday work an organization schedules, the more important this becomes.

The Fifth Mistake Is Forgetting Vacation Pay in the Calculation

Vacation pay interacts with statutory holiday pay in ways that can surprise managers and payroll teams.

Ontario's public holiday pay formula includes regular wages earned and vacation pay payable to the employee in the four work weeks before the work week containing the public holiday, divided by 20. (ontario.ca) That means vacation pay can affect the holiday pay calculation.

Other jurisdictions use different formulas. B.C.'s calculation focuses on wages earned in the 30 calendar days before the holiday and excludes overtime. Manitoba says that for employees whose hours or wages vary, general holiday pay is calculated at 5% of gross wages, not including overtime, in the four-week period immediately before the holiday.

These differences matter for employees with variable wages, commissions, vacation pay paid on each cheque, bonuses or irregular schedules. If payroll does not know which earnings are included in the formula, the calculation can be wrong.

HR should not assume the payroll system automatically handles every formula correctly. It may, but only if configured properly and fed the right data. Any employer operating in multiple jurisdictions should audit statutory holiday calculations periodically, especially for variable-hour and variable-pay employees.

That audit should test whether the correct wages are included, overtime is handled properly, vacation pay is included where required, and the correct lookback period is used.

The Sixth Mistake Is Treating Payroll Deductions as an Afterthought

Statutory holiday pay is not only an employment standards issue. It is also payroll income.

CRA's Employers' Guide explains employer obligations for deducting and remitting Canada Pension Plan contributions, Employment Insurance premiums and income tax from amounts paid to employees. ([Canada](#)) CRA also provides current payroll deduction formulas for calculating federal, provincial and territorial income tax, CPP contributions and EI premiums.

In practical terms, once statutory holiday pay is paid as employment income, payroll must apply the required source deductions unless a specific exception applies. Public holiday pay should not be handled informally, paid off-cycle without proper deductions, or treated as a reimbursement.

CRA's special payments chart is also useful for employers because it helps determine whether CPP contributions, EI premiums and income tax deductions apply to different types of payments. ([Canada](#))

The risk here is not usually that HR misunderstands tax law. The risk is that holiday pay errors are corrected manually, and the manual correction is not processed properly. For example, an employee complains about underpaid holiday pay. A manager tells payroll to "add the missing stat pay." Payroll processes a special payment but does not handle deductions or recordkeeping correctly. Now the employer has corrected one problem and created another.

HR should ensure that all statutory holiday adjustments go through proper payroll channels with appropriate source deductions, records and pay statement treatment.

The Seventh Mistake Is Mishandling Substitute Holidays

Substitute holidays can create significant recordkeeping problems.

In some jurisdictions, employees who work on a statutory holiday may receive another day off with pay instead of, or in addition to, certain holiday pay arrangements depending on the law and the agreement. Ontario's public holiday guidance includes rules for substitute holidays and public holiday work arrangements.

The problem is that substitute holidays are easy to approve informally.

A manager may say, "Work Monday and take Friday off instead." The employee agrees. Payroll does not receive the detail. The substitute day is not coded properly. Later, the employee claims they did not receive the correct entitlement, or payroll double-pays because the system treats both days incorrectly.

Substitute holiday arrangements should be documented clearly. The record should show the statutory holiday worked, the substitute day provided, the pay treatment, the employee agreement where required, and the payroll code used.

HR should also make sure substitute holidays do not disappear in scheduling systems. If the substitute day is not taken or paid properly, the employer may still owe the entitlement.

The Eighth Mistake Is Not Auditing Remote and Multi-Province Workers

Remote work has made statutory holiday compliance harder.

A Toronto-based employer may have an employee working remotely in Vancouver. A Calgary company may hire an employee in Ontario. A national employer may have payroll centralized in one province but employees scattered across Canada. Managers may schedule team meetings and holidays based on head office, while employees are entitled to holidays in their own jurisdiction.

This creates several questions. Which holidays apply? Which formula applies? Which payroll deductions apply? Which province of employment is used for payroll purposes? Is the employee provincially or federally regulated? Is the remote work arrangement temporary or permanent?

CRA's guidance on determining an employee's province or territory of employment recognizes remote work arrangements and explains that the province of employment may depend on whether the employee reports to an employer's establishment or is attached to an establishment in a full-time remote work agreement. This is a payroll deduction issue, but it shows how remote work can complicate assumptions about location.

HR should maintain an accurate record of where employees actually work. Payroll cannot apply the correct holiday or deduction rules if the employee's work location is wrong or outdated.

Any remote work approval process should include payroll review when the employee works from another province or territory.

Why Employees Care So Much About Holiday Pay

Some employers underestimate statutory holiday pay because individual amounts may seem small.

Employees do not see it that way.

Holiday pay is a trust issue. If an employee believes the employer has miscalculated a public holiday, they may question other payroll practices as well. If part-time employees discover they were wrongly denied holiday pay, they may feel disrespected. If employees who worked the holiday do not receive proper premium pay, they may see the error as more than administrative.

Payroll errors also tend to spread. One employee asks a question. Others compare pay statements. A small error becomes a group concern. HR then has to investigate, explain, correct, rebuild trust and sometimes self-audit prior periods.

The better approach is prevention. Statutory holiday pay should be treated as a recurring compliance event, not an occasional payroll nuisance.

The HR Workflow for Statutory Holiday Compliance

A strong statutory holiday workflow should begin several weeks before the holiday.

First, identify the holiday and the jurisdictions affected. Do not assume every employee observes the same day.

Second, confirm which employment standards law applies to each employee group. Separate provincially regulated and federally regulated employees.

Third, review eligibility rules before schedules are finalized. Managers should understand qualifying rules, scheduled shifts and absence implications.

Fourth, identify which employees will work the holiday, which will take it off, and which may receive a substitute holiday.

Fifth, ensure time codes are ready and clearly understood. Managers should know how to code holiday not worked, holiday worked, premium pay, substitute holiday, ineligible employee worked and approved absence.

Sixth, apply the correct formula. Payroll should confirm the jurisdiction-specific calculation, including treatment of vacation pay, overtime, commissions, variable wages and lookback periods.

Seventh, apply source deductions correctly. Statutory holiday pay should be processed through payroll with CPP, EI and income tax treatment handled according to CRA requirements.

Eighth, document exceptions. If an employee is found ineligible, if reasonable cause is accepted, if a substitute holiday is provided, or if an adjustment is made, the record should show why.

Ninth, audit after major holidays. Review a sample of full-time, part-time, variable-hour, holiday-worked and remote employees. Look for coding errors, formula errors and missed entitlements.

This workflow does not need to be complicated. It needs to be consistent.

What HR Should Train Managers On

Managers do not need to become payroll experts, but they need enough knowledge to avoid creating payroll problems.

They should understand that part-time employees may qualify for statutory holiday pay. They should know that eligibility rules vary by jurisdiction. They should not deny holiday pay based on assumptions. They should know that employees who work on a holiday may trigger premium pay or substitute holiday rules. They should understand that schedule changes before or after the holiday may affect eligibility. They should know how to code time correctly. They should escalate unusual cases to HR or payroll before approving arrangements.

Managers should also be trained on language. Comments such as “part-timers do not get stat pay” or “you missed Friday, so you lose the holiday” can create problems if they are legally wrong or incomplete.

A better manager response is: “Holiday pay depends on the employment standards rules and your schedule. I’ll confirm with HR/payroll before we finalize it.”

That small shift can prevent a large mistake.

What HR Should Audit

HR and payroll should periodically audit statutory holiday pay for high-risk groups.

Start with part-time employees, variable-hour employees, employees who worked the holiday, employees who received substitute holidays, employees with vacation pay paid on each cheque, employees with commissions, remote employees in another province, and employees whose schedules changed around the holiday.

The audit should ask whether the correct jurisdiction was applied, whether eligibility was assessed properly, whether the correct formula was used, whether vacation pay and overtime were handled properly, whether premium pay was paid where required, whether substitute holidays were documented, and whether source deductions were processed correctly.

This audit is especially important after payroll system changes, HRIS implementation, new remote work arrangements, acquisitions, or expansion into another province.

A payroll system is only as good as its configuration and inputs. Statutory holiday rules are exactly the kind of detail that can be missed when systems are set up quickly.

The Policy Should Be Clear, But Not Overly Simplified

Many employer policies say something like: "Employees will receive statutory holiday pay in accordance with applicable employment standards legislation."

That statement is legally safe but operationally thin. It does not tell managers what to do.

A better policy can still avoid becoming a full legal manual while providing practical direction. It should state that statutory holiday entitlement is determined by the applicable jurisdiction. It should explain that part-time and variable-hour employees may qualify. It should require manager and payroll review before scheduling holiday work. It should explain that substitute holidays must be approved and documented. It should direct employees to HR/payroll with questions. It should prohibit informal arrangements outside the payroll system.

The policy should also be supported by manager guidance and payroll procedures. The policy alone will not prevent errors if managers do not understand how to schedule and code holiday work.

The Payroll Deduction Reminder

HR should also remember that statutory holiday pay corrections may affect more than wages.

If an employee was underpaid and receives a retroactive adjustment, payroll must process the adjustment properly. CPP, EI and income tax deductions may apply depending on the nature of the payment and CRA rules. CRA's payroll deduction materials are the authoritative source for calculating and remitting required deductions.

This is where HR and payroll should work closely. HR may identify the employment standards issue. Payroll must process the correction correctly. Finance may need to account for remittances. If errors affected multiple employees, the employer may need a broader correction plan.

Do not correct statutory holiday pay outside payroll. It creates unnecessary tax, remittance and recordkeeping risk.

The Takeaway for Canadian HR

Statutory holiday pay errors rarely begin with payroll alone.

They usually begin earlier, with unclear policies, inconsistent scheduling, manager assumptions, incorrect time coding, outdated employee location records or failure to recognize jurisdictional differences.

HR can prevent many of these problems by treating statutory holidays as recurring compliance events. Before each major holiday, confirm the applicable jurisdictions, train managers on scheduling and coding, review eligibility rules, flag holiday-worked scenarios, and ensure payroll is ready to apply the correct formula and deductions.

Canadian employers do not need to make statutory holiday pay more complicated than it

already is. But they do need to respect the complexity that exists.

The goal is simple: every eligible employee should receive the holiday pay they are owed, every employee who works the holiday should be paid correctly, every substitute holiday should be documented, and every payment should move through payroll with proper deductions and records.

That is how HR turns a recurring compliance headache into a controlled process.