# Vacation Pay Policy



*HR managers in any part of the country can adapt this Model Policy for use at their own workplace.*

**Definitions:** For purposes of this *Policy*:

- **Vacation entitlement year:** means the 12-month period over which employees earn vacation;
- **Standard vacation entitlement year:** means a recurring 12-month period beginning on the date of hire;
- **Alternative vacation entitlement year:** means a recurring 12-month period chosen by ABC Company to begin on a date other than the employee's date of hire;
- **Stub period:** means the period between the date of hire and beginning of the first alternative vacation entitlement year or, the period between the end of a standard vacation entitlement year and the beginning of an alternative vacation entitlement year where ABC Company switches from a standard vacation entitlement year to an alternative vacation entitlement year.

Vacation entitlement year and stub period includes the time the employee spends away from work as a result of:

- Layoff;
- Sickness or injury;
- Pregnancy, parental, personal emergency, family caregiver, family medical, critically ill child care, organ donor, reservist, or crime-related child death or disappearance leaves; and
- Any other approved leaves.

**Entitlement:** ABC Company will grant employees 2 weeks of vacation time after each vacation entitlement year that they complete with ABC Company. In the event that ABC Company establishes an alternative vacation entitlement year, employees will be entitled to a minimum of 2 weeks' vacation time after each alternative vacation entitlement year as well as a pro-rated amount of vacation time for the stub period preceding the start of the first alternative vacation entitlement year.

**Stub Period Vacation Entitlements:** ABC Company will use the following methods to calculate stub period vacation entitlements:

- If an employee has a regular work week: 2 weeks x R; or
- If an employee does not have a regular work week: 2 weeks x the average number

of days worked during the stub period x R.

For purposes of this Section, R means the ratio of the length of the stub period to 12 months.

**Vacation Pay:** Vacation pay will be no less than 4% of wages, excluding vacation pay that the employee earned during the period for which the vacation is given. For purposes of this Section, wages include:

- Regular earnings, including commissions;
- Bonuses and gifts that are non-discretionary or are related to hours of work;
- Overtime pay;
- Public holiday pay;
- Termination pay; and
- Allowances for room and board;

But do not include:

- Vacation pay paid out or earned but not yet paid;
- Tips and gratuities;
- Discretionary bonuses and gifts that are not related to hours of work, production or efficiency (e.g. a Christmas bonus unrelated to performance);
- Expenses and traveling allowances;
- Living allowances;
- Contributions made by ABC Company to a benefit plan and payments from a benefit plan (e.g. sick pay) that an employee is entitled to;
- Federal employment insurance benefits; or
- Severance

**When Vacation Must Be Taken:** Vacation time must be taken within 10 months after the vacation entitlement year or stub period for which it was earned. ABC Company has the right to schedule vacation as well as an obligation to ensure that vacation time is scheduled and taken before the end of that 10-month period.

**Scheduling of Vacation:** Vacation time will be scheduled in a block of 2 weeks or 2 blocks of 1 week unless the employee makes a written request and ABC Company accepts the request in writing that the vacation be scheduled in shorter periods. In such event, ABC Company will use the following method to calculate the number of single vacation days to which the employee is entitled:

- If an employee has a regular work week: Number of days in employee’s usual work week x 2; or
- If an employee does not have a regular work week: Average number of days worked in each work during the most recently completed vacation entitlement year x 2.

**When Vacation Pay Will Be Paid:** ABC Company will pay employees the vacation they earn during a completed vacation entitlement year or stub period in a lump sum before they take the vacation time earned. Exceptions:

- If employees take vacation time in periods of less than 1 week, they will be paid vacation pay on or before the pay day for the period in which the vacation falls;
- Where employees agree in writing, ABC Company will pay them their vacation pay on each pay cheque as it accrues or at any other time ABC Company and the employees agree to;
- If employees are paid their wages by direct deposit, ABC Company will pay them vacation pay on or before the pay day for the period in which the vacation

falls.

**Waiver of Vacation Time:** Employees may voluntarily give up some or all of their earned vacation time via written agreement that is approved by the Ontario Director of Employment Standards. However, waiver of vacation *time* does not affect the employee’s right to receive vacation *pay*—such right cannot be waived.

**Termination:** Upon termination, ABC Company will pay employees any vacation pay earned but not yet paid out within 7 days of the employment’s ending or on what would have been the employee’s next pay day, whichever comes later.