

Vacation Pay Policy



Vacation is annual paid time off for employees. All jurisdictions have minimum standards for paid vacation and your policy needs to be consistent with the applicable law. Your policy may exceed the minimum standards allowed in the law.

Vacation policies tend to cover:

- Employee's eligibility for vacation with pay
- Length of vacation (typically longer with more years of service)
- How vacation time can be taken (all at once, one week at a time, etc)
- Vacation pay (how much, and when employees receive it)
- Scheduling vacations
- Accrued vacation time (whether employees must take it within the year, or if carryover is permitted)

Accrued vacation time can easily get out of hand, requiring large payouts. Due to this, some organizations limit the number of days of vacation an employee can carry over to the next fiscal year. Employees are encouraged to take their vacation in the year in which it is earned. In an organization with a diverse staff, accrued vacation needs to be given careful consideration. From an organizational point of view it may seem reasonable to limit the amount of vacation time accrued, but what if your employees want to visit family during their vacation and that means international travel. The option of accruing enough time to make expensive travel feasible may be the vacation policy that is best for your employees.