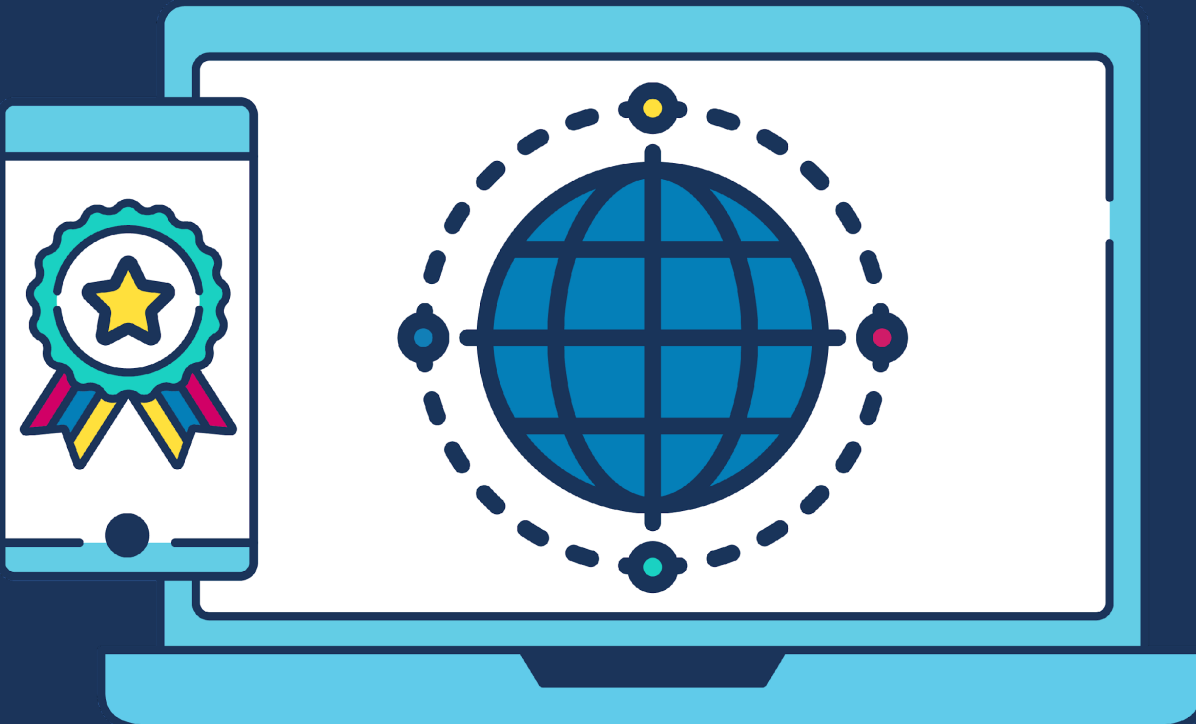


5.6 Week Holiday Entitlement

TIMEGATE

September 2022



COMMERCIAL STATEMENT

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CHANGING FROM 12.07% TO 5.6 WEEK MULTIPLIER RULES

On the 20th of July 2022, the Supreme Court unanimously ruled that all employees are entitled to 5.6 weeks of paid holiday, regardless of how many hours they have worked. This applies to full-time, part-time, and zero-hour contract employees. The full ruling can be found [here](#).

In essence, all employees will now be treated the same way for calculating holiday entitlement and pay. This also means that the 12.07% holiday pay calculation previously recommended by ACAS should no longer be used for any employee. ACAS has updated their guidance, and the updated guidance can be found [here](#).

Calculating Entitlements

Permanent contract

Employees who have a permanent contract will have a set agreed number of contracted hours per week (e.g., 40 over a 5-day week is entitled to 5.6).

If the employee entitlement is recorded in days, then: $5 * 5.6 = 28$ days.

Entitlement in hours: $40 * 5.6 = 224$ hours

Rotating pattern – Permanent contract

Employees could also be employed onto a rotating pattern (e.g., 4-on, 4-off). In this case, the employees' average number of days over the pattern can be used, as displayed below.

Sun	Mon	Tue	Wed	Thur	Fri	Sat	Hours	Days
N	N					D	36	3
D	N	N					36	3
D	D	N	N				48	4
	D	D	N	N			48	4
		D	D	N	N		48	4
			D	D	N	N	48	4
				D	D	N	36	3
N					D	D	36	3
							42	3.5

Entitlement in days: $3.5 * 5.6 = 19.6$ days

Entitlement in hours: $42 * 5.6 = 235.2$ hours

Part-Time contract

Employees who have a part-time contract will have a set agreed number of contracted hours per week (e.g., 10 over a 2-day week are entitled to 5.6).

If the employee entitlement is recorded in days, then: $2 * 5.6 = 11.2$ days.

Entitlement in hours: $10 * 5.6 = 56$ hours

School workers

While school workers are only employed generally for 39 weeks for the year, they are still entitled to 5.6 weeks of holiday (see more in the [court ruling](#)).

Zero-Hour contracts

Zero-hour contract employees are still entitled to 5.6 weeks of holiday entitlement, but since they do not work regular days and hours, you must take an average of the employees' hours and working days over the last 52 weeks.

If employees have been off at any time in a week (Sun to Sat), then days/hours in those weeks should be discounted, and another whole working week used to a maximum of 104 weeks. Suppose an employee has only recently joined a company, and there are not 52 weeks of data to complete the average calculation. In this case, the average calculation should be over the available data.

For example: If an employee is on a permanent zero-hour contract and works one duty of 8 hours in length, the employee is immediately entitled to 5.6 weeks of holiday pay.

Entitlement in days $1 * 5.6 = 5.6$ days

Entitlement in hours $8 * 5.6 = 44.8$ hours

Normal rate of pay

The key to this new ruling is that the employees should be paid for a week's holiday as if they were paid for a normal working week. Therefore, the pay rate should be the employee's normal hourly pay rate.

For permanent, part-time, and school workers, this can be easily calculated, but for shift workers and zero-hour contract workers whose pay rate may vary, an average calculation can be used. The calculation should use the average pay rate over the previous 52 weeks, discounting any absence week up to 104. For new employees, the average calculation should be over the available data.

Singular days

The ruling only discussed full weeks, but the reality is that employees can take singular days. To work out a singular day's value, you have to divide the employee contracted hours by their working days (e.g., $40 / 5 = 8$ hours per day, or $42 / 3.5 = 12$ hours per day). This is the number of hours that will be paid at their normal rate of pay.

HOW DO I SET THIS UP IN TIMEGATE?

In Timegate, two rules are suggested—one for permanent employees, where the weekly contracted hours and working days are known, and one for the variable contracted hour employees. The rule configuration is identical bar one change.

For variable contract employees, you need to set the *Derived* option on the rule to be enabled (highlighted below). For permanent workers, this should be left as disabled.

You can also decide if the entitlement is to be viewed in hours, as it would be at present for 12.07% workers, to switch to days. This can be set up in the Entitlement Unit.

The screenshot and setup below is our recommendation as a replacement for the 12.07% rule and zero-hour contract employees, keeping an Hour unit of measure.

Absence Rule (In Use - 1 Employee)

General

Name*	NEW 5.6	System Diary Event*	Employee Holiday
Description*	NEW 5.6	Diary Event	(None)
Automated Rule	<input type="checkbox"/>	Period	Fixed
Active	<input checked="" type="checkbox"/>	Allow Overbooking	<input checked="" type="checkbox"/>
		Allow Accrued Overpayment	Yes

Entitlement Settings

Entitlement Method	Contracted Multiplier
Entitlement Type	Fixed
Entitlement Unit	Hour
Display To Nearest Half Hour	<input checked="" type="checkbox"/>

Contracted Hours

Derived	<input checked="" type="checkbox"/>
Max. Contracted Paid Hours	<input type="checkbox"/>
Max. Contr. Hours	72,000
Max. Contr. Days	6,000

Carried Forward

Max Carried Over Hours	<input type="text"/>
Max Carried Over Paid Hours	<input type="text"/>
Cut Off Method	Last Rate Gen

Payment Settings

Payment Method	Contracted Hours/Average Rate
Average	
Max. Calc. Weeks (Daily Hours)	101
Avg. Calc. Weeks (Daily Hours)	52
Max. Calc. Weeks (Hourly Rate)	101
Avg. Calc. Weeks (Hourly Rate)	52
Normal Working Week	5
No Min. Weeks	<input checked="" type="checkbox"/>
Exclude Absence Weeks	<input checked="" type="checkbox"/>
Apply Min. Wage	<input checked="" type="checkbox"/>
Avg. Days To Use	Days In Period
Avg. Paid Days	Working Days
Min. Avg. Paid Hours	0
Max. Avg. Paid Hours	0

Effective Dates

Effective	Finish	Entitlement Weeks
<input checked="" type="checkbox"/> 01/01/2022	dd/mm/yyyy	5.60

Allow Accrued Overpayment

In the option above, you have set this to *Yes*; in the 12.07% rule, this would have allowed employees to go into a negative balance.

If this is set to *No*, then employees will not be able to go over their accrued entitlements as displayed on the employee's absence tab. The accrued entitlement is the (yearly entitlement / 365) * the number of days into the current holiday year.

Service can also be selected and the number of months. The employee cannot go over their accrued figure for the initial number of months, but after the defined period, they can.

As the employee's contracted hours are set to be derived, the employee holiday entitlement can vary as they work more hours, and this would change the full year entitlement and, subsequently, the accrued entitlement.

Entitlement Settings

This should be set to a Contract Multiplier. When this setting is enabled, the highlighted section under the Effective Dates becomes enabled and can be set to 5.60.

5.6 is the UK default for 20 days of statutory holiday and the 8-days of public holiday, divided by the normal working week of 5 days. Should your contract give more entitlement for the length of service, then the rule and multiplier would need to be adjusted. Timegate can handle this configuration; please discuss with the customer success team.

Entitlement Unit: This can be set to days or hours depending on how you want entitlement to be displayed to the employee and/or how their contract is written.

Contracted Hours

The derived flag should be enabled for zero-hour contracts. When enabling the derived option, then Max Contr. Hours and Max Contr. days need to be set to the maximum value you will allow (suggestions above).

Using the derived option, Timegate will calculate each evening the employee's working days and contracted hours. When displayed on the employee's record absence tab, these values will be greyed out and not editable. It also means that the employee's yearly entitlement may change periodically as they work more or fewer hours.

Payment Settings

We recommend using Contracted Hours / Average rate, but there are scenarios where alternative Payment Methods are relevant. The setup to calculate the averages is the same as the 12.07% rule, with one exception in which you must exclude weeks where there has been an absence, so *Exclude Absence Weeks* should be enabled. This will exclude the whole week from the average calculations.

HOW DO I SWITCH FROM 12.07% TO 5.6 WEEK RULE?

Ideally, switching to this new rule should be completed on the anniversary of an employee holiday year. This allows for a clean switchover. This might not be possible, so below is an approach to switch mid-holiday year.

Assuming you have created the new absence rules, you can go to each employee and start their transition to the new absence rule.

1. It is suggested that you record any carry forward or adjustments that have been added to the employee for the current holiday year, as these will need to be re-applied when the new rule is added.
 - a. If switching Entitlement Unit, then any adjustment figure will need to be converted appropriately.
2. Add a new Effective Date and assign the new rule to the employees.
3. Enter the Contracted Hours and working days of the employee, if known.
4. Re-enter the adjustment and save.

Timegate now needs to complete a set of overnight calculations to update the contracted hours and working days of the employee we have just updated. Therefore, the remaining validations can only be completed on the following day.

On the following day, you will be able to see on the employee record that the contracted hours and working days boxes are no longer editable. This is due to the overnight calculations above and Timegate working out these.

You can now work through the future diary events for the employee and update them to use the new calculation approach.

Our suggested approach is to run a diary event report 01-05-09. This will give you a listing of the employee's diary events. Go to the employee's diary, delete the diary events, and then re-add them. The paid event duration will be updated using the new absence rule, and the rate-generation data will be calculated on saving.

Each singular day will be the contract hours/working days. This is the value that will be shown when editing the diary event in the work pattern duration.

Remember, the employee shift pattern is taken into consideration by Timegate. Employees who were on 12.07% will most likely be on a defined pattern, meaning a decision will have to be made regarding the paid event duration of the diary event, if the employee is booking more than 1-day off. This is the same review as completed under the prior 12.07% rule.

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