

# Vacation Pay Policies and Two Common Misconceptions

APRIL 2015

Employers have the responsibility to ensure that employees receive their legislated vacation leave and pay -- a responsibility they take seriously. Yet, their efforts could be undermined as the result of some common and potentially costly misconceptions related to vacation entitlement and pay.

“Misconceptions are far more dangerous than questions,” states Janet Spence, Manager, Compliance Services and Programs, of The Canadian Payroll Association. “When you have questions, you need to seek answers. Unfortunately when someone makes decisions based on a misconception, they expose their organization to the potential risk of fines and penalties.”

“The goal of the Canadian Payroll Association is to help employers and payroll practitioners stay current and compliant with payroll-relevant legislation and regulatory requirements, to minimize costly mistakes,” explains Spence. “One benefit of belonging to our association is that members can get clarity on these misconceptions and learn where to find answers or get help.”

Most employers understand that they have an obligation to provide all employees with vacation whether they work full or part-time. They also know they have the discretion to approve or deny the timing of vacations based on business needs. However, they may also believe they have the rights outlined below, when they actually don't.



Janet Spence, Manager, Compliance Services and Programs, Canadian Payroll Association.

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## Use it or Lose it

A common misconception is that employers have the right to impose a “use it or lose it” policy on vacation entitlement. Minimum vacation entitlement is determined by the legislation in place in the jurisdiction where the employee works. When an employer chooses to exceed these minimum standards, it is referred to as a “greater benefit.” This is an important differentiator.

A use it or lose it policy is only allowed in certain jurisdictions, and where it is allowed it pertains only to the greater benefit.

For example, if legislation requires that an employee gets two weeks of vacation, but the employer provides three weeks, the employer may be allowed to impose a policy where the employee loses the extra week if it is not taken in the required time frame.

## Recovering Vacation Overpayments

Another error employers sometimes make is deducting vacation overpayments from the final pay when an employee terminates employment. If an employer has a policy that allows employees to take their vacation in advance (before it is earned), a written agreement should be in place whereby the employees acknowledge

that if their employment ends before the vacation is earned, they must repay the employer any unearned amounts. Some jurisdictions and/or collective agreements require the specific dollar amount of a deduction be authorized by the employee. Otherwise, the employer does not have the right to deduct overpaid vacation.

Having clearly defined policies and procedures assist payroll practitioners in the difficult job of managing vacations and other employment standards. But it's very important that those policies comply with current legislation.

“It is a huge challenge to stay current given that there are more than 190 federal and provincial regulations with frequent changes,” acknowledges Spence. “That's why our Professional Development seminars are so popular. We make it much easier to stay current. And that is still the best way to reduce compliance risk.”

**For information on the Canadian Payroll Association's Professional Development seminars on Employment Standards covering vacation pay and entitlements and other popular topics, payroll Certification Programs, and the Benefits of Membership visit [payroll.ca](http://payroll.ca).**

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Saskatoon - Apr 17  
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Calgary - Apr 22  
Toronto - May 15  
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Pointe-Claire - May 28

Red Deer - June 11  
Thunder Bay - June 12  
Abbotsford - June 12  
Mississauga - June 17  
Kitchener - June 17  
Victoria - June 18  
Montreal - June 18  
Halifax - June 19