

Holiday Pay Compliance Audit



What is the issue?

All workers must be paid holiday pay. The description of a worker is wide ranging. This can encompass everyone from owning partners in an LLP to the temporary staff in an organisation and all those in between. Even the off payroll workforce may be “workers” of the clients they service.

In mid-2018 the then Director of Labour Market Enforcement reported that there was £3.1bn of unpaid UK wages, with half that being unpaid holiday pay.

Against this backdrop, the Government has said that from Spring 2020 it will increase its holiday pay enforcement action against defaulting employers, especially for vulnerable workers not paid their statutory holiday pay.

Companies need to ensure both that they are paying statutory holiday pay to all categories of their workforce entitled to it and that the payments of holiday pay include all the correct pay components. Defaulters will risk claims and being publicly named and shamed by Government.

What should you think about on holiday pay?

Holiday pay rights given by law have been around for 20 years. So, what’s changed and why talk about a Holiday Pay Compliance Audit now?

- **From April 2020 all workers need to be given on day one of their employment a written statement of their remuneration.**

This has to include detail about holiday pay components, so companies should be assessing this now. It’s also important to note that claims sanctions will follow for those who get this wrong.

- **Recent court decisions have increased the pay elements that organisations have to include in holiday pay.**

Statutory holiday pay is no longer paid at basic pay rates, but now has to include all normal remuneration for that worker. The rules on what normal remuneration comprises are driven by recent case law and are not straightforward.

Many organisations are overdue in updating their holiday pay policies to reflect these developments and have work to do to become compliant.

- **From April 2020 you will have to calculate holiday pay in a new way by looking at a full year’s remuneration as a holiday pay calculation reference period instead of the 12-week period preceding the holiday taken.**

This brings some annual bonus payments (like Christmas bonuses) into scope for holiday pay that may not have been brought into account before.

Also, if your holiday year is a calendar year, you will have to decide if you will operate 2 systems in 2020, one for holiday pay in January to March and another from when the new rules apply in April. If it’s easier to start the new pay rates from January 2020, then the assessment needs to be made now.

How can RSM help?

We can help with a Holiday Pay Compliance Workshop bringing together key stakeholders in HR, Finance and Operations to build a resilient and compliant holiday pay components decision making and pay process. This will keep organisations on the right side of the holiday pay compliance line and avoid expensive pay claim shocks. From this workshop, you will have a compliant holiday pay components strategy.

Contact Carolyn Brown or Charlie Barnes for more information or a confidential discussion if you would like to know more about our Holiday Pay Compliance Audit or have concerns about holiday pay challenges in your workforce and about how these changes may affect you.



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