



Find out how to
track holiday
and create a
positive working
environment

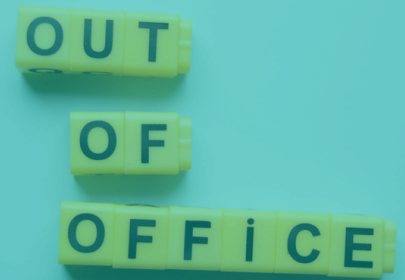

Holiday

We cover the key holiday basics every small business owner should know, including the 2024 changes.

face2faceHR

Running a small business means wearing many hats, and one of the trickiest to juggle can be managing staff holidays. Time off is essential for employee wellbeing and productivity, but navigating holiday entitlement, accrual, and pay can feel like a minefield - especially with recent changes to employment law in January 2024.

Whether you're an employer with one employee or a growing team, understanding your responsibilities around holidays is vital to keeping your business compliant and your people happy. We'll cover the key holiday basics every small business owner in the UK should know, with a focus on the new rules introduced in 2024.



Understanding statutory holiday entitlement

Under UK law, full-time workers are entitled to 5.6 weeks of paid holiday each year. That's 28 days for someone working five days a week. This can include bank holidays (there are typically eight in England and Wales), but it doesn't have to—you decide whether they're included or given on top.

For part-time employees, holiday entitlement is calculated pro rata. For example, someone working three days a week would be entitled to 16.8 days of holiday (3 days x 5.6 weeks). You'd normally round holiday up to at least the nearest half day.

How holiday accrual works

Employees start accruing holiday as soon as they begin working for you. Holiday accrual is particularly relevant during:

- A new employee's first year of work (especially if you apply a probation period)
- Periods of sick leave or family leave
- Irregular or part-year working patterns

Up until January 2024, calculating holiday entitlement for part-year and irregular-hours workers could be confusing. The good news? The government introduced new legislation in January 2024 to simplify things.

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The January 2024 holiday law changes: what you need to know

In January 2024, key changes to holiday were introduced for businesses that employ:

- Part-year workers (e.g., term-time only staff)
- Irregular hours workers (e.g., those with changing weekly shifts)

Here are the main updates:



a) Introduction of rolled-up holiday pay (legally permitted again)

From 1 January 2024, rolled-up holiday pay is now permitted again for irregular and part-year workers, as long as it's clearly stated in their employment contract and itemised separately on their payslip.

What is rolled-up holiday pay?

It's when you pay employees an additional percentage on top of their hourly wage (typically 12.07%) instead of giving them time off. While not suitable for everyone, it can be helpful in industries with fluctuating schedules or freelance-style arrangements.

Note: You cannot use rolled-up holiday pay for full-time or regular-hours employees.

b) Simplified accrual system for irregular and part-year workers

Holiday entitlement for these workers is now accrued at 12.07% of hours worked, making it easier to track and manage. This figure reflects the proportion of statutory holiday (5.6 weeks) across a full working year (46.4 working weeks, excluding holidays).

This change replaces previous confusing case law, and means small businesses can now use a consistent, easier-to-apply method.

c) New definition of irregular and part-year workers

The law now clearly defines:

- Irregular-hours workers: where the number of paid hours varies in each pay period.
- Part-year workers: those who have periods within the year when they're not required to work and aren't paid (e.g., school holidays).

If your team includes casual workers, seasonal staff, or people on term-time contracts, these rules probably apply to you.





Managing holiday requests

Every business needs a clear process for requesting and approving holidays. While employees have the right to take their statutory entitlement, you're allowed to control when leave is taken, provided you follow fair procedures.

Tips for managing requests:

- Have a holiday policy in writing that sets out how to request time off, notice periods, busy periods, and any restrictions.
- Use a calendar or tracking system to monitor who's off when (even a shared spreadsheet can work, if you don't have an HR system).
- Encourage early requests, especially around peak periods like Christmas or summer holidays.
- If you need to refuse a request, give at least as much notice as the length of the leave requested (e.g., two weeks' notice for a two-week holiday).

Holiday pay: getting it right

Holiday pay must reflect normal pay, which includes:

- Basic salary or hourly rate
- Regular or compulsory overtime
- Commission
- Regular bonuses or shift allowances

This means if an employee regularly earns more than their base wage, holiday pay should reflect that average - not just their contracted rate.

Use a 52-week reference period to calculate average pay for those with variable earnings, looking back only at weeks they actually worked (excluding unpaid weeks).



Carrying over unused holiday

Employees are expected to use their 5.6 weeks of statutory holiday within the leave year. However, some carry-over is allowed, especially in these situations:

- Statutory minimum (4 weeks from EU legislation): Can only be carried over if the employee couldn't take it due to sickness or another legally protected reason.
- Additional 1.6 weeks (statutory UK entitlement): Can be carried over for up to 1 year, if your holiday policy allows it.
- During COVID-19, temporary carry-over rules applied, but these ended in March 2024.

As a best practice, encourage employees to use their leave, and remind them regularly of their balance—especially as the year-end approaches.



Keeping records and staying compliant

Even small employers are required to keep accurate records of holiday taken and accrued. This helps with:

- Preventing disputes
- Complying with working time regulations
- Managing carry-over or payout on termination

Consider using digital HR software, even a basic one, to automate tracking. If that's not feasible, a spreadsheet can suffice—just make sure it's kept up to date.

Holiday during sick leave and family leave

Employees continue to accrue holiday while off sick or on family leave. If they can't take their holiday due to long-term illness or family leave, they have the right to carry it over.

It's unlawful to prevent someone from using their statutory leave due to being unwell or off on protected leave, so keep this in mind when managing returns to work.



Holiday pay on termination

If someone leaves your business and hasn't taken all their accrued holiday, they're entitled to holiday pay in lieu. Likewise, if they've taken more leave than they've accrued, you may be able to deduct the overused amount from their final pay, provided this is clearly written into their contract.



**HELPFUL
TIPS**

Holiday tips for small businesses

Here are a few practical suggestions to help you stay on top of holiday management:

- Create a written holiday policy and share it with your team
- Review and update contracts to reflect 2024 law changes if you haven't already
- Decide whether to offer rolled-up holiday pay for eligible staff
- Track accrual and usage to avoid end-of-year chaos
- Plan ahead during busy times to maintain coverage
- Be fair and consistent with all holiday requests

Final thoughts



Holiday leave isn't just a legal requirement - it's a key part of employee wellbeing, morale, and retention. By understanding the rules and staying up to date with changes like the 2024 reforms, small businesses can build trust, avoid costly errors, and create a positive working culture.

If you're unsure how these changes apply to your specific team, it's worth seeking tailored advice or updating your employee contracts and handbooks with professional help. A bit of upfront clarity now can save a lot of headaches down the road.

HOLIDAY



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