

Recent holiday pay reforms in the UK



What are the reforms?

The UK government recently introduced reforms to holiday accrual entitlement and holiday pay calculations for workers.

The key reforms include:

- creating a distinctive holiday accrual entitlement for irregular hour and part-year workers, with the re-introduction of rolled-up holiday pay for these workers
- defining what is considered 'normal remuneration' in relation to regulations 13 and 15B of the Working Time Regulations
- providing enhanced entitlements for workers to carry over their untaken statutory holiday entitlement

Irregular hour and part-year workers

An irregular hour worker is someone whose hours in each pay period are wholly or mostly variable under the terms of their contract. This may include workers engaged under a zero-hours contracts.

A part-year worker is someone who is only required to work part of the year under their contract and who has periods within the year of at least one week where they are not required to work and are not paid.



Holiday entitlement for irregular hour and part-year workers

Holiday accrual entitlement for these workers will be calculated as 12.07% of actual hours worked in a pay period. This figure is based on the statutory minimum holiday entitlement for other workers (5.6 weeks).

An irregular hour or part-year worker may be entitled to more than the minimum, subject to their contract.

‘Normal remuneration’

Regulations 13 and 13A of the Working Time Regulations apply to any worker who is not an irregular hour or part-year worker.

Regulation 13 leave must be paid at a worker’s ‘normal’ rate of pay. Regulation 13A leave can be paid at a worker’s ‘basic’ rate of pay. In practice, many employers choose not to distinguish between the two types of leave and to pay the entire entitlement at the ‘normal’ rate of pay.

The concept of providing holiday pay at a worker’s ‘normal’ rate of pay is that the individual receives the same holiday pay as the pay they would receive if they were working.

The definition of ‘normal remuneration’ includes regular payments that the worker has received in the previous year, payments intrinsically linked to their role and payments relating to length of service, seniority or professional qualifications. This definition also applies to calculating irregular hour and part-year workers’ holiday pay.

Holiday pay for irregular hour and part-year workers

Employers have the option to pay these workers using the rolled-up holiday pay method or to use an average period of 52 weeks to calculate holiday pay.

Enhanced carry over entitlements

The reforms provide enhanced entitlements for workers to carry over their untaken statutory holiday entitlement. A worker will be entitled to carry over their untaken statutory holiday entitlement if:

- their right to paid annual leave has been refused
- they have not been given a reasonable opportunity or encouraged to take the leave
- they have not been informed that the untaken leave must be used before the end of the leave year to prevent it from being lost

The position remains that a worker can carry over holiday with the agreement of their employer, provided that it does not result in them taking less than four weeks paid leave (their Regulation 13 entitlement).

A worker can also carry over their statutory holiday entitlement if they have been unable to take it due to family related leave e.g. maternity leave. Workers with regular hours may carry over accrued but untaken Regulation 13 leave for these reasons, and irregular hour or part-year workers can carry over all of their entitlement.

When do the reforms take effect?

From 1 January 2024, the enhanced carry over entitlement and revised definition of ‘normal remuneration’ takes effect.

For leave years commencing on or after 1 April 2024, the new holiday accrual entitlement and holiday pay



calculations for irregular hour workers and part-year workers will apply.

What should employers do now?

Employers should review their existing arrangements for calculating holiday accrual entitlement and holiday pay to ensure they are compliant with the recent reforms – particularly if their workforce includes irregular hour and part-year workers.

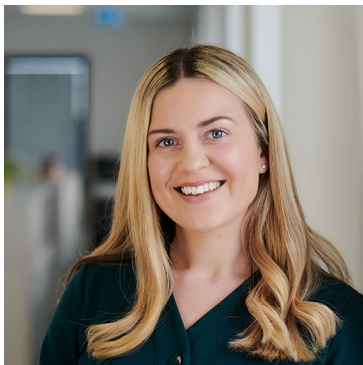
Employers who will use the rolled-up holiday pay calculation should consider whether any change in calculating holiday accrual entitlements amounts to a variation of that worker's contract.

How we can help

Do you need advice on reviewing holiday accrual entitlements for your workforce? Do you understand what payments should be factored into your worker's holiday pay? Have you reviewed your holiday policies so that it is in line with recent reforms?

We would be happy to advise you, please contact a member of our [employment law team](#).

For further details of recent and upcoming changes, please see our previous blog [what to expect in employment law in 2024](#)



[Emily Byrom](#)

Associate