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8 Considerations for Developing a Policy on Company Holidays

With the holiday season fast approaching, you may already be getting questions from employees about which holidays are recognized by the company, whether the time is paid or unpaid, and what happens if a holiday falls on an employee's regularly scheduled day off. In this tip, you will learn how developing a clear written policy on holidays can help set appropriate expectations with your employees.

8 Considerations for Developing a Policy on Company Holidays

With the holiday season fast approaching, now may be a good time to develop or update a policy on company holidays. Generally these policies cover a wide range of issues, including eligibility, pay, and whether some employees may be required to work on holidays.

When developing or updating a policy governing company holidays, consider addressing the following questions:

1. Which holidays do you observe? Your policy should clearly list the holidays you observe. Under federal law, employers in the private sector can choose whether or not to observe holidays. However, some of the most common company recognized holidays are: New Years Day, Memorial Day, the Fourth of July, Labor Day, Thanksgiving, and Christmas.

2. Will you offer floating holidays? Some employers choose to offer floating holidays in addition to company observed holidays. Floating holidays give employees flexibility to take time off on a day in which the company is open for personal reasons such as religious observances, parent-teacher conferences, or to supplement vacation, sick and holiday leave. Note: Depending on your state law, employees may be entitled to compensation for unused floating holidays at the time of separation. Check your state law to ensure compliance.

3. Who is eligible? Your policy should clearly communicate which employees are eligible for paid holidays. For example, you may choose to limit paid holidays to full-time employees only or those who have been with the company for a certain period of time. It's important to note, however, that these restrictions generally apply to non-exempt (or "hourly") employees only. Under the Fair Labor Standards Act (FLSA), exempt employees must receive their full salary for any week in which they perform work. Therefore, even if the company is closed for a holiday, exempt employees who work any part of the workweek must receive their full salary.

4. Are employees required to work the day before and after a holiday? Your policy should also address any requirements to work the day before and after a holiday in order to receive pay for the holiday. Under federal law, employers are permitted to require non-exempt employees to work the day before and after a company holiday in order to receive pay for the holiday time off, unless the employee schedules the additional time off in advance. Note: This practice may not be applied to exempt employees.

5. What if a holiday falls on a day the company is normally closed? Typically if a company observed holiday falls on a day in which the company is normally closed, the holiday is observed the day before or after. For example, if your company is closed on the weekends and a company observed holiday falls on a Saturday, you may choose to observe it the day before (i.e., Friday).

6. What if a holiday falls during an employee's vacation? Consider addressing how you will handle holidays that occur during an employee's scheduled vacation. For example, you may choose to extend the employee's vacation by the number of holidays occurring during their vacation period. You may also choose to give the employee an equivalent number of vacation days for future use.

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7. Are some employees required to work? Depending on the nature of your business, you may need to be open during a company observed holiday, which means some or all employees will be required to work on a holiday. In general, you may require employees to work on a holiday, but remember that reasonable accommodations for employees' religious beliefs and practices may be required. Under Title VII of the Civil Rights Act, employers with 15 or more employees are required to provide reasonable accommodations for employees' sincerely held religious beliefs and practices, unless it would impose an undue hardship. The Equal Employment Opportunity Commission's Compliance Manual has a number of best practices for providing religious accommodations, such as encouraging and facilitating voluntary shift swaps and permitting flexible scheduling.

8. How do you handle pay? If you choose to pay non-exempt employees for company observed holidays, your policy should indicate that company holidays will be paid. You may also choose to address overtime pay calculations. Under federal law, non-exempt employees must be paid overtime for "hours worked" in excess of 40 in a workweek. Paid time off, including holidays, is not considered "hours worked" under federal law. This means that for overtime calculations, holiday pay may be excluded when determining an employee's regular rate of pay. Additionally, no federal law requires employees to be paid a premium for work performed on holidays (other than the overtime premium required for work in excess of 40 hours in a workweek); however, there are exceptions at the state level under certain circumstances, such as in Massachusetts and Rhode Island. Be sure to check your state law to ensure compliance.

Clear policies and procedures governing company observed holidays are important for managing expectations with employees. When implementing new policies and procedures, we recommend that you provide sufficient notice of the changes to your employees.

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