



Labour Program: fair, safe and productive workplaces

Information on **LABOUR STANDARDS**

3

Annual Vacations

Part III of the *Canada Labour Code* (Labour Standards)

Questions and answers about annual vacations with pay, based on Division IV of Part III of the *Canada Labour Code* and on the *Canada Labour Standards Regulations* are provided here. They will be of interest to employees and employers in industries under federal jurisdiction. Publication 1 – *Summary* of this series describes the types of businesses covered by the Code. It is available on the Government of Canada website at <https://www.canada.ca/en/employment-social-development/services/labour-standards/reports.html>.

1 How many weeks of vacation is an employee entitled to annually?

The basic entitlement is two weeks of vacation for every completed “year of employment.” After six consecutive years of employment with the same employer, the entitlement increases to three weeks of vacation.

2 What is the “year of employment”?

The “year of employment” is the period beginning on the date an employee is hired, or on any anniversary of that date, and ending 12 consecutive months later. It may also be a calendar year or other period of 12 consecutive months as determined by the employer, in accordance with the Regulations relating to an industrial establishment.

3 Why is it important to define “year of employment”?

First, an employee must complete a “year of employment” to be entitled to a vacation. Second, the amount of vacation pay for that vacation is based on the wages earned by the employee during that “year of employment”.

4 How is vacation pay calculated?

Vacation pay is calculated as a percentage of the gross wages an employee earns during the “year of employment.” Where the vacation entitlement is two weeks, vacation pay is four percent of earnings in the entitlement year; where the entitlement is three weeks, the vacation pay is six percent of earnings.

5 What is the definition of “wages”?

The term “wages” includes every form of payment for work performed, but does not include tips and other gratuities. This is further defined in the [Vacation Pay \(IPG-012\)](#) guideline.

6 When can an employee take vacation?

Normally, an employee may take vacation at the discretion of the employer or at a time mutually agreed to by the employer and employee. But, it must begin not later than 10 months after completion of the “year of employment” for which the employee became entitled to vacation.

In cases where the employer has chosen the timing of the vacation, the employer must give at least two weeks notice of when the employee’s annual vacation is to begin.

7 When is vacation pay payable?

Vacation pay is normally paid to the employee within 14 days prior to the commencement of a vacation. However, vacation pay may be paid during or immediately following vacation, if that is the established practice in the employee’s work place.

8 What is an employee’s entitlement upon termination of employment?

The employer must “pay out” any vacation pay owed to the employee for any prior completed “year of employment.” In addition, the employee is entitled to vacation pay for the partially completed current year.

9 Can an employee postpone or waive an annual vacation?

An employee may, by written agreement with the employer, postpone or waive his or her entitlement to an annual vacation for a specified year of employment.

10 What impact does a leave of absence have on annual vacation entitlements?

If the leave is with pay, the employment status does not change and all benefits accumulate as if the employee was at work. The employee earns vacation pay and time during the leave period.

If the leave of absence is without pay, the employee's seniority continues to accumulate. The leave does not change the date on which the employee becomes eligible for an increase to 6% of wages and three weeks of vacation. Since the employee earns no wages during the leave period (period of absence), vacation pay is calculated only on the wages earned during the year of employment. Vacation time does not accumulate during a period of unpaid leave, it is granted proportionally based on the period worked in the year of employment.

11 Are there cases where the vacation pay provisions of a collective agreement apply exclusively?

Yes. The vacation pay provisions of the Code do not apply to employers and employees who are parties to a collective agreement that provides rights and benefits at least as favourable as those in the Code and where there is provision for a third party settlement. The settlement of disagreements relating to vacation pay are governed exclusively by the collective agreement.

This document is provided for information purposes only. For interpretation and application purposes, please refer to Part III of the *Canada Labour Code* (Labour Standards), the *Canada Labour Standards Regulations*, and relevant amendments.

Information about these provisions may be obtained from the Labour Program by calling toll free at 1-800-641-4049, by visiting the website at http://www.esdc.gc.ca/en/jobs/workplace/employment_standards/labour/index.page or by submitting your questions or comments through the Labour Program [Contact Us](#) form.

Information on Labour Standards 3 – Annual Vacations

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