

Difference Between Annual Leave and Holiday Pay

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Key Difference - Annual Leave vs Holiday Pay

Annual leave and holiday pay are two important types of leaves where employees are granted time off work. Labor laws in countries have been stringent during the last decade and as a result, annual leave policies are well established around the world. Leave policy is often different from one country to another as well as from company to company. The key difference between annual leave and holiday pay is that **annual leave is the paid time off work granted to employee by employer where the employee can use the respective time for personal use** whereas **holiday pay is paid for holidays such as Christmas Day and Thanksgiving where employee is permitted to take holiday time off usually without a reduction in [salary](#).**

What is Annual Leave?

Annual leave is defined as the paid time off work granted to the employee by the employer where the employee can use the respective time for personal use. Employees are often required to provide advance notice and plan annual leave to ensure that the employer has sufficient time to arrange for staffing and requirements in the absence of the employee.

The number of days granted as annual leave is an aspect that all countries consider important and this number varies from country to country. A few examples are mentioned below.



Figure 01: Countries have different annual leave policies.

Granted annual leave also depends on the number of years of service; the number of leaves increases with the years of service.

E.g.

1. In Iraq, the length of an employee's annual leave shall be increased by 2 days after every additional 5 years of continuous service with the same employer.
2. In Japan, employees who have been employed continuously for at least one and half years shall be granted one additional day of leave for each year of service, up to a maximum of 20 days of leave.

What is Holiday Pay?

As the name suggests, holiday pay is paid for holidays such as Christmas Day and Thanksgiving when an employee is permitted to take holiday time off usually without a reduction in salary. The number of designated business holidays is different from country to country.

E.g. Ireland- 9 days

Leave policies in different countries also differ due to statutory aspects. As a result, the knowledge of leaves can be enhanced by referring to examples.

Common Holiday Pay Policy

In the US, employees are entitled to ten paid holidays each year. These are New Year's Day, Martin Luther King, Jr. Day, Washington's Birthday, [Memorial Day](#), [Veterans Day](#), Labor Day, Columbus Day, Thanksgiving Day, and Christmas Day. However, it is not made mandatory in the Fair Labor Standards Act (FLSA) for employers to pay for holidays. As a result, the leave arrangements are decided between the employer and the employee or between the employer and a representative of the employee such as a trade union.

Policy for Working on Holidays

Employers are not required to pay extra (over and above the normal rate of pay) for working on a holiday unless otherwise specified in the employment contract. This will also vary between countries and sometimes depends on the employer.

E.g. in the Philippines, if the employee works during a regular holiday, he or she shall be paid 200 percent of the normal pay for the day for the first eight hours.



Figure 02: Christmas is a widely celebrated holiday in the world

What is the difference between Annual Leave and Holiday Pay?

Annual Leave vs Holiday Pay	
Annual leave is defined as the paid time off work granted to the employee by the employer where the employee can use the respective time for personal use.	Holiday pay is paid for holidays such as Christmas Day and Thanksgiving when an employee is permitted to take holiday time off without a reduction in salary.
Reasons for Granting that Holiday	
Annual leave allows employees to take time off from work for any personal reason.	Holiday pay allows employees to take time off for days of religious and national celebrations and any day of that type.
Discretion of the Employer and Employee	
Annual leave is granted for days required by the employee after discussion with the employer.	Holiday pay is allowed based on statutory arrangements.

Summary - Annual Leave vs Holiday Pay

The difference between annual leave and holiday pay is a discrete one; annual leave is paid time off work granted for employee's personal use while holiday pay permits to take holiday time off without a reduction in pay. Uniformity cannot be established in leave policies since they change in the context of country and company. However allowing both types of leave is a statutory requirement and some employees include bank holidays as part of annual leave.

References:

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Image Courtesy:

1. "Red Christmas Holiday Girl Snow Tree Decoration" (CC0) via [Maxpixel](#)

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