

A scenic photograph of a beach with several palm trees in the foreground, a wooden fence, and the ocean under a blue sky with light clouds. The text "The New Holiday Pay in SAP UK Payroll" is overlaid on the right side of the image.

The New Holiday Pay in SAP UK Payroll

Agenda

- What is Really Required?
- Interpretation Options and System Implications
 - Which days to pay?
 - Which amounts are going in?
 - Which period to consider?
 - Employee communication
- How it comes together in SAP configuration
- What about the dark past?
- Wrap-up

Why Do We Really Want to Get This Right?



Unions are driving it with force

The legal profession is seeing it as their next PPI

Once employees start court cases, proving you're right will be an expensive process



New Holiday Pay Requirements

- Let's focus on new cases for now
- Minimum requirements:
 - Uplift to be paid for the first 20 days of holiday
 - Overtime and other somewhat regular pay needs to be paid as an average. Employees should not lose out, when they take holiday.
 - Average calculated over 12 weeks before the holiday
- Requirements somewhat vague and may still change with new court decisions or legislation

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Choice of interpretation: cheap or safe?

- Some expect legislation to be more generous (i.g.: apply to all holidays) anyway
- System friendly interpretation

3 full calendar months before the month the holiday starts.
Including all overtime (and all occurrences of other relevant payments) and paying it for all holidays

- Possibly cheaper, but difficult to manage:

Exactly 84 days before the holiday starts. Including only payments we must include (e.g. no exceptional or voluntary overtime) and pay for 20 days only

Implementation options

- Standard configuration can get you a far way
 - Though won't work for all interpretations
 - Might get you into a dead end
 - Most options require retro-calculations to build averages at the start
- A custom operation is clean, but
 - Requires some reasonably complex programming
 - Even more thorough testing required
 - Gives you flexibility for future changes and dealing with the start



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Which days to pay?

- Most customers seem to go for “all holidays”
- First 20 days looks easy at first sight:
 - Configuration option
 - You can differentiate days by using separate absence types and manage them by separate quotas
 - Then apply different valuations to each absence type
 - Custom operation option
 - Can keep it more user friendly avoiding new absence types
 - Just “counting” the days

... but “20 days” can Leave Room for Interpretation



- If you use special quota and absence types
 - Leave carried over from last year can be a problem, as it would be on the quota without extra pay
 - If it has to be first 20 days of leave in that year, a custom operation is difficult to avoid
- Do you even know, which days are holidays?
 - Some customers have most of their leave entitlement built into the shift schedule
 - So, they just have a set number of working days as $52 * 5 - (\text{leave entitlement} + \text{public holidays})$
 - This way, no day off is explicitly marked as a holiday and it's a random choice, which days to pay the liftup for

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It's just overtime, or is it?

- Most customers currently seem to plan:
 - All overtime
 - All occurrences of some other payments like call-outs
- However, the requirement seems to allow exceptions
 - If you want to include only certain overtime hours, you need to tell the system
 - Capture them in special way for the system to identify and use different wagetypes
 - Adds complexity and leaves room for error in data capturing

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12 Weeks? Which 12 Weeks?

Standard configuration relies on full payroll periods

- Recommendation from a technical point of view: full 3 calendar months before leave
- You may need 12 months, e.g., if cyclical business creates very uneven distribution of overtime across year

If you don't want to use full months

- A custom function is the only sensible option
- Current month better not to include
- Function AVERA can work with partial period parameters, but that still doesn't count the right days

So, Custom Function is Fine w. 12 Weeks



What can it do

- It could read the date stamps on time wagetypes and therefore
- It can read data from current period as well as data from partial months

What it can't do

- What if overtime goes into bank hours account and is paid at month end, if above certain threshold?
- That payment at month-end cannot be assigned to a day

And please do also consider

- You still need to be able to explain the calculation
- Wagetypes manually captured are often not done on the correct day, because it usually doesn't matter

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Payslip and reports

- Payslip needs to be clear and simple
 - One wagetype with number of hours, surcharge rate and amount should be enough
- If you use a custom function
 - Remember you may have to explain the calculation to employees and auditors.
 - Document calculation in log exhaustively
 - Create wagetypes with interim results



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Alternative Average calculations

Function AVERA

- Allows partial period parameters and free time periods, but problems mentioned above remain
- Config can change over time
- Can deal with change in pay periodicity and off-cycle
- Can freeze averages and apply pay rises
- More flexibility through a custom function module to determine relevant periods
- New solution recommended by SAP

Operation MEANV

- Can access relevant wagetypes directly without cumulations
- Therefore can work without retro, if sums haven't been calculated in old payroll results

Config elements (SAP Help)

Customizing Setting	AVERA	MEANV
Forming the Basis for Calculating Average Values	View V_512W_C (Averages)	Table T51AV_2W (Assignment of Primary Wage Types to Average Bases)
Forming the Basis for Calculating Average Values from Partial Period Parameters		Table T51AV_2P (Assignment of Partial Period Parameters to Average Bases)
Relevancy Test	Personnel Calculation Rule X017 (Relevancy Test for Averages Calculation)	Table T51AV_R (Relevance Rule for Calculating Averages) Table T51AV_ROC (Off-Cycle Reasons not Relevant for Calculation of Averages)
Adjustment Rule	Table T511C (Adjustment Rules for Bases for Calculating Average Values)	Table T51AV_C (Adjustment Rules for Bases for Calculating Average Values)
Cumulation Rule	Table T511B (Cumulation Rules for Bases for Calculating Average Values)	Table T51AV_B (Cumulation Rules for Bases for Calculating Average Values)
Final Processing	Personnel Calculation Rule X018 (Calculation of Averages after Cumulation: AMT/NUM)	Table T51AV_E (Final Processing Rules for Averages)
Average Value Calculation Rules	Table T511A (Calculation Rules for Averages)	Table T51AV_A (Calculation Rules for Averages)
Assigning the Valuation of Averages to a Primary Wage Type.	Processing Class 15	Table T51AV_P (Assignment of Wage Types to Average Calculation Rules)

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Do we Have to Pay This for Past Periods?



Unions aim at making employers pay as far back as the 90s

Cost of extra payment

Cost of calculation, documentation and prove of correctness

One opinion is

Employees can only claim back for 3 months

However, if there is a case (underpaid day) in that period, they can go back a further 3 months from that day

Assume we have to: can SAP help?

Calculate
in payroll?

- Even if payroll results go back far enough, we wouldn't recommend such a huge retro
- You'd need special config or more likely custom operation in place for this
- You'd need to consider config changes in the past

Better: use
SAP to
obtain data

- For all periods calculated by SAP, you have the relevant numbers in payroll results
- Use them for custom analytics
- Or ask a professional service provider / audit firm to work it out for you based on that data – Some auditing firms already offer tools

Live
Demo

Questions?



innovative process consulting

MBA, Dipl.-Kfm., MCMI
Sven Ringling
Director

iProCon Ltd.
part of iProCon Group
3 More London Riverside
Regus Business Centre
London, SE1 2RE
www.iprocon.com

Mobile: +44 7920840590
s.ringling@iprocon.com



innovative process consulting

Hannah Smith
Junior Consultant

iProCon Ltd.
part of iProCon Group
3 More London Riverside
Regus Business Centre
London, SE1 2RE
www.iprocon.com

Mobile: +44 7557 965 464
h.smith@iprocon.com