



Employment standards tool kit for employers

Module 5 | Averaging arrangements

Disclaimer: Information in this publication was accurate, to the best of our knowledge, at the time of publication. However, legislation, websites and programs are subject to change. The material in this publication is intended for informational purposes only and is not intended to be used as a source of legal advice.

This publication is issued under the Open Government Licence – Alberta (<https://open.alberta.ca/licence>).

This publication is available online at <https://alberta.ca/employmentstandards>.

Employment Standards Tool Kit for Employers: Module 5 – Averaging Arrangements | Jobs, Economy and Trade

© 2023 Government of Alberta | October 17, 2023

Contents

Introduction	4
Availability of legislation	4
Other legislation that may apply to you includes:	4
Employment Standards website	4
What is an averaging arrangement	5
Example work schedule	5
Requirements of an averaging arrangement	6
Notice requirements	6
Scheduling of an averaging arrangement	6
Changing shifts	6
Alternative schedule change processes	7
Overtime	7
Daily overtime	7
Averaging period overtime	7
Payment of overtime	7
Banking overtime	7
Example overtime calculations	8
• Example 1 – No daily overtime	8
• Example 2 – Arrangement specifies standard daily overtime rules apply	9
• Example 3 – Arrangement specifies different daily overtime rules	11
• Example 4 – Arrangement is terminated during an averaging period	12
Ending an averaging arrangement	13
Termination of an averaging arrangement	13
Cancellations of an averaging arrangement.....	14
Previous arrangements and agreements	14

Introduction

This tool kit was developed by the Government of Alberta to help business owners and their employees understand and comply with the *Employment Standards Code* and Regulation.

Following the Code is your responsibility, and this tool kit is designed to help you do that.

The laws for Employment Standards are minimum requirements. Some tools, forms and a list of resources are provided to assist business owners in meeting or exceeding the minimum requirements. You may use the sample tools provided, or you may develop your own.

This resource does not outline all the requirements under the *Employment Standards Code* and Regulation.

This is not a definitive guide to the legislation and does not exempt readers from their responsibilities under applicable legislation.

In case of inconsistency between this resource and employment standards legislation, the legislation will always prevail.

Availability of legislation

In Alberta, the *Employment Standards Code* and Regulation outlines the requirements for employment standards. See alberta.ca/alberta-kings-printer to download these documents.

Official printed copies may be purchased from the Alberta King's Printer online at alberta.ca/alberta-kings-printer or in person at:

7th floor, Park Plaza
10611-98 Avenue Edmonton, Alberta T5K 2P7

Phone: 780-427-4952

Call any Government of Alberta office toll-free: Dial 310-0000, then the area code and telephone number you want to reach.

Other legislation that may apply to you includes:

Canada Labour Code: www.laws-lois.justice.gc.ca/eng/acts/L-2

Labour Relations Code: www.alrb.gov.ab.ca/legislation.html

Occupational Health and Safety Act, Code and Regulation: alberta.ca/occupational-health-safety

Alberta Human Rights Legislation: albertahumanrights.ab.ca

Workers' Compensation Board: www.wcb.ab.ca/home

Employment Standards website

Visit alberta.ca/employment-standards for more information on Alberta's employment standards.

The website provides detailed information on the rights and obligations of employers and employees under the *Employment Standards Code*, as well as information for specific groups, occupations and industries.

The website also provides access to other resources, including an interactive self-assessment tool for employers, webinars, and other publications.

What is an averaging arrangement

Averaging arrangements allow employers to average hours of work over a period up to 52 weeks. This allows for periods with longer hours of work that are paid at the employee's regular wage rate rather than at an overtime rate.

Employers may require or permit employees to follow an averaging arrangement. This can be done on either an individual or a group basis.

Averaging arrangements can be entered into either as a standalone document or as part of a collective agreement.



See additional resources: [Individual averaging arrangement sample](#) and [Group averaging arrangement sample](#)



Averaging arrangements that are entered through a collective agreement are more flexible and do not need to follow requirements for cancellations, notice processes, shift schedules, shift changes, and overtime rules.

Example work schedule

Averaging period: 6 weeks

Average hours scheduled: 44

An employee with an individual averaging arrangement is provided with the following work schedule. The employee works four days on and two days off over an averaging period of six weeks. The number of scheduled hours average 44 hours a week over the 6-week period.

	SUN.	MON.	TUES.	WED.	THURS.	FRI.	SAT	WEEKLY HOURS
Week 1	8	10	10	10	0	0	8	46
Week 2	8	10	10	0	0	10	8	46
Week 3	8	10	0	0	10	10	8	46
Week 4	8	0	0	10	10	10	8	46
Week 5	0	0	10	10	10	10	0	40
Week 6	0	10	10	10	10	0	0	40
Average hours/week over averaging period								44



This example could also be provided to a group of employees as part of a group averaging arrangement as the scheduling rules are the same for both individual and group averaging arrangements.

Requirements of an averaging arrangement

Averaging arrangements must:

- Be in writing.
- Specify the number of weeks over which the hours will be averaged.
- Include a schedule setting out the daily and weekly hours of work for the averaging period.
- Specify the manner in which overtime pay and time off with pay instead of overtime pay will be calculated.
- If the employer chooses, include a specific process for amending the schedule for any of the following:
 - The way in which the employer will amend the schedule of daily and weekly hours of work.
 - The amount of notice required to be given to the employee.
 - How notice is given (verbally or in writing).



Averaging periods longer than 52 weeks may be possible under a variance. For more details on Variances and Exemptions, see [Module 1 – Overview](#).

Notice requirements

Before the arrangement starts, employers must notify each affected employee in writing 2 weeks in advance. The notice period can be modified or waived if the employer and employee agree.

For new employees, or employees who become a member of a group to which an averaging arrangement applies, an employer must provide a copy of the averaging arrangement as soon as possible after an employee begins employment.

The employer must meet all of the following notice requirements before the arrangement starts:

- Provide a copy of the averaging arrangement to each employee to whom the averaging arrangement applies.
- If the averaging arrangement applies to a group of employees, post the averaging arrangement:
 - on the employer's internal website (if applicable), and
 - in one or more places in the workplace where it is clearly visible and all the affected employees can view it.

Scheduling of an averaging arrangement

Averaging arrangements must set out a schedule of the daily and weekly hours of work for the averaging period. An employer can amend the scheduled daily and weekly hours of work by following the process outlined below.



Scheduled daily and weekly hours are the only aspects of an averaging arrangement that can be changed. To change any other aspect of the arrangement (e.g. the daily overtime threshold, notice of work times), an employer needs to cancel and replace the arrangement. The process for cancelling an averaging arrangement is provided later in this module.

Changing shifts

- When changing from one shift to another, an employer must give at least 24 hours' written notice to all affected employees.
- When changing from one shift to another, an employer must give 8 hours of rest between shifts.
- The 24 hour notice requirement for shift changes doesn't always apply. The requirement is waived if the schedule was amended because:
 - an accident has occurred,
 - urgent work is necessary, or
 - other unforeseeable or unpreventable circumstances exist.

Alternative schedule change processes

Exceptions to the process outlined in the previous section are allowed if alternative processes are specified in an averaging arrangement. Employers can specify different processes for:

- The way in which an employer will amend the schedule of daily and weekly hours of work, and/or
- The amount of notice required to be given to the employee for schedule changes (if less than 24 hours) and/or
- How the notice must be given (verbally or written).

Overtime

Overtime hours are calculated as the greater of:

- The employee's total daily overtime hours (if applicable)
- The employee's total averaging period overtime hours



If employers choose to remove the daily overtime entitlement they still have to pay averaging period overtime.

Daily overtime

If not otherwise specified in the averaging arrangement, an employee is entitled to overtime if their hours of work exceed:

- 8 hours a day (if scheduled for less than 8 hours)
- daily scheduled hours (if 8 or more hours were scheduled)

Employers have two additional options regarding daily overtime. They can state that employees are not entitled to daily overtime. Alternatively, they can choose to include daily overtime but specify different thresholds for daily overtime.



Removing or modifying daily overtime thresholds must be specified in the written arrangement. Otherwise the default daily overtime threshold will apply: 8 hours a day (if scheduled for less than 8 hours) or daily scheduled hours (if scheduled for 8 or more hours).

Averaging period overtime

An employee is entitled to overtime under an averaging arrangement if their hours of work exceed:

- 44 hours a week (in a 1-week averaging period), or
- an average of 44 hours a week (in a multi-week averaging period).

Payment of overtime

Daily overtime (if applicable) is payable 10 days after the end of the pay period in which it was earned.

Averaging period overtime is calculated at the end of each averaging period.

At the end of each averaging period, if the averaging period overtime is greater than the daily overtime already paid to the employee, the remaining overtime is payable 10 days after the end of the pay period in which the averaging period ends.

Banking overtime

If an employer and employee agree to time off with pay instead of overtime pay, overtime hours are banked at a rate of at least 1 hour for each overtime hour worked. A written banked overtime agreement must separately be entered into.

For more details on how to enter into a banked overtime agreement, see [Module 4 – Overtime Hours and Overtime Pay](#).

Example overtime calculations

There are three different scenarios for calculating overtime owing in an averaging arrangement. This depends on what the arrangement states about daily overtime. The three options are:

- No daily overtime
- The standard daily overtime threshold:
 - 8 hours a day (if scheduled for less than 8 hours)
 - daily scheduled hours (if scheduled for 8 or more hours)
- A daily overtime threshold specified in the arrangement



If the arrangement is silent on how daily overtime is treated then the calculation defaults to the standard overtime threshold.



Overtime calculations are the same for individual and group averaging arrangements.

Example 1 – No daily overtime

Averaging period: 4 weeks

Average hours scheduled: 44

An employee is provided the following 4-week work schedule as part of an averaging arrangement. The arrangement specifies that no daily overtime applies to the arrangement.

The scheduled hours averaged over the period are 44 hours a week. During Week 2 and Week 4 of the averaging period, the employee works hours in addition to what is scheduled.

WEEK 1			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	10	N/A
Day 5	10	10	N/A
Total hours	50	50	N/A

WEEK 2			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	12	N/A
Day 5	0	6	N/A
Total hours	40	48	N/A

WEEK 3			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	10	N/A
Day 5	10	10	N/A
Total hours	50	50	N/A

WEEK 4			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	6	8	N/A
Day 5	0	10	N/A
Total hours	36	48	N/A

Total hours worked	196
Average total weekly hours	49

Since the arrangement specifies that daily overtime does not apply, only averaging period overtime needs to be calculated.

The averaging period hours average 49 hours per week, which exceeds the overtime threshold of 44 hours per week. Averaging period overtime must be calculated.

Average hours worked in excess of 44: $49 - 44 = 5$

Total averaging period overtime = 5 hours/week x 4 weeks = 20 hours

The employee would be owed 20 hours of averaging period overtime.

Example 2 – Arrangement specifies standard daily overtime rules apply

Averaging period: 4 weeks

Average hours scheduled: 40

An employee is provided the following 4-week work schedule as part of an averaging arrangement. The arrangement specifies that standard daily overtime rules for averaging arrangements apply. This means that daily overtime applies for hours worked in excess of:

- 8 hours a day (if scheduled for less than 8 hours), or
- daily scheduled hours (if 8 or more hours were scheduled)

The scheduled hours averaged over the period are 40 hours a week. During Week 2 and Week 4 of the averaging period the employee works hours in addition to what is scheduled.

WEEK 1			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	10	10	0
Day 5	10	10	0
Total hours	50	50	0

WEEK 2			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	0	0	0
Day 2	10	11	1
Day 3	10	11	1
Day 4	10	12	2
Day 5	0	6	0
Total hours	30	40	4

Week 3			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	10	10	0
Day 5	10	10	0
Total hours	50	50	0

Week 4			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	0	0	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	6	8	0
Day 5	4	12	4
Total hours	30	40	4

Total hours worked	180
Average total weekly hours	45

Explanation of Daily OT Hours

Weeks 1 and 3: since more than 8 hours per day is scheduled, the daily overtime threshold is the daily scheduled hours – 10 hours. No daily overtime is owing.

Week 2, Days 2-4: since more than 8 hours per day is scheduled, the daily overtime threshold is the daily scheduled hours – 10 hours. Hours worked in excess of 10 hours are daily overtime hours.

Week 4, Day 5: since less than 8 hours per day is scheduled, the daily overtime threshold is 8 hours. Hours worked in excess of 8 hours are daily overtime hours.

Calculating daily vs. averaging period OT

Overtime is paid on the greater of daily or averaging period overtime. In Week 2 and Week 4 the employee worked a total of 8 hours of daily overtime.

The averaging period hours average 45 hours per week, which exceeds the overtime threshold of 44 hours per week. Averaging period overtime must be calculated.

Average hours worked in excess of 44: $45 - 44 = 1$

Total averaging period overtime = 1 hours/week x 4 weeks = 4 hours

The employee would receive the greater amount of daily or averaging period overtime, and therefore would be owed 8 hours of daily overtime.



Daily overtime must be paid at the end of each pay period.

Example 3 – Arrangement specifies different daily overtime rules

Averaging period: 4 weeks

Average hours scheduled: 44

An employee is provided the following 4-week work schedule as part of an averaging arrangement. The arrangement specifies that a daily overtime threshold of 10 hours per day applies.

The scheduled hours averaged over the period are 44 hours a week. During Week 2 and Week 4 of the averaging period the employee works hours in addition to what is scheduled.

WEEK 1			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	10	10	0
Day 5	10	10	0
Total hours	50	50	0

WEEK 2			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	8	8	0
Day 2	11	11	1
Day 3	9	10	0
Day 4	10	12	2
Day 5	0	7	0
Total hours	38	48	3

WEEK 3			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	10	10	0
Day 5	10	10	0
Total hours	50	50	0

WEEK 4			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	8	8	0
Day 2	10	10	0
Day 3	10	10	0
Day 4	6	8	0
Day 5	4	12	2
Total hours	38	48	2

Total hours worked	196
Average total weekly hours	49

Explanation of Daily OT Hours

Weeks 1 and 3: since hours do not exceed the daily threshold of 10 hours per day, no daily overtime is owing.

Week 2, Days 2 and 4: since hours exceed the daily overtime threshold of 10 hours per day, daily overtime is owing.

Week 4, Day 5: since hours exceed the daily overtime threshold of 10 hours per day, daily overtime is owing.

Calculating daily vs. averaging period OT

Overtime is paid on the greater of daily or averaging period overtime. In Week 2 and Week 4 the employee worked a total of five hours of daily overtime.

The averaging period hours average 49 hours per week, which exceeds the overtime threshold of 44 hours per week. Averaging period overtime must be calculated.

Average hours worked in excess of 44: $49 - 44 = 5$

Total averaging period overtime = 5 hours/week x 4 weeks = 20 hours

The employee would receive the greater amount of daily or averaging period overtime, and therefore would be owed 20 hours of averaging period overtime.



Daily overtime must be paid at the end of each pay period. Averaging period overtime must be paid at the end of the averaging period. If the employer had already paid the employee daily overtime owed (**five hours**), the employer would pay the balance of overtime owed ($20 - 5 = 15$ hours) at the end of the averaging period.

Example 4 – Arrangement is terminated during an averaging period

When an averaging arrangement is terminated part way through an averaging period, overtime is calculated as if the employee worked the scheduled hours for the remainder of the averaging period.

Take Example 1 and assume that the averaging arrangement is terminated at the end of week 3.

Week 1			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	10	N/A
Day 5	10	10	N/A
Total hours	50	50	N/A

Week 2			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	12	N/A
Day 5	0	6	N/A
Total hours	40	48	N/A

Week 3			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	10	10	N/A
Day 5	10	10	N/A
Total hours	50	50	N/A

Week 4			
	Hours scheduled	Hours worked	Daily OT hours
Day 1	10	10	N/A
Day 2	10	10	N/A
Day 3	10	10	N/A
Day 4	6	6	N/A
Day 5	0	0	N/A
Total hours	36	36	N/A

Total hours worked	184
Average total weekly hours	46

Since the arrangement specifies that daily overtime does not apply, only averaging period overtime needs to be calculated.

Though the arrangement was terminated after week 3, the hours worked in week 4 are included as if the scheduled hours were worked.

The averaging period hours average 46 hours per week, which exceeds the overtime threshold of 44 hours per week. Averaging period overtime must be calculated.

Average hours worked in excess of 44: $46 - 44 = 2$

Total averaging period overtime = 2 hours/week x 4 weeks = 8 hours

The employee would be owed 8 hours of averaging period overtime.

Ending an averaging arrangement

Termination of an averaging arrangement

If, before the end of the averaging period, the averaging arrangement:

- is cancelled
- is cancelled and replaced, or
- ceases to apply to the employee (including if the employee's employment terminates)

The averaging period overtime hours are calculated as if the employee worked the remaining scheduled shifts in the averaging period (daily or averaging period rules apply).

Cancellations of an averaging arrangement

During, or at the end, of an averaging period an employer may, with at least 2 weeks' written notice to each affected employee:

- Cancel the averaging arrangement
- Cancel the averaging arrangement and require the employee or group of employees to work a different averaging arrangement
- The employer is not required to provide at least 2 weeks' written notice if:
 - an accident has occurred
 - urgent work is necessary, or
 - other unforeseeable or unpreventable circumstances exist

If there is a collective agreement that states otherwise, cancellations to averaging arrangements must be in accordance with the collective agreement.

The Director of Employment Standards may cancel an averaging arrangement at any time.

Previous arrangements and agreements

There are three previous types of averaging arrangements or agreements:

- Hours of work averaging agreements
- Flexible averaging agreements
- Compressed work weeks

These types of averaging can no longer be entered into but may remain valid until they are cancelled or otherwise terminated. For more details see, alberta.ca/averaging-arrangements



Before entering into an averaging arrangement, employers are encouraged to cancel any existing averaging arrangements or agreements. When cancelling an existing arrangement or agreement, any outstanding overtime should be calculated and provided to employees.