

Effective model of building Lookback Calculation for PTO Rate in Workday Payroll

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Abstract:

This article focusses on how we can build the statutory lookback calculation using the various option of calculations available in Workday Payroll. This research paper used the delivered functionality of Workday Payroll to model this business function and attach it to Earnings. This research outcome will provide the Workday Payroll view based on US payroll rules. This article proves the success of this design with a successful live case study by implementing this design in Retail industry with over 30000 employees and concludes with the implementation strategy.

Keywords: Workday Payroll, Calculation Engine, Earnings, Pay Balances, Pay Accumulators.

1. INTRODUCTION

Organizations have their own business requirements based on various employee types and benefits offered to them. One of the main benefits which employees are very much needed is the PTO Plans wherein the employees will be using to take time off from their work without their pay impact. Organization can determine the rate to be used to pay their employees based on their employee type and time off plans, but there are statutory rules which need to be met for the rate of time off plans. Based on this nature of ongoing changes, organizations expected their payroll team to configure different pay components either it could be earnings or deductions to accommodate the new business requirements or legal rule changes. As organizations are implementing SaaS model products, they are expecting their payroll team to build their custom specific business requirements apart from the delivered calculation which comes along with the products. Workday Payroll is one of the well-known Cloud-Based payroll management solutions which not only delivers in built payroll calculations but also provides a very robust technique to build easy to complex custom payroll calculations and map the same to the pay components to satisfy legal/custom business requirements.

2. WHAT IS WORKDAY PAYROLL?

Workday Payroll is a Cloud-Based payroll management solution which is designed to automate and streamline the payroll business process for organizations irrespective of sizes and categories of employees. It helps payroll businesses to effectively manage their employees' compensation, earnings and deductions configuration rules, tax deductions, tax compliance, payroll reporting and payroll analytics in a single software solution platform. Workday Payroll offers real-time calculations, managing FLSA rules, delivered connectors with major vendors like ADP, Fidelity, seamless integrations between HR and Finance Systems. Workday Payroll also comes in with best user self-service experience interface, maintaining employee tax elections, direct deposit information and pre built audit controls which make payroll administrator to administer the payroll activities effectively.

3. WHAT IS TIME OFF?

Time Off refers to the periods when employees are not working, which can be planned or unplanned. In Workday, employees can request time off for various reasons, such as vacations, sick leave, or personal days.

Time off can be submitted by employee which will go to the approval steps based on organization rules or Manager themselves can submit on-behalf of the employee in certain circumstances wherein the employee cannot apply

4. WHAT IS TIME OFF PLANS?

Time off plans are the ones that define the rules for entering, tracking, and managing various types of time off within an organization. They facilitate both employee and managerial interactions regarding time off requests and balances. Calculations can be customer-owned or Workday-owned. Workday-Owned calculations are delivered by Workday as part of the product suite.

Key Components

- **Time Off Types:** Different categories of time off (e.g., vacation, sick leave).
- **Accruals:** Rules governing how time off is earned over time.
- **Balance Period:** The timeframe in which time off can be used or accrued.
- **Validation Rules:** Optional or required checks to ensure compliance with time off policies.

Business Benefits

- **Flexibility:** Tailor time off plans to meet specific organizational needs.
- **Risk Minimization:** Implement validation rules to reduce errors in time off requests.
- **Cost Efficiency:** Streamline tracking of time off balances and accruals.
- **Integration:** Seamlessly connect with payroll and scheduling systems for efficient processing.

5. BASIC PROCESS FLOW TIME OFF

The basic process flow of Time off consists of 4 steps

1. Employees accrue time off balances based on their employee type and actual work hours based on company policy
2. Employees request for specific time off based on reasons like Sick, Vacation etc.,
3. Managers approve their employee's leave based on reasons
4. Upon the Time off Approval, payroll integrate with Time Off and apply the appropriate rate based on company rules and pay the Time Off pay

Basic Process Flow of Time Off

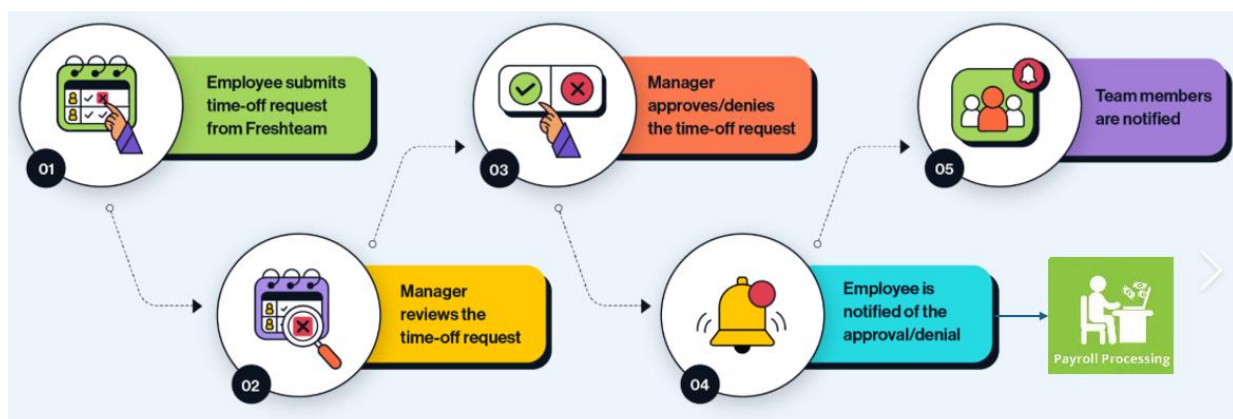


Figure 1: Basic Process Flow of Time Off

Live Case Study – Calculate the Sick Leave Rate based on 30 Day Lookback Wages/hours for the state of Colorado

One of the Top fitness club companies which got more than 30000 employees across USA and Canada has been using the Workday payroll. This organization has various types of employees like salaried, hourly, commission, exempt 7i commission, unit rate etc.

Requirement

1. This organization has is having clubs across all 50 states of USA and there is a specific statutory rule for the state of Colorado wherein the sick leave is expected to pay based on specific lookback days for commission, unit, hourly and their combination.
2. For the state of Colorado, the sick leave rate is expected to be computed based on the wages from the last 30 days of the payroll divided by the actual hours from the same 30 days. The list of wages and hours components vary as described by the state.

Implementation Methodology

We architect this design by understanding that the list of components for hours and wages may change and hence we design the solution to accommodate any new earnings or deductions created in the system will be automatically included or exclude based on configuration. This enables business not to modify or update every time there is addition or exclusion of earnings or deductions.

We used the Workday calculation features like conditional calculation, pay balances, pay component groups, balance period etc.

Conditional Calculation:

A conditional calculation is a type of calculation that determines values based on specific conditions or criteria. It evaluates different scenarios to allocate amounts or benefits according to predefined rules.

Key Features:

- Eligibility Criteria: Conditional calculations often include eligibility criteria that dictate which employees or students qualify for certain benefits or awards.
- Step Evaluation: The system evaluates conditions in a specified order, meaning that if an employee meets multiple criteria, the first applicable condition in the sequence will determine the outcome.
- Use Cases: Commonly used in scenarios like leave entitlements, financial aid awards, and payroll calculations.

Pay Balances

Pay balances are calculations that aggregate the value of one or more pay components over a specified period. They can include:

- Deductions
- Earnings
- Pay accumulations
- Pay component related calculations (PCRCs)
- Pay component groups

Business Benefits

The pay balance feature offers several advantages:

- Flexibility in inputs and aggregation periods.
- Transparent calculations that are easy to troubleshoot.
- Automatic recalculation by Workday whenever a report or page is viewed, ensuring up-to-date information.

Use Cases

Pay balances can be utilized for various purposes, including:

- Calculating payroll inputs, such as average weekly hours paid.
- Comparing individual payroll results to month-to-date or year-to-date totals.
- Tracking open-ended loan repayments.
- Validating year-to-date pay.

Pay Component Group

A pay component group is a collection of earnings, deductions, and related calculations that provide an aggregate value for a specific period or subperiod. These groups are essential for calculations and reporting within payroll systems.

Key Features:

- **Types of Components:** Includes earnings (like gross pay and employer-paid benefits) and deductions (such as taxes and withholding orders).
- **Custom Creation:** Users can create their own pay component groups in addition to those delivered by the system.
- **Limitations:**
 - Do not represent values over multiple periods.
 - Do not support subtraction; for that, pay balances or arithmetic calculations should be used.
- **Filtering:** Pay component groups filter by worktag, although pay accumulations can be configured to not filter by worktags.

Balance Periods

Balance periods are defined time frames used to track and manage time off plans, accruals, and other related balances. They typically specify the start and end dates for accumulating these balances.

Key Features

- **Duration:** Balance periods can vary in length, commonly set for a year, but can be customized to shorter or longer durations based on organizational needs.
- **Resetting Balances:** At the end of a balance period, the accumulated balances are reset to zero, and any carryover is managed according to predefined limits.
- **Configuration:** Organizations can create balance periods through specific tasks in their payroll or absence management systems, allowing for tailored setups that align with their operational requirements.

Step 1: Create a Date Increment/Decrement calculation to derive the pay period end date – 30 Days

View Date Increment/Decrement Calculation

Date: Period End Date -30 Days

Name Date: Period End Date -30 Days

Category Payroll

Calculation Usage

Calculation 1 item

Start Date	Year	Month	Day
Period: Period End Date			-30

Figure 2: Pay Period End Date – 30 Days

Step 2: Create a Balance Period named “30 Day Rolling Balance Period” with the start date, end date, and period indicator

View Balance Period 30 Day Rolling Balance Period ⋮

Name 30 Day Rolling Balance Period

Category Payroll

Balance Period Detail

Usage

Balance Period Detail 1 item

Start Date Calculation	End Date Calculation	Period Date Indicator
Date: Period End Date -30 Days	Period: Period End Date	Based on Period End Date

Figure 3: 30 Day Balance Period

Step 3: Create 2 **Pay Component groups** one for the earnings & deductions to be considered for Wages calculation and another for the hours. This will suffice the requirement of any addition or exclusion of earnings and deductions in future without any changes

View Pay Component Group Colorado PTO Wages-12082024 [USA] ⋮

Name Colorado PTO Wages-12082024

Pay Component Group Code COPTOW24

Category Payroll

Pay Component Usage Earnings

Country United States of America

Adds to Group

Exceptions for TaxesExceptions for Withholding Orders

Adds to Group 1 item

Earnings

AQ Premium Hours [USA]

AQ Summer Premium [CAN USA]

Break Differential [USA]

Bridge Pay [CAN USA]

Class/Unit Pay [CAN USA]

+ More (32)

Figure 4: Pay Component Group – Wages



View Pay Component Group (Workday Owned) FLSA Hours [USA] ⋮		
Name	FLSA Hours	
Pay Component Group Code	W_GRP-4-16	
Category	Payroll	
Pay Component Usage	Pay Component Related Calculations	
Countries	United States of America	
Adds to Group	Exceptions for Taxes	Exceptions for Withholding Orders Usage
Adds to Group 1 item		
Earnings	Deductions	Pay Component Related Calculations
		AQ Premium Hours [USA] - Hours (unprorated) Aquatics (DNU) [CAN USA] - Hours (unprorated) Canada Travel Time [CAN] - Hours (unprorated) CAN AQ Premium Hours [CAN] - Hours (unprorated) CAN Hours Worked [CAN] - Hours (unprorated) ⚙ More (42)

Figure 5: Pay Component Group – Hours

Step 4: Create a Pay Balance named “CO 30 Day Wages (Rolling Period)-12082024” using the Wages Pay Component Group and Balance Period to pull the wages for the 30-Day period

View Pay Balance CO 30 Day Wages (Rolling Period)-12082024 ⋮	
Name	CO 30 Day Wages (Rolling Period)-12082024
Code	CO30DRW2024
Category	Payroll
Display On Result	
Pay Calculation/Balance Period	Usage
Pay Calculation/Balance Period 1 item	
Pay Component	Balance Period
Colorado PTO Wages-12082024 [USA]	30 Day Rolling Balance Period

Figure 6: Balance Period for 30 Day Wages

Step 5: Create a Pay Balance named “**30 Day Hours (Rolling Period)**” using the Hours Pay Component Group and Balance Period to pull the Hours for the 30-Day period

View Pay Balance

30 Day Hours (Rolling Period) ⋮

Name

Code

Category

30 Day Hours (Rolling Period)

30DRH

Payroll

Pay Calculation/Balance Period
Usage

Pay Calculation/Balance Period
1 item

Pay Component	Balance Period
FLSA Hours [USA]	30 Day Rolling Balance Period

Figure 7: Balance Period for 30 Day Hours

Step 6: Create an Arithmetic Calculation named “**AC CO PSL 30 Day Lookback Rate-12082024**” to divide the 30-Day wages by 30-Day hours using the pay balances created.

View Arithmetic Calculation

AC CO PSL 30 Day Lookback Rate-12082024 ⋮

Name

Category

AC CO PSL 30 Day Lookback Rate-12082024

Absence
Compensation
Payroll

Calculation
Usage

1 item

1st Operand	Operator	2nd Operand
CO 30 Day Wages (Rolling Period)-12082024	Divide	30 Day Hours (Rolling Period)

Rounding Round to nearest 0.01

Figure 8: Derive the rate by dividing the wages/hours

Step 7: Create a conditional calculation named “CO PSL 30 Day Lookback Rate-12082024” and map the arithmetic calculation

View Conditional Calculation
CO PSL 30 Day Lookback Rate-12082024 ⋮

Name CO PSL 30 Day Lookback Rate-12082024

Category Absence
Payroll

Calculation Usage

Conditional Calculations 1 item

Calculation Condition	Order	Condition	Result
⋮	a	CO-30 Day Hours (Rolling Period)=0	0

Default Response AC CO PSL 30 Day Lookback Rate-12082024

Figure 9: Conditional Calculation

Final Step: Map the conditional calculation to the earnings and run the payroll calculation to validate whether the Colorado state employees is calculated with the rate of 30-Days wages/hours.

⋮	d2	In CO and Hourly or Unit Pay Employee ⋮	CO PSL 30 Day Lookback Rate-12082024
⋮	d3	In CO and Hourly+Unit Pay Employee	CO PSL 30 Day Lookback Rate-12082024
⋮	d4	In CO and Hourly+Commission	CO PSL 30 Day Lookback Rate-12082024
⋮	d5	In CO and Commission 71	CO PSL 30 Day Lookback Rate-12082024

Figure 10: Map of the Rate Calculation for the Colorado State Condition

Case Study Outcome:

This model has been successfully implemented to process Colorado employees for the time off recorded. This design was implemented successfully, and it processed the Colorado employees’ time off payouts with 100% accuracy and saved organization from any legal issues with payroll as legal compliance. As this model is designed and implemented with configurable options, already this design proved any addition or exclusion of earnings and deductions was automatically considered as per the state rules and the output was 100% accurate without any additional development or cost. This model is considered as one of the successful models in implementation.

CONCLUSION

Workday Payroll is revolutionizing payroll management by its unique process model with robust configuration capabilities. It provides the payroll business function to configure their own earnings, deduction, and calculation rules. As Workday provides various calculation types for the users to build and use, Users can combine these calculation types effectively to build easy to very complex payroll custom calculation rules for state specific time off rate calculations and assign the same to earnings and deductions as their calculations. Workday Payroll calculation engine will automatically process the custom calculation rule once it is attached to the pay components and there is no need to contact Workday vendor to configure these custom calculations. Another very important advantage is the output of the custom calculations will be available in all payroll reports without out any additional configuration or changes. This flexibility of building custom business



requirement payroll calculations provides the best user experience to payroll team and satisfy the organization's business goals effectively.

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