CALCULATIONS FOR HOLIDAYS AND LEAVE

the easy complete guide for employers

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THOSE CALCULATIONS

DEFINITIONS

Gross Earnings
Gross earnings are used to calculate annual holiday pay for periods of less than 12 months. It means all payments that you are required to make to the employee under their employment agreement, including, for example –

- Salary or wages
- Allowances that are not one-off reimbursements, e.g. clothing, meal, travel or car, on-call, shift
- Payment for annual public holidays or alternative holidays and sick or bereavement leave
- Productivity or incentive payments (including commission)
- Overtime payments
- Cash value of board or lodgings* provided to the employee by you, as agreed or as determined by a labour inspector
- First week compensation payable by you in terms of the ACC Act.

It excludes payment that you are not bound to make in terms of the employment agreement, such as –

- Discretionary payments, e.g. prize money for a workplace competition, or reward for extraordinary customer service or dinner for two as reward for exceptional service to a customer
- ACC payments
- Payment while on voluntary service or training in terms of the Volunteers Employment Protection Act
- Reimbursements of costs related to employment
- Employer contributions to a superannuation scheme for the benefit of the employee.

Cash Value of Board and Lodgings
This is as mutually agreed by employer and employee, or failing agreement, as determined by a labour inspector.

* If work requires overnight stay away from home, or if board and lodgings are provided because of special circumstances, then the value of board and lodgings is not included in relevant daily pay or ordinary weekly pay.

Ordinary Weekly Pay
Ordinary weekly pay is used to calculate annual holiday pay for full 12-month periods. It is compared with average weekly earnings, and the higher figure is multiplied by the period of annual holidays to be taken.

Ordinary weekly pay is everything the employee gets in terms of their employment agreement for a week, including –

- Basic pay
- Regular allowances, like car or shift allowances
- Regular productivity or incentive-based payments (including commission), if such payments would otherwise have been received on the day in question
- Cash value of board and lodgings
- Regular overtime.

Conversely, any of the abovementioned payments that are not regularly made, are excluded, as are one-off bonuses and discretionary payments, even if these are included in the employment agreement. Ordinary weekly pay is therefore not as wide as gross earnings, which includes everything payable in terms of the employment agreement.

If the ordinary weekly pay is not clear, one can use an average as ordinary weekly pay (don't confuse this with AVERAGE WEEKLY EARNINGS, which uses 52 weeks) –

For pay periods shorter than 4 weeks -	
	gross earnings for the last 4 weeks
Less	any irregular or discretionary payments
equals	total ordinary pay
Which, divided by 4 gives	**average ordinary weekly pay**

for pay periods longer than 4 weeks -	
	gross earnings for the last pay period
Less	any irregular or discretionary payments
Equals	total ordinary pay
Which, divided by 4 * gives	**average ordinary weekly pay**

*** Note** The divisor is 4, regardless of the length of the pay period.

Even if your employment agreement specifies an employee's ordinary weekly pay, you should make the calculation, and use the higher figure.

Average Weekly Earnings

Average weekly earnings are used to calculate annual holiday pay for full 12-month periods. It is compared with ordinary weekly pay, and the higher figure is multiplied by the period of annual holidays to be taken.

An employee's average weekly earnings are calculated by dividing their gross earnings up to and including the last pay period before they go on holiday, by 52, as explained above.

ANNUAL HOLIDAYS

Calculating Annual Holiday Pay

The basic rule is simple: Annual holiday pay is the number of weeks being taken multiplied by the higher of –

- ordinary weekly pay when the holiday starts; and
- average weekly earnings for the 12 months up to and including the last pay period.

Fixed term and casual employees normally get their holiday pay included in their hourly/weekly pay.

Example 1	
Employee is entitled to	*4 weeks per year*
Employee works	*5 day week*
Employee wants to take	*all of it*
Ordinary weekly pay is	*$470.00*
Average weekly earnings is	*$482.00*
Higher figure is	*$482.00*
Annual holiday pay is	***4 x $482.00 = $1,928.00***
Example 2	
Employee is entitled to	*4 weeks per year*
Employee works	*5 day week*
Employee wants to take	*1 week*
Ordinary weekly pay is	*$470.00*
Average weekly earnings is	*$482.00*
Higher figure is	*$482.00*
Annual holiday pay is	***1 x $482.00 = $482.00***

Example 3	
Employee is entitled to	*4 weeks per year*
Employee works	***4 day** week*
Employee wants to take	*1 day = ¼ weeks = 0.25 weeks*
Ordinary weekly pay is	*$470.00*
Average weekly earnings is	*$482.00*
Higher figure is	*$482.00*
Annual holiday pay is	***0.25 x $482.00 = $120.50***

If employee had unpaid leave

If the employee had more than 1 week of unpaid leave during the year, the calculation has to adjusted, as follows -

Josh started on 8 February 2010, working Monday to Fridays, 40 hours per week at $15.00 per hour. His anniversary date is normally 12 months later, on 8 February 2011. But between 9 and 23 August 2010 he took 3 weeks and 1 day unpaid leave to attend to a personal problem.

What is his anniversary date, and what is his average weekly pay?

1 week of this unpaid leave has to be counted as continuous employment, by law.
His ordinary weekly pay is 40 x $15.00 = $600.

Example 1: *You decide not to include the excess of 2 weeks and 1 day.*
Josh's anniversary date moves by 2 weeks and 1 day, to 23 February 2011 (from 8 February 2011).
His average weekly earnings are not affected. When he goes on holiday on 23 February 2011 –

Gross pay for 52 weeks @ $15.00 per hour	*= $31,200*
Average weekly earnings ($31,200/52)	*=$600 (same as ordinary weekly pay)*

Example 2: *You decide to include the excess of 2 weeks and 1 day.*
Josh's anniversary date is not affected (because you agreed to regard the excess leave as continuous employment).
When he goes on holiday on 8 February 2011, his average weekly earnings are affected to compensate for the period of excess unpaid leave–

Gross pay for 49.8 weeks @ $15.00 per hour	*= $29,880*
Divisor is 52 less excess of 2 weeks 1 day	*= 49 weeks 4 days or 49.8 weeks*
Average weekly earnings ($29,880/49.8)	*=$600 (same as ordinary weekly pay)*

But the basic rule has exceptions relating to -

- when the calculation is made (the event)
- length of service and
- the type of employee.

The table below contains an example of each event and type of employee, including the basic situation. Simply find the event and circumstance you require, and turn to the calculation.

Remember that fixed term and casual employees **normally** get their holiday pay included in their hourly/weekly pay.

CALCULATIONS

Event	**Calculation no**
Annual holidays when due	1
Annual holidays in advance – less than 12 months	2

Annual holidays in advance – more than 12 months	3
Annual holidays on closedown – less than 12 months	4
Annual holidays on closedown – more than 12 months – employee has enough holidays to cover closedown period	5
Annual holidays on closedown – more than 12 months – employee does not have enough holidays to cover closedown period – employer and employee agree to grant paid holidays	6
Annual holidays on closedown – more than 12 months – employee does not have enough holidays to cover closedown period – employer and employee cannot agree that paid holidays be granted	7
Annual holidays on termination – less than 12 months	8
Annual holidays on termination – more than 12 months	9

Key OWP - ordinary weekly pay
AWE - average weekly earnings

Calculation 1	Event: Annual holidays when due
Employees	Permanent. Not normally fixed term employees Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	OWP or ordinary hourly pay at start of holidays
Line 4	AWE or average hourly pay at start of holidays
Line 5	Higher figure is
Line 6	Holiday pay (line 2 times line 5)

Calculation 2	Event: annual holidays in advance - less than 12 months service
Employees	Permanent. Not Normally Fixed Term Employees Not Casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	OWP or ordinary hourly pay at start of holidays
Line 4	AWE or average hourly pay for period employed up to and including last pay period
Line 5	Higher figure is
Line 6	Holiday pay (line 2 times line 5)

Calculation 3	Event: annual holidays in advance - more than 12 months service
Employees	Permanent. Not fixed term employees Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	OWP or ordinary hourly pay at start of holidays
Line 4	AWE or average hourly pay for 12 months up to and including last pay period
Line 5	Higher figure line 3 or 4 is
Line 6	Holiday pay (line 2 times line 5)

Calculation 4	Event: annual holidays on closedown - less than 12 months service
Employees	Permanent. Not normally fixed term employees Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	Gross earnings since starting
Line 4	Holiday pay (8% of line 3)

Calculation 5	Event: annual holidays on closedown -more than 12 months service -employee has enough holidays to cover closedown period
Employees	Permanent. Not normally fixed term employees Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	OWP or ordinary hourly pay at start of holidays
Line 4	AWE or average hourly pay for 12 months up to and including last pay period
Line 5	Higher figure line 3 or 4 is
Line 6	Holiday pay (line 2 times line 5)

Calculation 6	Event: annual holidays on closedown - more than 12 months service - employee does not have enough holidays to cover closedown period - employer and employee agree
Employees	Permanent. Not fixed term Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	OWP or ordinary hourly pay at start of holidays
Line 4	AWE or average hourly pay for 12 months up to and including last pay period

Line 5	Higher figure is
Line 6	Holiday pay (line 2 times line 5)

Calculation 7	Event: annual holidays on closedown - more than 12 months service - employee does not have enough holidays to cover closedown period - employer and employee cannot agree
Employees	Permanent. Not fixed term Not casuals
Line 1	Date holiday starts
Line 2	Duration of holiday being taken in weeks/hours
Line 3	Gross earnings since last became entitled to annual holidays
Line 4	Holiday pay (8% of line 3)
Line 5	Less annual holiday pay granted in advance
Line 6	Holiday pay (line 4 less line 5)

Calculation 8	Event: annual holidays on termination - less than 12 months service
Employees	All
Line 1	Date of termination
Line 2	Gross earnings since starting
Line 3	Holiday pay (8% of line 2)
Line 4	Less annual holiday pay granted in advance or included in weekly/hourly pay (fixed term and casuals)
Line 5	Holiday pay (line 3 less line 4)

Calculation 9	Event: annual holidays on termination - more than 12 months service
Employees	Permanent. Not fixed term Not normally casuals
Line 1	Date of termination
Line 2	Gross earnings since last became entitled to annual holidays (last part year)
Line 3	Holiday pay (8% of line 2)
Line 4	Less annual holiday pay granted in advance or included in weekly/hourly pay (casuals)
Line 5	Holiday pay for last part year (line 3 less line 4)
Line 6	Weeks/hours holiday still due from previous complete years (if any)
Line 7	OWP or ordinary hourly pay at date of termination
Line 8	AWE or average hourly pay for 12 months before termination
Line 9	Higher Figure line 7 or 8 is
Line 10	Holiday pay for complete year(s) not taken (line 6 times line 9)
Line 11	Holiday pay (line 5 plus line 10)

PUBLIC AND ALTERNATIVE HOLIDAYS AND SICK AND BEREAVEMENT LEAVE

Relevant Daily Pay

Public and alternative holidays and sick and bereavement leave are paid at the relevant daily pay or average daily pay, which means what the employee would have been paid if they had worked on the day in question. This is usually easy to determine – it is a normal day's pay – but sometimes it can be difficult, in which case an average is taken.

Relevant Daily Pay is calculated by adding up –

	Basic pay
+ plus	Productivity or incentive payments **(including commission)** if these payments would otherwise have been received on the day in question
plus	Overtime pay, but not penal rates
+ plus	Cash value of board and lodgings
= Equals	**Relevant Daily Pay**

But it excludes employer contributions to a superannuation scheme for the benefit of the employee.

This is a **normal day's** pay, so don't be confused by time and a half, which is only used to calculate the pay due if the employee **actually** works on the public holiday.

You may agree on a special rate to be used, but this may not be less than set out above.

If it is not possible or practicable to determine relevant daily pay, or if the employee's pay varied within the pay period, you may use average daily pay, which is gross earnings over the past 52 weeks divided by the number of whole or part days worked during that period.

Sick On A Public Holiday

Employees who are sick on a public holiday, on which they were required or agreed to work, do not get time and a half and an alternate day off. They simply get their relevant daily pay.