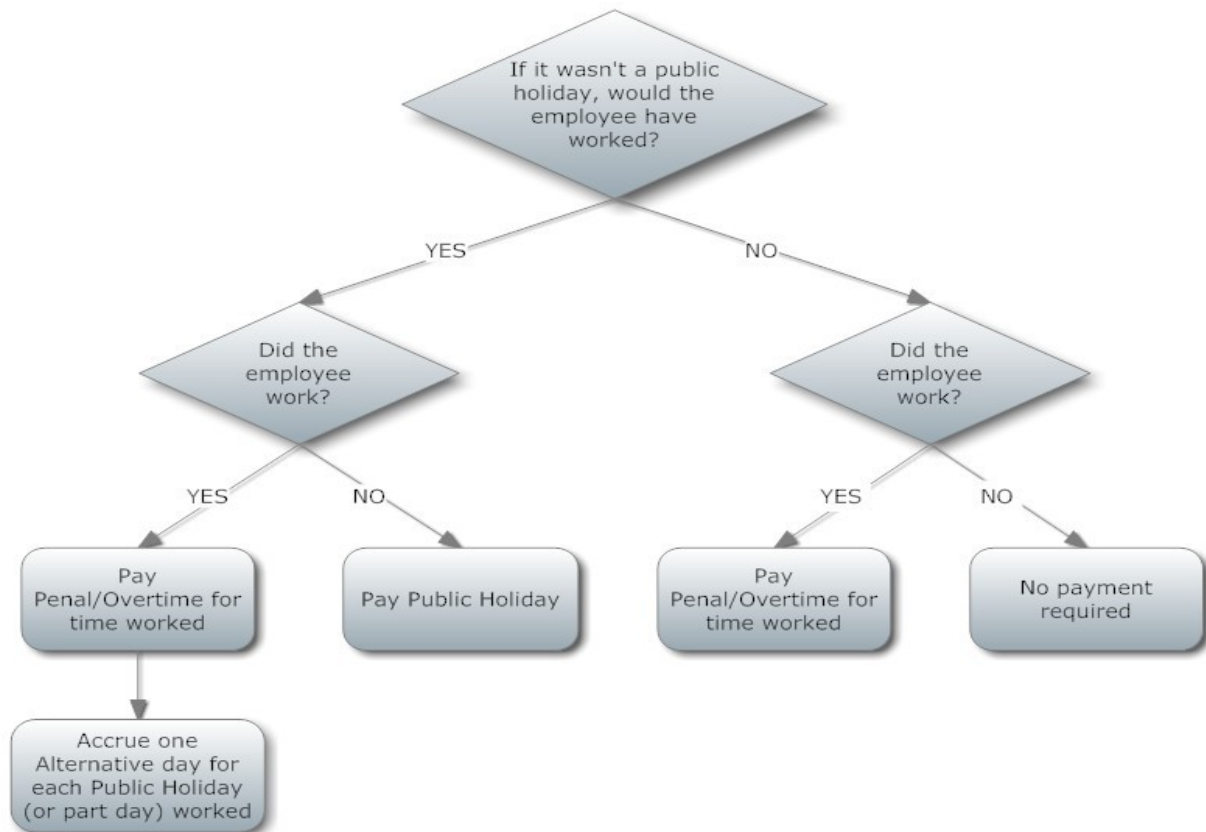This Factsheet is a guide to the main obligations an Employer has for the provision and payment of *Alternative Leave* as provided for by the Holidays Act, along with additional links to further reference material.

If there is any question or argument relating to an Employee's entitlement, or the amount that should be paid, you should contact the Department of Labour and ask for a determination by a Labour Inspector.

SmoothPay encourages employers to use compliant leave methods.

Here is a handy flowchart you can use to check an Employee's entitlement:

Alternative Leave entitlement

Non-permanent (Casual) Employees

Casual Employees **are** entitled to accrue an *Alternative Leave* day **if** they work on a *Public Holiday* **and** they would have worked that day had it not been a *Public Holiday*.

For example, if an Orchard employs a Casual Worker to pick because fruit is ready for harvest, and a Public Holiday falls on any day during the harvest period, then it's likely that the Employee is entitled to payment for the *Public Holiday* if they don't work, or Penal Rates plus an *Alternative Day* if they do work.

Before committing to payment (or not), you should check with the Department of Labour as to your obligations and the Employee's entitlement.

Permanent Employees

Full and Part-time Employees accrue an Alternative Leave day if they work on a Public Holiday (or the day it is observed) and they would have worked that day had it not been a public holiday.

Important Concepts

- Relevant Daily Pay (**RDP**) must be used for the payment of *Alternative Leave*.

- **RDP** is the amount an Employee would have received had they been at work (*taking into consideration any opportunity for overtime or additional allowances*), and failing that, then their Average Daily Pay (**ADP**) over the last 12 months.

- Leave is valued at the time it is taken, and you must be certain you are paying the correct amount.

- You can enter whole days (defaults to 1) or part days or hours (hours will be automatically converted into a proportion of a day, based on the Employee's average earnings pattern)

Payment for Alternative Leave

- When you add an Alternative Leave transaction to the employee's pay input, SmoothPay will ask if you "know what the employee would be paid".

- If you **know** what the Employee would have earned had they been at work that day (instead of being absent), then edit the entries to suit (hours, rate and number of Leave Days being taken - defaults to 1), otherwise (this is similar to unlocking a leave taken transaction in pay input)

- If you **don't know** what the Employee would have earned, then you must use *Average Daily Pay* (**ADP**). **SmoothPay's** *RDP Assistant* will display:

  - 1) their *Average Daily Pay value* (e.g. total earnings for last 12 months divided by the number of days paid in that period).

    - You can, and should, change the divisor if they were paid for more/less days in the period being used for the average calculation.

    - Permanent corrections to days paid can, and should, be made in *Edit Employee...Pay History*. Days being paid each *Pay Period* should be entered correctly in *Pay Input.*

  - 2) an a*greed daily rate*

- By default, **SmoothPay** will choose the most valuable daily rate from 1 and 2, however you are at liberty to select a different value, or make your own entries. You must be certain that the value paid is not less than their entitlement per the Holidays Act.

Common errors

It is NOT correct to accrue or consume Alternative Leave in hours. The Act stipulates days. For example, if an Employee works for one hour (or even 1 minute) on a Public Holiday they must be paid (at least) penal rates for the 1 hour worked, and accrue a **whole day** of *Alternative Leave* to replace the interrupted *Public Holiday* (note though that the Act permits 'shifting' of the observance for *Public Holidays* for shift workers, so you need to check with the Department of Labour if this affects you).

It is NOT correct to use *Alternative Leave* to accrue extra hours worked and saved to be taken later (*e.g. Time Banking or TOIL - a separate guide is available with full details on implementing TOIL in SmoothPay*). To comply with the Holidays Act and to calculate **RDP** and **AWE** (Average Weekly Earnings) correctly, an Employee must be paid for the time worked in the period the work was done - TOIL is not recommended.

It is NOT correct to simply pay an Employee their ordinary hours and rate of pay for *Alternative Leave*, unless you know that is exactly what they would have earned for the day they take off. You must also consider, had the Employee not been absent, if they might have earned overtime, productivity allowances or any other earnings. For these reasons it is generally correct to use Average Daily Pay (**ADP**), unless it would result in a value less than your anticipated daily value. Exceptions may be Salaried Employees, or those who work exactly the same every day , however the Act does not exempt these types of Employees from **RDP** and **ADP** calculations.

If you have *elected to override or unlock the leave entry* you **must** be certain that the number of days entered is representative of the amount being paid for leave. A common error is to unlock the entries and forget to change the number of days. If you unlock an entry, it becomes your responsibility to get it right.

NOTE: Most payroll systems available in New Zealand persist in using non-compliant leave methods, despite the Holidays Act 2003 being the law by which employers must abide.

Smoothpay encourages employers to use compliant leave methods and will provide any assistance required to help you understand your obligations.

Further reference

Department of Labour website	http://www.dol.govt.nz/
SmoothPay documentation and forms	http://www.smoothpay.co.nz/tutorials/
Department of Labour contact centre	**0800 20 90 20**
SmoothPay HelpDesk	**(06) 353 6462**

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