

This Factsheet is a guide to the main obligations an Employer has for the provision and payment of *Sick 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*.

Sick Leave Entitlement

Non-permanent (Casual) Employees

Casual Employees and Contractors or Agents do not usually accrue Sick Leave. You may establish an accrual and pay Sick Leave for these classes of Employee if you wish, however by default SmoothPay will not establish an entitlement for you.

Permanent Employees

Full and Part-time Employees are entitled to 5 days Sick Leave accrual after 6 months service from their start date, and a further accrual of 5 days every 12 months thereafter. You may cap the accrual to no less than 20 days.

SmoothPay automatically establishes these settings when a *Permanent* Employee is added.

Important Concepts

- *Relevant Daily Pay (RDP)* must be used for the payment of Sick 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 52 weeks (*prior to 1 April 2011, the formula uses the last 4 weeks*).
- Leave is valued **at the time it is taken**, and you must be certain you are paying the correct amount.
- You can enter whole or part days, or hours (they will be converted automatically to the proportion of a day those hours would represent).

Payment for Sick Leave

- If you **know** what the Employee would have earned had they been at work that day (instead of being absent), then you would tick the "*I know...*" option (*or unlock the leave entry*) and edit the entries to suit (hours, rate and number of Leave Days being taken - defaults to 1), otherwise
- 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 *averaged ordinary daily earnings*, based on their contract
- 2) their *Average Daily Pay value* (e.g. total earnings for last 4 weeks 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*.

- 3) an *agreed daily rate*
- 4) same as #1 using a new pay rate entered (if any)

A daily work pattern for the last 4 weeks is also displayed to help you determine an Employee's entitlement to leave (requires you to be using dated *Pay Inputs* correctly) - you might wish to use these **ADP** rates if they produce a better value than #2 or #3.

By default, **SmoothPay** will choose the most valuable daily rate from 1, 2 or 3 (it assumes the User doesn't know what the Employee would have earned, though there are options to allow you to pre-select various options instead of the most valuable to the Employee), 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.

Common errors

If a *Permanent* (Part or Full time) Employee works fewer than 5 days per week, it is **NOT** correct to reduce their Sick Leave accrual to match. The Act stipulates a minimum of 5 days. **Nor may you** cap Sick Leave accrual to less than 20 days (in **SmoothPay**, a zero cap means unlimited accrual).

It is **NOT** correct to accrue or consume Sick Leave in hours. The Act stipulates *Days*. It could be argued that using hours where it is demonstrably better than the provisions of the Act is OK, however you're making life tough for yourself and you must still adhere to the **RDP** rules, so, with respect, you should use days.

It is **NOT** correct to simply pay an Employee their *ordinary hours* and *rate of pay* for Sick Leave, unless you know that is exactly what they would have earned that day. You must also consider, had they not been sick, 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.**

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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