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# MYOB Exo Payroll

## Pro Rata Holiday Pay Method

July 2020



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## Introduction

This white paper deals with using the Pro Rata accrual method for Holiday Pay in Exo Payroll.

### Disclaimer

We recommend that you read the MBIE document “Holidays Act 2003: Guidance on annual holidays, family violence, leave, bereavement leave, alternative holidays, public holidays and sick leave” to better understand how to meet your obligations as an employer. If you have further questions, it is best to seek legal advice to ensure you are meeting your obligations.

### About Pro Rata Holiday Pay accrual methods

The Pro Rata method has commonly been used in the past for variable workers, but it can produce inaccurate Holidays entitlements, and is no longer a recommended method for management of Holiday Pay

- This method enables users to accrue Holiday Pay entitlement as a percentage of Hours or Days worked/paid.
- Pro Rata allocates a portion of time for hours or days paid rather than weeks balances based on the agreed definition of a week
- This method holds Holiday Pay balances in a measure of Days/Hours units and the entitlement to 4 weeks must be manually managed.
- This method pays Holiday Pay rates in units of Days or Hours and these values must be checked.

### Important Notes

If you choose to use the Pro Rata method:

- This **MUST** be discussed with the employee and agreement put in writing.
- Pro-rata method doesn't guarantee 4 weeks entitlement and you will need to check entitlements and balances regularly as work patterns change, settle and roll over. I.e. where an employee has increased their work pattern, they will now be entitled to more weeks/days/hours based on their new current work pattern, not the historically lower work pattern.
- You will need to keep a spreadsheet to manage portions of leave taken
- You will need to monitor your Daily/Hourly rates in Exo Payroll against a weekly rate when on this method to ensure that you are not paying less than legislated minimum.

**Please seek advice from an employment relations specialist or an MBIE labour inspector before implementing this method.**

## Using Pro Rata Holiday Pay Method

### Checking Employee Setup

The setting for **Permanent Part-time/Pro-Rata** method is in the **Employee Maintenance > Holiday Pay** tab

For the calculation to work accurately, the employees Annual Entitlement must remain set to 20 days or 160 hours (or more if the entitlement is for 5 weeks per year – must be a full timers equivalent.)

The Annual Entitlement % should be at least 8%

Employee Maintenance - Holiday Pay

Employee: 5 Keating, Karl Adrian

**Holiday Pay**

Holiday Pay Group: [ ]

Annual Entitlement %: 8.00  Pay Casual Holiday Pay Each Pay

**Annual Entitlement Days: 20.00**  **Permanent Part-time / Pro-Rata**

Holiday Anniversary Date: 29/05/2020  Percentage Entitlement Only  
(Entitlement Period: 29/05/2019 - 28/05/2020)

Hours per standard day: 8.00

This Year Entitlement Changes

**Entitlement Year**

	Paid	Accrued	Outstanding	Advanced	Balance
Days:	60.00	4.62	0.00	0.00	4.62
Amount:	\$7214.00	\$0	\$0.00	\$0.00	\$0.00

**Last 12 Months**

Gross Pay: \$7214.00 Days Paid: 60.00

This Year Accrued to: 05/04/2020 Ordinary Daily Rate: Standard Pay

Holiday Pay Cost Centre: 16

Prev: F7 Next: F8 Find: F9 Save: F10 Delete: F6 Exit: Esc

## Tracking Days Paid for Pro Rata Employees

When processing a pay for an employee on Permanent Part-Time Method, make sure that the Days Paid (or Hours Paid) values are tracked as the actual number of days/hours that the employee is being paid for in the Pay Period, including any leave that the employee is being paid for.

### Example:

Karl Keating usually works between 3 & 5 days a week. This week he has been paid for two days worked and one day of Holiday Pay.

Days Paid for Holiday Pay = 3

Days Paid for Relevant Daily Pay = 3

Where Holiday pay is set in Hours, the Hours paid would be tracked in these fields. Both Days & Hours may be automatic depending on your setup and whether you use extra modules such as Time and Attendance or MyStaffInfo.

Weekly Current Pay | Pay Number: 15 | Period Ending: 29/03/2020 | Physical Pay Date: 31/03/2020

### 5 (KEATING) Keating, Karl Adrian

Wages	Pay Item	Units	Rate	Total
	Salary		0.00	0.00
Allowances	Wages	24.00 hours	25.5000	612.00
	Holiday Pay	0.00 days	0.0000	0.00
Hourly Rates	Sick Pay	0.00 hours	0.0000	0.00
Salary	Public Holiday			
Deductions	Alternative Leave			
Leave	Bereavement Leave			
Costing	Domestic Violence Leave			
PAYE	Long Service Leave			
KiwiSaver	Unpaid Leave			
How Paid	Shift Leave			
Days Paid	Other Leave			
Payslip Note	Taxable Allowances			
Employee Share	Pre-Tax Deductions			
	<b>Gross Taxable Earnings</b>			
	PAYE (includes student)			
	Employee KiwiSaver			
	Non-Taxable Allowance			
	Post-Tax Deductions			
	Rounding:			
	<b>Net Pay</b>			<b>514.94</b>
	Employer KiwiSaver		0.00	
	Employer Superannuation		0.00	

**Days Paid** dialog box:

Days paid for Holiday Pay: Number of working Days in the pay period: 3.00

Days paid for Average Daily Pay/Relevant Daily Rate: Number of Actual Days paid in the pay period: 3.00

Days paid for Holiday Pay: 3.00 for Relevant Daily Rate: 3.00

**Note:** The exception to this is where an employee is on LWOP – when the employee is on LWOP less than one week you must continue to track a minimum or contracted days/hours paid for the period they are on LWOP to continue Holiday Pay accrual. Note that this will also reduce their AWE rate.

## The Pro Rata Accrual Calculation Method

When using a "set" Annual Entitlement method, the Payroll accrues a set amount of Days/Hours/Weeks each pay, up to the "This Year Accrued To" date which is updated to the next Pay Period Date following an update of the Current Pay.

The Pro Rata method deals with this differently and calculates an accrual based on the days or hours paid (as per previous section) and includes only the pays that have been updated, ignoring the "This Year Accrued To" date.

### Days Calculation Formula

(Annual Entitlement Days) / 260 x (Days paid – tracked in the Paid column)

Employee Maintenance - Holiday Pay

Employee: 5 Keating, Karl Adrian

**Holiday Pay**

Holiday Pay Group:

Annual Entitlement %: 8.00  Pay Casual Holiday Pay Each Pay

**Annual Entitlement Days: 20.00**  Permanent Part-time / Pro-Rata

Holiday Anniversary Date: 29/05/2020  Percentage Entitlement Only  
(Entitlement Period: 29/05/2019 - 28/05/2020) Hours per standard day: 8.00

This Year Entitlement Changes

**Entitlement Year**

	Paid	Accrued	Outstanding	Advanced	Balance
Days:	60.00	4.62	0.00	0.00	4.62
Amount:	\$7214.00	\$0	\$0.00	\$0.00	\$0.00

**Last 12 Months**

Gross Pay: \$7214.00 Days Paid: 60.00

This Year Accrued to: 05/04/2020 Ordinary Daily Rate: Standard Pay

Holiday Pay Cost Centre: 16

Prev: F7 Next: F8 Find: F9 Save: F10 Delete: F6 Exit: Esc

I.e. in this example the calculation is:  $20 / 260 \times 60 = 4.62$  Days accrued

## Hours Calculation Formula

(Annual Entitlement Hours) / 2080 x (Hours paid – tracked in the Paid column)

Employee: 3 Houghton, Jannet Faye

**Holiday Pay**

Holiday Pay Group:

Annual Entitlement %: 8.00  Pay Casual Holiday Pay Each Pay

**Annual Entitlement Hours: 160.00**  Permanent Part-time / Pro-Rata

Holiday Anniversary Date: 15/06/2020  Percentage Entitlement Only  
(Entitlement Period: 15/06/2019 - 14/06/2020) Hours per standard day: 8.00

This Year Entitlement Changes

**Entitlement Year**

	Paid	Accrued	Outstanding	Advanced	Balance
Hours:	<b>449.00</b>	34.54	0.00	0.00	34.54
Amount:	\$5376.00	\$0	\$0.00	\$0.00	\$0.00

**Last 12 Months**

Gross Pay: \$5376.00 Hours Paid: 449.00

This Year Accrued to: 05/04/2020 Ordinary Hourly Rate: Standard Pay

Holiday Pay Cost Centre: 12

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I.e. in this example the calculation is:  $160 / 2080 \times 449 = 34.54$  Hours accrued

## IMPORTANT REMINDER

This Pro Rata accrual method does not guarantee entitlement to 4 weeks for an employee – this must be checked and managed manually. Please review the next section for information.

### Example:

- An employee on Pro Rata accrues a total of 14.5 days for their current holiday year, based on the days worked.
- When they become entitled to their 4 weeks of annual leave their work pattern has settled into primarily 4 days a week, meaning they should be entitled to  $4 \times 4$  day weeks = 16 days entitlement.

In this scenario, if their balances are not managed manually, the employee will get 1.5 days less holiday pay entitlement.

## Managing Balances in Weeks

As Exo Payroll manages balances in days & hours when in a Pro Rata setup, it is important that you keep a Weekly Balance spreadsheet to track portions of weeks taken, and a weekly balance. This ensures that anyone on a variable work pattern / Pro Rata Setup gets their full entitlement to 4 weeks.

We recommend a spreadsheet similar to the below example to track the number of days/hours taken, what portion of a week this is and what the weekly balance is – you can then compare that to their Days or Hours balance held in Exo.

### Example:

	A	B	C	D	E	F	G	H
	Employee Code	Start Date	Date Leave Taken	Units Taken (Days Taken)	Portion Taken (Days Taken/Days in Week)	Weeks Balance (Current Weeks Balance - portion taken)	Days Balance (Current Days Balance - Days Taken)	
1								
2		1 27.06.2016				0	0	
3			28 - 30 Dec 17	3	0.6	-0.6	-3	
4			04 - 06 January 17	3	0.6	-1.2	-6	
5			29 - 31 March 2017	3	0.5	-1.7	-9	
6		Annual Rollover	27.06.2017			2.3	11	
7			02 - 06 October 2017	5	1	1.3	6	
8			30.10.2017	1	0.2	1.1	5	
9			30 Nov - 1 Dec 2018	1.5	0.3	0.8	3.5	
10			3 - 5 Jan 2018	3	0.6	0.2	0.5	
11			26 - 30 March 2018	5	0.83	-0.63	-4.5	
12			26 -27 April 2018	2	0.33	-0.97	-6.5	
13		Annual Rollover	27.06.2018			3.03	13.5	
14			10.08.2018	1	0.2	2.83	12.5	
15								
16			Formula	1	=D16 / 5	=F14 - E16	=G14 - D16	
17								

The Portion taken (Column E) represents the days taken divided by the number of days in the employees' current weekly work pattern to determine what portion of a week was taken.

The company 'peak season' is February to April so employees work 6 days a week through this period.

Row 3: 3 days equates to .6 of a week as at this point a week is 5 days

Row 5: 3 days equates to .5 of a week as this is during peak, so a week is 6 days.

## Managing Annual Leave Rates for Pro Rata Employees

As Exo Payroll manages leave in days & hours for anyone who is a Pro Rata employee, this will not be a true representation of a weekly rate.

In some cases, the Days paid method in Exo will value higher than the weekly rates as it is based on actual days worked, however in some cases can be lower so you should always check the daily/hourly rate in Exo against a weekly rate to ensure that the daily/hourly rate is not less than the weekly equivalent.

If your employee is continuously variable and on the pro rata method, or their work pattern has had a change in their 12-month period, you will need to work out a weekly rate first and then convert this to a daily rate as follows:

### Calculate a Weekly Rate:

OWP: Last 4 weeks gross / 4

AWE: Last 52 weeks gross / 52

### Calculate a Daily/Hourly Rate:

To get daily rate divide your weekly rates by the number of days in their current standard week – i.e. the employees Definition of a week (DOW)

**Note:** *If your employee works varying days, you will need to define a week to divide your weekly rate by. This may be a standard number of days or hours, an averaged amount based on a set lookback period, or an agreed amount – please seek advice if you are not sure how to define a week for variable employees.*

### Calculate Daily/Hourly Rates:

To calculate a weekly to daily rate per Employee, export the employees pay history from the [Edit Days] button on their holiday pay screen and calculate using the following formulas:

OWP: Last 4 weeks gross / 4 / DOW

AWE: Last 52 weeks gross / 52 / DOW

## Rates Calculation Example

Click on the [Edit Days] button on the employees holiday pay screen and use the [Export] function to export the data to complete the manual calculations:

Pay Number	Type	Pay Date	Physical Pay Date	Gross Pay	Ordinary Earnings	Days Paid	4 Week	12 Month
52	Current	01/09/2019	03/09/2019	473.80	473.80	4.00		Yes
102	Current	08/09/2019	10/09/2019	618.00	618.00	4.00		Yes
103	Current	15/09/2019	17/09/2019	515.00	515.00	4.00		Yes
104	Current	22/09/2019	24/09/2019	453.20	453.20	3.00		Yes
105	Current	29/09/2019	01/10/2019	576.80	576.80	4.00		Yes
106	Current	06/10/2019	08/10/2019	659.20	659.20	4.00		Yes
107	Current	13/10/2019	15/10/2019	473.80	473.80	3.00		Yes
108	Current	20/10/2019	22/10/2019	473.80	473.80	3.00		Yes
109	Current	27/10/2019	29/10/2019	576.80	576.80	4.00		Yes
110	Current	03/11/2019	05/11/2019	479.25	479.25	4.00		Yes
111	Current	10/11/2019	12/11/2019	597.40	597.40	4.00		Yes
112	Current	17/11/2019	19/11/2019	515.00	515.00	4.00		Yes
113	Current	24/11/2019	26/11/2019	679.80	679.80	4.00	Yes	Yes
114	Current	01/12/2019	03/12/2019	700.40	700.40	4.00	Yes	Yes
115	Current	08/12/2019	10/12/2019	432.60	432.60	3.00	Yes	Yes
116	Current	15/12/2019	17/12/2019	453.20	453.20	3.00	Yes	Yes
<b>Totals:</b>				30687.20	237.00			
<b>4 Week Totals:</b>				2266.00	14.00			
<b>12 Month Totals:</b>				24383.95	182.00			

### OWP:

Total Gross over 4 weeks = \$2266

Divide by 4 = \$566.50 per week

Divide by DOW to get Daily Rate e.g.  $\$566.50 / 5 = \$113.30$  per day.

### AWE:

Total Gross over 12 months = \$24383.95

Divide by 52 = \$468.92

Divide by DOW to get Daily Rate e.g.  $\$468.92 / 5 = \$93.78$  per day.

## Moving Employees Off Pro Rata

It is recommended to remove employees off the Pro Rata Method. To do this you will need to:

1. Recalculate correct balances (refer next sections)
2. Remove the Permanent Part Time / Pro Rata tick in the Employee Maintenance
3. Adjust their Annual Entitlement and DOW based on agreed Week
4. Adjust their Days/Hours balance based on your recalculated balances
5. Turn on Weeks for this employee

### Recalculate Balances – Standard Work Pattern Employees

Where employees have been on a consistent work pattern for their length of employment, a simple calculation can be done to check balances before switching to weeks

1. Number of Years (at least 6 years from last Anniversary)
2. X (Days/Hours per week x 4 weeks)
3. Days/Hours you have paid Holiday Pay
4. = Balance

### Recalculate balances – Variable Work Pattern Employees

Where employees have been on a highly variable work pattern or where the employee has had multiple work pattern changes throughout their length of service, checking balances may be more involved.

#### Considerations:

- What should the employee's total entitlement be where there have been work pattern changes
- Can you determine portions of weeks taken at the time of taking leave (based on reports on previous slide)
- You may need to complete a more involved review of total entitlements/balances/provisioning and leave payments made in the past
- Do you have enough data to make determinations about work patterns for employee i.e. Rosters, Timesheets, Agreements ...
- Do you have a Mandatory Closedown – how does this impact your provisioning?

Consider engaging a third party to help with determinations and recalculations

### Complex Recalculation Formula

1. Years of service x 4 weeks = total entitlement in weeks
2. Review days/hours taken - determine portion of a week for each leave instance based-on work pattern at the time.
  - a. *I.e. Employee took 3 days in January 2019 = 1 week taken as per 3 day work pattern in 2019*
  - b. *Employee took 5 days in January 2020 = 1 week taken as per new 5 day work pattern in 2020*
  - c. *= employee has taken 2 weeks.*
3. Total weeks entitlement – weeks taken = current weeks balance.
4. Current Weeks Balance x current Work Pattern (DOW) = Current days/hours balance
5. Adjust outstanding / advanced days where required to get correct days/hours balance before converting to weeks