



Mike Treen <mike@unite.org.nz>

Fwd: Xero Support - Annual leave calculations - CX0006434305

12 messages

Gerard Hehir <gerard@unite.org.nz>

21 March 2018 at 09:32

To: John Crocker <john@unite.org.nz>, Duncan Allan <duncan@unite.org.nz>, Mike Treen <mike@unite.org.nz>

They sent through a promo about their payroll service so I wanted to know how they did their annual leave.

It looks like they increase the hourly rate to cover the "higher of" calculation.

However - even if you get paid a higher hourly rate you still haven't got 4 weeks leave. The entitlement is not for an amount of money - but rather for 4 weeks leave.

Paying a higher rate rather than allocating the correct amount of leave is effectively cashing out your leave - getting money instead of leave. It would be done without the employees permission so is illegal.

We can do settlements for past breaches but the new systems will have to be compliant. I think MBIE actually needs to engage with Payroll providers directly to actually fix the problem.

Gerard Hehir
Unite Union | National Secretary

gerard@unite.org.nz
021 02940345



Begin forwarded message:

From: Xero Support <support@support.xero.com>

Subject: Xero Support - Annual leave calculations - CX0006434305

Date: 21 March 2018 at 9:11:49 AM NZDT

To: "gerard@taikorea.co.nz" <gerard@taikorea.co.nz>



Hi Gerard

According to legislation, Annual Leave is to be paid at the higher of the Ordinary Weekly Pay at the time the holiday is taken and the Average Weekly Earnings over the last 52 weeks before the leave is taken. Payroll will calculate both of these rates then select the higher of the two, which is why the employee's Annual Leave rate can sometimes be higher than their Hourly Rate.

The Ordinary Weekly Pay calculation uses the information from the Employment and Pay Template tabs, and the Average Weekly Earnings calculation uses the Opening Balances tab information plus the pay runs that have been processed in Xero.

For more information about payment for annual holidays, please see the link below.

MBIE Website: Calculating payment for leave and holidays

Please let me know if you have any further questions.

Kind regards

Andrew



I love skiing, travelling and coffee.



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(Accounting Software 2015 and 2016)

Asking questions from within Xero is quick and easy! Next time you want to ask a question, visit support.xero.com and you can ask a question from within your organisation!

----- Original Message -----

From: Gerard Hehir [gerard@taikorea.co.nz]

Sent: 3/20/2018 5:01 PM

To: support@support.xero.com

Subject: Re: Xero Support - Annual leave calculations - CX0006434305

Hi,

Thanks for that, but that is what our current provider told us some time ago.

It wasn't true.

Can you specifically tell me how leave would be calculated in the following scenario.

An employee who works variable hours begins the year (in January) working 20 hours a week on average at \$20 per hour. They accumulate annual leave at around 1.6 hours a week. In July they increase to 40 hours on average a week, still at \$20 an hour, and so begin accumulating leave at around 3.2 hours per week. By 31st December they are ready to take leave. They have accumulated 124.8 hours - which represents an average of 31.2 hours for their 4 weeks annual leave.

However - their entitlement is for 4 weeks leave at the higher of their ordinary weekly pay (40 hours times \$20 = \$800) or their average weekly pay (30 hours times \$20 = \$600). Obviously the ordinary weekly pay is higher and so needs to be paid but, as I understand it,

Can you please explain how Xero's payroll system would calculate:

1. The value in \$ of a weeks leave and the entitlement used in taking that leave (e.g. if it is calculated in hours how many hours are used and paid at what rate.
2. How a days annual leave would be calculated - i.e the value in \$ of a days leave and the entitlement used in taking that leave.

This is the precise problem we have run into with our current provider.

Gerard Hehir

On 20/03/2018, at 3:53 PM, Xero Support <support@support.xero.com> wrote:



Hi Gerard

I can confirm that Payroll automatically calculates hourly rates for leave being paid out in line with New Zealand payroll legislation. This includes Annual Leave, Alternative Holidays, Sick Leave and Public Holidays.

Please let me know if you have any further questions.

Kind regards



Best regards

Xero Support

Here's what you said:

"Hi - we are looking to change from our current payroll provider and as we use Xero as our main accounting service we obviously want to look at Xero payroll. One of the reasons we are looking to change is the non-compliance of our current provider with the Holidays Act - specifically how annual leave entitlements are calculated. Almost all systems accrue in hours (as does Xero) but the entitlement is actually in weeks and also requires a "greater than" calculation for staff who work variable hours. We also would need to know how public holiday entitlements are calculated - specifically how "otherwise a working day" is calculated in Xero. I'm sure these are issues that Xero - like every other payroll provider, has looked at. We need to know any new provider has resolved these issues and will be fully compliant in future."

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Duncan Allan <duncan@unite.org.nz>

21 March 2018 at 11:33

To: Gerard Hehir <gerard@unite.org.nz>

Cc: John Crocker <john@unite.org.nz>, Mike Treen <mike@unite.org.nz>

It's a pretty useless answer he's given as it doesn't really explain what they would do regarding the weeks, but it seems to imply that if someone took a day off they would pay it at the correct rate.

May be worth asking how they would calculate the leave taken in terms of days/weeks deducted from the workers annual leave?

Just thinking this through in my head right now, so there may be some glaring holes I've missed, but wondering if annual leave could be calculated as a percentage of 4 weeks?

So for example:

After 12 months a worker gets 4 weeks leave.

- If they are full time and they take a day off, they use 5% of their leave.
- If that same worker reduced their hours to 3 days per week, then they still have 95% of their leave left.
- If they take a week off (3 days now), they will then have used 25% (1 week will always = 20%).
- If they take another two days off, they will have used 41.5% of their leave (2 out of 3 days = 66% of 1 week/4 = 16.5% plus the 25% already deducted)

As far as the amount paid for each day taken off, the higher of calculation is used. If people take part days as annual leave, then these should be split into quarter days (so there would be agreement that a quarter day is the minimum that can be taken). That way a simple calculation can be made (e.g. they take the afternoon off: 1 days pay is figured out using the formula. 1/4 day is being taken so it is divided by 4. The correct pay rate is paid and then the correct % is deducted from the 4 weeks annual leave).

Duncan Allan
Industrial Officer

0220432394



[Quoted text hidden]

John Crocker <john@unite.org.nz>

21 March 2018 at 12:21

To: Duncan Allan <duncan@unite.org.nz>

Cc: Gerard Hehir <gerard@unite.org.nz>, Mike Treen <mike@unite.org.nz>

Hi Gerard

Yes, the person you're talking to doesn't seem to appreciate there's an accrual issue at all (for workers who increase their hours).

Duncan - that's not wrong, but payroll providers and employers have enough trouble with units of time, let alone percentages. We're currently pushing them to fractions or decimals of weeks - like 3 4/5 weeks remaining after taking a day off. I think your math is out in line 3, a whole week should be 25%.

Kind regards
John Crocker
Industrial Officer
Unite Union
www.unite.org.nz
0296951135
[Quoted text hidden]

Duncan Allan <duncan@unite.org.nz>

21 March 2018 at 12:28

To: John Crocker <john@unite.org.nz>

Cc: Gerard Hehir <gerard@unite.org.nz>, Mike Treen <mike@unite.org.nz>

Yeah sorry, 1 week =25% (this is why I stay away from maths related problems haha)

I was originally thinking about fractions, the only problem is it starts to get difficult when you have someone that's changed their work pattern (say from 3 days per week to 5 days per week). The fractions aren't going to be correct and would have to just be an approximate.

Duncan Allan
Industrial Officer

0220432394



[Quoted text hidden]

Gerard Hehir <gerard@unite.org.nz>

21 March 2018 at 12:42

To: Duncan Allan <duncan@unite.org.nz>

Cc: John Crocker <john@unite.org.nz>, Mike Treen <mike@unite.org.nz>

Xero have 212,000 New Zealand subscribers - one third of all small businesses.

I don't know how many do payroll through them as well as accounts - but it would be alot.

Gerard Hehir
Unite Union | National Secretary

gerard@unite.org.nz
021 02940345



[Quoted text hidden]

John Crocker <john@unite.org.nz>

21 March 2018 at 13:59

To: Gerard Hehir <gerard@unite.org.nz>

Cc: Duncan Allan <duncan@unite.org.nz>, Mike Treen <mike@unite.org.nz>

Mike point out that it is quite alarming if Xero don't get the accrual of less than 4 weeks problem. I got the impression from their responses you may be dealing with an individual without much knowledge, not sure if that reflects the entire organisation.

Could you possibly escalate your question? To check if Xero is aware and you didn't just get someone useless?

Kind regards
John Crocker
Industrial Officer
Unite Union
www.unite.org.nz
0296951135

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Gerard Hehir <gerard@taikorea.co.nz>

21 March 2018 at 16:30

To: John Crocker <john@unite.org.nz>, Mike Treen <mike@unite.org.nz>

Refusal to refer up.

They seem to be saying whatever the employer enters as hours sets the accrual rate. I cannot see how it is compliant.

Begin forwarded message:

From: Xero Support <support@support.xero.com>

Subject: Xero Support - Annual leave calculations - CX0006434305

Date: 21 March 2018 at 4:27:07 PM NZDT

To: "gerard@taikorea.co.nz" <gerard@taikorea.co.nz>



Hi Gerard

As an employee's Annual Leave is calculated in relation to their work pattern Payroll accrues this based off an employee's entered working hours (through their Salary & Wages line). If these are 20 hours per week, and the employee is entitled to four weeks of leave per year, Payroll will accrue 80 hours of leave on the employee's anniversary date.

If the employee has worked more than 20 hours per week over the 52 weeks leading up to

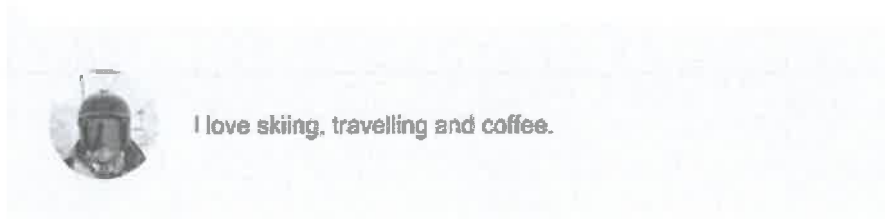
their Annual Leave being paid out Payroll will increase their hourly rate to recognise this, which is in line with New Zealand payroll legislation.

Please see the link to the Employment New Zealand website below for further information on this.

Employment NZ: Annual holidays

Kind regards

Andrew



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----- Original Message -----

From: Gerard Hehir [gerard@taikorea.co.nz]

Sent: 3/21/2018 4:13 PM

To: support@support.xero.com

Subject: Re: Xero Support - Annual leave calculations - CX0006434305

Hi Andrew,

Sorry - that just is not good enough.

Even if I can't communicate directly with them can I get an answer as to how Xero deals with the scenario I outlined - where accrued leave in hours does not match the entitlement to 4 weeks?

So many payroll providers have said repeatedly that their system is compliant (including our current provider) and are now admitting that it simply isn't true.

Given the scale of Xero in new Zealand, especially among small businesses, I would have thought that getting it right, and being able to show explicitly how it is done correctly would be a priority.

Tens of thousands of small businesses will be relying on Xero to get their annual leave payments right and will be exposed financially if that doesn't happen. If a problem is known about and yet the clients are not told there is a problem and a fix not implemented as soon as possible then Xero is actually compounding the problem

Gerard Hehir

On 21/03/2018, at 3:51 PM, Xero Support <support@support.xero.com> wrote:



Hi Gerard

I can confirm that Payroll is compliant with all New Zealand Payroll legislation and our Compliance Team are in contact with the IRD and Employment NZ on a frequent basis about this.

It's not possible to contact our Compliance Team directly about this however we (Xero Support) can confirm that Payroll is compliant with the relevant legislation.

Kind regards

Andrew



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----- Original Message -----

From: Gerard Hehir [gerard@taikorea.co.nz]

Sent: 3/21/2018 3:40 PM

To: support@support.xero.com

Subject: Xero Support - Annual leave calculations - CX0006434305

Hi Andrew,

Thanks for that.

The minimum entitlement is for four weeks annual holiday a year. Paying at a higher rate does not actually fix the problem.

The accrued leave can still be less than 4 weeks worth and paying it at a higher rate effectively becomes a "cash out" which, while legal, has very specific restrictions and requirements which would not be met for normal annual leave payouts, not least which would be that the employee has to apply for and consent to the cash out.

To illustrate using the example I provided initially, an employee paid \$20 an hour working 40 hours regularly in December but who started on 20 hours a year earlier would have accrued only around 125 hours of annual leave when their entitlement after 12 months is actually 160 hours i.e. 4 weeks. The higher value of their leave in dollars would be \$3200 (ordinary rate = \$20 x 40 hours x 4 weeks).

Your system may well adjust the rate so that when they take their 125 hours they receive \$3200 (an hourly rate of around \$25.60). Legally that would provide them with 125 hours of leave (\$2,500) and, effectively, an automatic cash out of \$700 for the remaining 35 hours. They do not get the option of actually taking that extra 35 hours worth of leave.

Unless your system allows employees to actually take 4 weeks worth of leave at the higher of their ordinary or average rate of pay then it has problems. What we have learnt, the hard way, is that it is almost impossible to calculate the correct amount of leave (as opposed to the dollar value of the leave) in a system that relies on accrued hours. A weekly calculation is required at some stage. How does Xero ensure

I assume Xero has discussed this with MBIE, who have been engaging with major employers about the problem. If so would it be possible to get an answer from that person or persons? MBIE had their own problems but, from what I understand, they now have a process for checking that payroll systems are compliant.

Gerard Hehir

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