

## Joint Notice – Deferred Leave



### Background

Early in 2016 the Ministry of Business, Innovation and Employment (MBIE) told Fire and Emergency New Zealand that there was a widespread issue in many organisations with payroll systems not paying leave correctly. Following this, the Holidays Act and Pay Remediation project was set up to ensure that our payroll system and processes align with the Holidays Act 2003.

The project has two key streams of work:

1. To correct the Fire and Emergency New Zealand payroll system to ensure that holidays are correctly paid.
2. To determine if any amounts are owed to current and former personnel for holidays dating back to 1 January 2010, up to when the payroll system is corrected.

Simply put, annual holidays are to be paid at the highest rate calculated at the beginning of the holiday:

- ordinary pay
- average pay over the 12 months prior to taking leave
- average pay over the 12 pay periods prior to taking leave (rostered only)
- average of the two pays prior to taking leave when overtime has been regularly paid.

The payroll system has been corrected, remediation payments completed for current employees and remediation calculations in-progress for former employees. A register of former employees is being updated to identify current details for any payments forthcoming.

New Zealand Professional Firefighters Union (NZPFU) have been consulted and provided input into addressing the issues since starting the project.

### Pro-rata Issue

Currently SMS only assigns the working days to the Prorata credit when an annual leave record is cancelled or amended. For example, if a firefighter cancelled a 14 day leave period, the system would add the 8 working days to Prorata that may be used later as annual leave. However, the 6 rostered-days-off (RDOs) would be paid at the daily rate rather than the annual leave rate. To be compliant with the Act, all 14 days in this example should be paid at the annual leave rate.

## Deferred Annual Leave

To correct the Fire and Emergency New Zealand payroll system we are introducing a 'Deferred Annual Leave' type to manage cancelled or amended leave balances.

FENZ will also determine any amounts that are owed to current (remediated 3<sup>rd</sup> June 2020) and former personnel for cancelled or amended leave where RDOs were paid at the daily rate rather than the annual leave rate.

The 'Deferred Annual Leave' type will ensure that:

- the current flexibility for employees is not restrained in any way from the current practice.
- any annual Leave day may be deferred, i.e. recorded as a working-day or rostered-day-off in the 'Deferred Annual Leave' balances:
- when the leave is taken, the correct number of working and RDO days for that period will be deducted from the respective 'Deferred Annual Leave' balances.
- the correct payment for each leave day is paid in accordance with the Holidays Act or the NZPFU i.e. the highest rate is paid.

Reports for the employee and the manager will be introduced that will aid in the management of 'Deferred Annual Leave'.