



What is a regular payment for Ordinary Weekly Pay (OWP)?

PRINCIPLES FOR EMPLOYERS TO USE

- Ordinary weekly pay (OWP) is the amount of pay that the employee gets under their employment agreement for an ordinary working week. It includes payments for overtime and productivity or incentive-based payments if those payments are a regular part of the employee's pay. It includes the cash value of any board or lodgings provided by the employer for the employee. If you are unsure whether a regular payment should be included, ask yourself if the payment usually forms part of the employee's pay.
- For some payments, working out what is regular is a judgment call. If you are unsure you should seek advice, or to reduce your risk err on the side of caution and include it.
- Have a discussion in good faith with your employee about what you have included and why you have included some payments and not others especially if you think there might be disagreement or confusion.
- If you can't work out ordinary weekly pay - use the OWP formula - go back to the last pay period before the holiday is taken and then go back 4 weeks (or length of pay period) from there, work out gross earnings (minus anything not in OWP) and divide by 4. You might use the OWP formula if there is a payment made regularly but the amount of the payment varies.
- Remember: it is how regular the type of payment is that is important, not how often the payment is made or whether the amount of the payment is the same or similar each time the payment is made.

YES

Payments made every week

Payments made every fortnight

'Regular payments' include payments such as:

- regular allowances eg. shift allowance
- regular productivity or incentive payments (including commission or piece rates)
- regular overtime payments
- cash value of board and lodgings.

Regular payments are payments made for work regularly undertaken even if payment for the work is made less often.

It is the payment which needs to be regular, not the size of the payment, e.g. an employee usually does overtime on a Monday, but the amount of overtime varies, it is still a regular payment to be included in OWP but you might need to use the OWP formula to calculate OWP.

Payments made more often than not (eg. usually made each week, fortnight etc).

Payments made each pay period (should be included and apportioned evenly).

MAYBE

Occasional payments

Might be included. In these instances you should look at the nature of the payment. If it is only paid occasionally (eg. quarterly) but is based around activity happening each week then it should be apportioned and included. If the payment is for example related to an annual target such as customer satisfaction, it would be less likely to have to be included.

Discuss these payments with the employee so you have a shared understanding. When exercising your judgment, if you are unsure, it is recommended you seek advice or err on the side of caution and include the payment if you want to reduce the risk of non-compliance.

Payments which are regular but don't get paid every pay period. If these relate to the actual work performed by the employee on a regular basis (eg. commission on sales or piece rates) these may be included and apportioned. If they are more general eg. payments related to overall performance over a certain period these are less likely to be included. Use careful judgment.

NO

Truly discretionary payments

One off or exceptional payments

You should seek advice before deciding that a payment is not included in ordinary weekly pay.

A truly discretionary payment is very unusual.

You should also discuss it with the employee as they may be confused or expect the payment to be included.

Payments for employer contribution to a superannuation scheme for the benefit of the employee.

Overtime or productivity/ incentive payments which don't occur with a predictable frequency eg. weekly/ fortnightly/ monthly or more often than not.

Non-taxable reimbursing allowances or compensatory payments.

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