

Blame the "System"

Another example of a company caught up in the holidays act saga. Not sure I agree with the word "Payroll Glitch" being the best choice here. From our extensive dealings in this area the issue is much broader than that. It has a lot to do with a general lack of understanding of the act, how to translate it into practical application to payroll software and how to continually monitor and have strict processes in place to maintain compliance. Many payroll systems are very capable of correctly calculating most, if not all areas of the holidays act but companies need to put more effort into upskilling their staff. It must also be noted this is not purely the responsibility of a payroll person. The ownership lies with the entire end to end process and includes operations managers, HR, Finance and senior exec.

Most, if not all companies in New Zealand have been affected by this and unfortunately there are very few people who can really help. Legal advisers can advise on the law but don't understand how to practically apply this to a payroll system. MBIE will advise companies they are doing it wrong but will not advise on how to fix it. Labour inspectors and legal opinions vary depending on who you speak with. Software vendors only advise / consult on their systems and will not get involved in the correct interpretation and application of the act - this is left as the company's responsibility.

This isn't hard, it is mathematical and it can be done. There is no need to always err in favour of the employee. Where calculations can be carried out correctly, they should be, rather than costing companies millions of unnecessary dollars and potentially their livelihoods.

Yes, many companies will owe employees backpays but there is a right and accurate way to do this without over-inflating remediation values.

There is more to it

Further to this, in many (or most) cases, the root cause is not fixed, which simply leads to further non-compliance and the potential to need to remediate again.

Remediation cannot be carried out in isolation. The final adjustments must be applied to a compliant system and that system must continue to be maintained correctly going forward to prevent further breaches. Remediation and go-forward fixes are only temporary, unless payroll people have been trained on how to maintain the system and manage employee categories and the wider business is invested in and upskilled to play their part.

Yes, payroll systems are part of the problem but if these are looked at in isolation, the problem will never go away. Companies and government need to take ownership and invest in the right tools, resources and training in order to move forward and get out of this mess.