Calculating relevant daily pay or average daily pay

‘Relevant Daily Pay’ and ‘Average Daily Pay’ are key concepts in the Holidays Act. As an employer, you are responsible for making sure that your employees always receive their correct entitlements. A good understanding of what’s meant by these terms is essential for determining entitlement to public holidays, alternative holidays, sick leave and bereavement leave.

Relevant daily pay:

Relevant daily pay is the amount the employee would have earned on the day if they had worked, and includes productivity/incentive payments, overtime payments and the cash value of board and lodgings. However, it excludes payment of any employer contribution to a superannuation scheme.

You should always use the relevant daily pay in the first instance. This is generally straightforward when the employee is employed on a salary and works a set roster. Just continue to pay your employee their normal salary, as if they had worked.

If the employee works variable hours, it may not be possible or practicable to work out their relevant daily pay. In this case, use the average daily pay.

Average daily pay:

This is used when it’s not possible or practicable to calculate the relevant daily pay or when the employee’s daily pay varies within a pay period.

Average daily pay is a daily average of the employee’s gross earnings over the past 52 weeks. Divide the employee’s gross earnings by the number of days (whole or part) the employee worked or was on paid leave during the last year.

Use the examples below to help you on farm.
Example 1

Sean is a salaried farm assistant employed on a seasonal roster. During the busy spring period, he works 6 days on, 1 day off. The rest of the year he works 6 days on, 2 days off.

Sean takes a day’s sick leave. Sean’s employer continues to pay him his normal weekly salary and deducts one day’s sick leave from his balance. This means Sean receives his relevant daily pay for his sick day i.e. the same amount he would have received had he worked.

Example 2

Sarah is a farmhand who works when required. She is on an hourly wage. Her hours vary considerably throughout the year depending on the work available around the farm. Sarah has three alternative holidays owed from working Boxing Day, New Year’s Day and 2 January.

Sarah asks to take her three alternative holidays in March, when things have quietened down a bit. Her employer needs to work out the correct payment for these days. Because her hours vary from day-to-day, it’s impossible to work out what she would have earned if she had worked the alternative holidays. Her employer decides to use the average daily pay method – he divides her gross earnings for the past 52 weeks by the number of days (whole or part) she worked to give an average daily amount.