IMS Online Customisation: Relative Hours

Some IMS Online customers have daily leave types. Customers may wish to deduct the leave in days but pay it in hours.

This is particularly useful for employees who work different hours each day.

Example: Monday roster is 5 hours; Tuesday roster is 6 hours and employee takes sick leave on both days. Employee has two days sick deducted, but what are they to be paid? By default, these two days sick leave will equate to '2 x Standard Daily Hours', whereas relative hours means it could equate to 11 hours.

When does this functionality apply?

Relative hours' functionality is only available for Variable employees and for leave that is set up in daily units.

IMS' recommendation is that Annual Leave for Variable employees should be set up in hours. Therefore Relative Hours would not apply to annual leave nor any leave type that relies on the annual leave unit type.

Typically, relative hours would be used for Sick Leave, Alternative Holidays, Statutory Holidays and Bereavement Leave.

What applies for variable employees if relative hours is not set up?

Without relative hours, IMS will use the employee's standard daily hours. In this example, the employee's standard daily hours are 7.

Example: if employee's roster was as below, and they took Monday as sick leave, they would have 1 day sick deducted and be paid 7 hours for the day.

Similarly, if the employee was sick on Friday, they would have 1 day sick leave deducted and be paid 7 hours for the day.

Mon	Tue	Wed	Thu	Fri	Total
5	6	7	8	9	35

Why use relative hours?

Relative hours' functionality allows for leave to be deducted in days but paid in hours.

With IMS Payroll it is possible to send across relative hours for daily based leave (in order to reduce a balance by "1", but pay xx hours to the employee for the day).

This means if an employee is being paid one day Sick Leave, then TimeFiler can also send across the number of hours to pay for the day (for example, based on rostered hours for the day, or on an historical average of eligible hours over the past XX weeks).

Relative hours are important for employees who work variable hours i.e. work different hours each day. Relative hours determines how many hours to pay the employee for leave taken.

Without relative hours, IMS Payroll has no way of determining what the actual hours are for the leave. It would use standard daily hours, which may be inaccurate if the employee worked different hours each day.

Typically, relative hours are based on hours entered against the leave type on the timesheet, and are capped at rostered hours for the day (but not always).

Determining relative hours for full days' leave

Relative hours can be determined in different ways.

The standard way of determining relative hours is using the employees' roster for the day.

Example: if employee was rostered 5 hours for the day, they will be deducted 1 days' leave and paid 5 hours.

A non-standard way, which increases complexity and cost, is to use an averaging formula.

An averaging formula looks back over XX weeks and averages the hours worked or on paid leave on those days

Example: if averaging was looking at the past 4 weeks, if employee was sick on Monday, TimeFiler can look back at the past 4 Mondays and average the number of hours.

Mon 1	Mon 2	Mon 3	Mon 4	Total	Average	Relative Hours
5	6	7	8	26	6.5	6.5

Note, the current day is not included in the 4-week test, week 1 is seven days prior to the current day, and week 4 is 28 days prior to the current day.

Determining relative hours for partial days' leave

Relative hours for partial days can be determined in different ways.

Two standard ways of determining relative hours for partial days is outlined below.

1. **Actual Hours taken**: using the actual hours leave the employee has taken

   Example: Employee is rostered 8 hours. They take 3 hours sick leave. Using actual hours as the relative hours, the employee will be paid:

   • Ordinary Time 5 hours
   • Sick leave 3 hours
   • Sick leave deducted from balance will be 0.5 day

2. **Rostered hours multiplied by Leave Units**: using the employee's rostered hours for the day, and the unit of leave taken, to determine the relative hours

   Example: Employee is rostered 8 hours. They take 3 hours sick leave, which equates to 0.5 day. Using rostered hours multiplied by leave units, this would calculate as:

   8 hours * 0.5 = 4 hours.

   The employee would be paid:

   • Ordinary Time 5 hours (this may be different depending on overtime rules, but they will be paid for 5 hours worked)
   • Sick leave 4 hours
   • Sick leave deducted from balance will be 0.5 day

A non-standard way, which increase complexity and therefore cost, is using an averaging formula combined with multiplying by leave units.

This would look at the past XX weeks to obtain an average number of hours for that day, and then multiplying that average by the leave units taken

Example:

Mon 1	Mon 2	Mon 3	Mon 4	Total	Average	Partial day taken	Relative Hours
5	6	7	8	26	6.5	0.5	3.25

The effect of relative hours on partial days' leave and overtime

Employees can sometimes be paid a partial days' leave and overtime on the same day. The formula used to calculate relative hours for partial days will determine if overtime may apply.

Example: Employee is rostered for 8 hours. They take 3 hours sick leave and work 5 hours.

Using the 'Actual Hours Taken' formula for determining the relative hours, results in:

• Ordinary Time/Overtime 5 hours
• Sick Leave 3 hours
• Sick leave deducted from balance will be 0.5 day

Using the 'Rostered hours multiplied by leave units' formula for determining the relative hours, results in an additional overtime payment:

• Ordinary Time/Overtime 5 hours
• Sick Leave 4 hours
• Sick leave deducted from balance will be 0.5 day

Determining the quantity of leave deducted

Customers who deduct leave in days can derive the quantity of a 'day' or 'partial day' in many different ways.

Example 1: quantities in either 0.5 or 1 day

Example 2: actual daily quantity e.g. 0.27 of a day

Example 3: quantities in quarter days e.g. 0.25, 0.50, 0.75 or 1.00

Example 4: maximum of 1 day leave deducted. This is relevant when two leave types are taken on one day e.g. if employee takes 2 hours of one leave type and 6 hours of another leave type, this could result in both ½ day and 1 day being deducted.

There is a separate IMS Online Customisation document called 'Daily Leave Rounding' that explains this in more detail and is available as an additional customisation.

Generally, customers install both Daily Leave Rounding and Variable Hours customisations when they have variable hours' employees and daily leave values.

Order customisation

Please complete the IMS Online Customisation order form to arrange to have relative hours functionality installed.

We will discuss your requirements with you so the costs can be determined.