

This Factsheet is a guide to the main obligations an Employer has for the provision and payment of *1<sup>st</sup> Week ACC* payments to Employees injured whilst working.

If there is any question or argument relating to an Employee's entitlement, or the amount that should be paid, you should contact ACC (or your workplace Accident Insurer).

SmoothPay encourages employers to use compliant leave methods.

## 1st Week ACC Entitlement

All Employees are entitled to payment of up to 80% of their *Ordinary Weekly Earnings* for absence due to a workplace injury that results in an ACC claim.

The Employer has no obligation to make payments to Employees absent due to non-work (*ie recreation*) injuries that result in an ACC claim.

## Important Concepts

- Relevant Daily Pay rules (**RDP**) should be used as the basis of payment for *1<sup>st</sup> Week ACC*.
- **RDP** is the amount an Employee would have received had they been at work (taking into consideration any opportunity for overtime or additional allowances), and failing that, then their Average Daily Pay (**ADP**) over the last 12 months.
- *1st Week ACC* payments are valued at the time it is taken, and you must be certain you are paying the correct amount.
- You can enter whole days (defaults to 1) or part days or hours (hours will be automatically converted into a proportion of a day, based on the Employee's average earnings pattern).
- **SmoothPay** suggests an appropriate value in the *RDP Assistant* screen, equivalent to 80% of a 'best average value' week, however ACC payments may occur over 2 pay periods (part payment in one period, and part in the next), so care is required that the total value does not exceed or fall short of the nominal 80% weekly value.
- **SmoothPay** does not use an 80% pay rate as this would be incorrect for 2 reasons:
  - The reduced rate may be less than the minimum hourly rate, and
  - in the case of absence for only 4 days, or less, the Employee would have received only 80% of 4 days, not 80% of one week.

Generally, Employees work a 5-day per week contract and 80% represents payment for 4 days (assuming the Employee is absent because of the injury for at least 4 days). Therefore, a payment could be split into 2 days in one pay period, and 2 days in the next pay period.

- ACC may request that you continue to pay the Employee whilst injured. These payments should be for the amounts prescribed by ACC, and allocated as *1<sup>st</sup> Week ACC*.
- It is important that you use the *1<sup>st</sup> Week ACC* classification for ACC payments, as ACC premiums are not payable on *1<sup>st</sup> Week ACC* payments and may result in considerable savings on your annual ACC premium.

## Payment for 1st Week ACC

- When you add an *1<sup>st</sup> week ACC* Leave transaction to the employee's pay input, SmoothPay will ask if you "know what the employee would be paid".
- If you **know** what the Employee would have earned had they been at work that day (instead of being absent), then edit the entries to suit (hours, rate and number of Leave Days being taken - defaults to 1), otherwise (this is similar to unlocking a leave taken transaction in pay input)

- If you **don't know** what the Employee would have earned, then you must use *Average Daily Pay (ADP)*. **SmoothPay's RDP Assistant** will display:
  - 1) their *Average Daily Pay value* (e.g. total earnings for last 12 months divided by the number of days paid in that period).
    - You can, and should, change the divisor if they were paid for more/less days in the period being used for the average calculation.
    - Permanent corrections to days paid can, and should, be made in *Edit Employee...Pay History*. Days being paid each *Pay Period* should be entered correctly in *Pay Input*.
  - 2) an *agreed daily rate*
- By default, **SmoothPay** will choose the most valuable daily rate from 1 and 2, however you are at liberty to select a different value, or make your own entries. You must be certain that the value paid is not less than their entitlement.

## Common errors

It is NOT correct to simply pay an Employee their ordinary hours and rate of pay for *1<sup>st</sup> Week ACC*, unless you know that is exactly what they would have earned for the day/s they are absent.

You must also consider, had the Employee not been absent, if they might have earned overtime, productivity allowances or any other earnings.

For these reasons it is generally correct to use Average Daily Pay (**ADP**), unless it would result in a value less than your anticipated daily value.

If you have elected to *override or unlock* the *1<sup>st</sup> Week ACC* entry you **must** be certain that the number of days entered is representative of the value being paid. A common error is to unlock the entries and forget to change the number of days. **If you unlock an entry or know what the employee would have earned, it becomes your responsibility to get it right.**

## Further reference

ACC website	<a href="http://www.acc.co.nz/">http://www.acc.co.nz/</a>
SmoothPay documentation and forms	<a href="http://www.smoothpay.co.nz/tutorials/">http://www.smoothpay.co.nz/tutorials/</a>
ACC Business Helpline	<b>0800 222 776</b>
ACC Claims Helpline	<b>0800 101 996</b>
SmoothPay HelpDesk	<b>(06) 353 6462</b>

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