

Client Newsletter

October 2010

Go on...take a break!

“I’m saving up for a big trip...one of these days”

“I’d love a holiday, but there’s no one to cover for me”

“What if there’s an emergency while I’m away?”

These are some common reasons why people save up their annual leave rather than take a holiday each year. While they may seem justifiable, the effects of untaken annual leave on employers are a concern for several reasons:

Employers’ liability

As wages increase and annual leave accrues, the liability on employers also goes up. An employee who leaves his job while he is owed a lot of leave can take a sizable chunk out of the salary budget – this is especially risky for small companies with low cash buffers.

Bad for the balance sheet

Businesses expose themselves to higher liabilities by not encouraging staff to take leave as it accrues. ‘From an internal control perspective, it’s a huge risk to have people who won’t take leave on the balance sheet’ says Sally Freeman, a risk and compliance partner at KPMG.

Productivity

Working too long without a break can not only be damaging to a person’s health and wellbeing, but can also have a negative impact on the quality of their work. On the other hand, taking regular short breaks are relaxing, refreshing and can improve job satisfaction.

The problem of untaken annual leave in Australia is so great that the federal government launched a campaign entitled ‘No Leave, No Life’ which is designed to encourage workers to use their leave entitlements.

According to Tourism Australia, the current stockpile of leave stands at a staggering 118 million days, or \$33.9 billion on the balance sheets of private and public enterprises around Australia.

Strange as it sounds, forcing employees to take a holiday is not easy! One large corporation manages leave accruals quite carefully. When employees accrue more than eight weeks leave, management seeks to find out why they haven’t used it. In addition, all managers receive a report each quarter of the leave accruals of their staff and together with the chief executive they discuss why people aren’t taking leave.

Interestingly, some corporations promote a happy work/life balance by offering flexible working hours for staff to either start early and finish late or work full time hours within 4 days. They offer health and fitness programs and incentives to reduce their accrued leave.

It’s important for employers to recognise the issues that can arise from having too much accrued leave on their balance sheet. More importantly though, employers need to build good relationships with their staff and actively manage their business to ensure maximum productivity and minimal liabilities.



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