



Purchased leave

Work life balance fact sheet 6

What is purchased leave?

Purchased or additional self funded leave is a flexible work arrangement that helps employees who need additional leave over the course of a year. Employees work on a full time basis at reduced pay and take additional self-funded paid leave during the year. The income earned for the actual time worked (including accrued paid annual leave) is averaged and paid over the full year. This provides employees with a steady reduced income and additional leave. Additional leave accrued when using this option is paid at the reduced rate when it is being taken.

Benefits of purchased leave

The ability to trade pay for time allows employees to better manage work and life commitments. It also makes good business sense by:

- attracting and retaining key employees;
- managing phased retirement;
- reducing employment related costs; and
- increasing employee satisfaction and commitment.

Types of purchased leave

There is no limit to the combination of work and leave that can be designed. Purchased leave is often used by employees with school aged children for extended leave during school holidays, as well as employees undertaking study or an extended holiday.

“48 for 52” arrangement

An employee works for 4 weeks *less* in a year (44 weeks instead of the standard 48 weeks) and has 4 weeks *extra* annual leave per year (8 weeks instead of the standard 4 weeks). The pay earned for the 48 weeks is averaged over the full 52 weeks and paid at a reduced rate over the whole year. This enables employees to have eight weeks leave each year paid on a reduced average pay.

4/5 years scheme

Some larger organisations offer a 4/5 years scheme where employees receive 80 per cent of their normal income for a five year period - they work for 4 years then take the 5th year off as purchased leave. During the year off they continue to receive a salary, paid at the reduced rate.

Other variations

Other options such as taking a three or six month period of leave can also be arranged.

A simple arrangement for self-funded leave is for employees to take leave without pay as single days or for a longer period to cover school holidays or other personal/ family needs.

Implementing purchased leave

Employers need to develop policies and guidelines to ensure that this type of leave is managed carefully and is available on a fair and equitable basis. Written agreements should also be established with each employee participating in the scheme outlining all details and conditions.

It is also essential that any flexible leave arrangement is consistent with employers' obligations under the award, agreement, or contract of employment in the workplace.

Where to go for more information

Further information about work life balance strategies is available from the Department of Commerce work life website www.worklife.wa.gov.au