

Key changes to the employment leave system

This document provides a snapshot of the key changes the Employment Leave Act will make to how leave is earned, taken and paid when it comes into force in August 2028. More background and information about the Employment Leave Bill are available on the **Holidays Act reform** webpage. The **Employment New Zealand** website has been updated with initial guidance to help transition over to the new rules and a timeline for when further guidance and resources will be available.

	Current system	New system from August 2028
	Earning and taking leave	
Annual leave	› Provided to all employees as a 4-week lump sum entitlement after each 12 months' 'continuous employment' (unless pay-as-you-go applies). › Not earned after the first week of unpaid leave (unless it is sick, bereavement or family violence leave). › A 'week' of leave reflects work pattern when leave is taken. Leave balances 'scale' to match changes in hours. › Taken in agreed portions of weeks. › Workers can request to cash up 1 week in each 12 months.	› Accrues in hours from day one at a minimum rate of 0.0769 per standard hour of work. › Also accrues when a employee is on paid or unpaid leave under any legislation (including parental, volunteers and jury leave). Does not accrue on any other unpaid leave or when receiving accident compensation. › Leave hours are 'banked' with no balance adjustment if standard hours change. › Taken in hours against standard hours. › In each 12 month period employees can request to cash up up to 25% of their annual leave balance, as at their last start date anniversary.
Sick leave	› All eligible employees receive a 10-day lump sum entitlement (up to a 20-day cap) after 6 months and after every subsequent 12 months. › Taken in full days on a day that is an 'Otherwise Working Day'.	› Accrues in hours from day one at a minimum rate of 0.0385 per standard hour of work and during the same unworked periods as annual leave (up to a 160-hour cap). › Taken in hours against standard hours and any hours specified in a work roster at the time of the employee's notification.
Bereavement and family violence leave	› For eligible employees entitlements apply after 6 months. › Taken as full days of entitlement.	› Remain as days-based entitlements but apply from day one for all employees. › Ability to take part days of entitlement on the same days as sick leave.

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	Current system	New system from August 2028
Public holidays	› Entitlements to paid days off work and alternative holidays apply on Otherwise Working Days (OWD) – employers and employees must consider a range of factors when this is not clear.	› A new OWD test for employees without agreed days (or a pattern of days) of work in their employment agreement and employees who work on days in addition to those. › A day will be treated as an OWD if 50% or more of the same day of the week as the public holiday have been worked in the preceding 13 weeks.
Alternative holidays	› A whole alternative holiday day provided when a employee works a public holiday that is an OWD, regardless of the time actually worked on that day. › Must be taken on another OWD and can be cashed up after 12 months.	› Alternative leave accrues in hours at a rate of 1:1 for every hour worked (or on call where the employment agreement provides the employee may be required to work) on a public holiday that is an OWD. › Taken in hours on any day that an employee could work under their employment agreement and can be cashed up at any time.
Leave pay		
Leave payments	› Multiple calculations and comparisons to reflect pay for non-standard hours and other variable payments. › Annual leave taken soon after parental or volunteer leave paid at a lower rate due to an override to the usual rules.	› All leave paid at an hourly rate based on an employee's lowest hourly rate payable for the shift leave is taken, with an hourly average of piece rates. › 'Fixed' allowances paid in full during leave. › Annual leave taken after parental and volunteer leave paid as normal.
Leave compensation payments	› Employers and employees can agree to use "Pay as you go" (8% of gross earnings) instead of providing paid annual leave if work is intermittent or irregular or for a fixed term of less than 12 months.	› A leave compensation payment (LCP), set at 12.5% of an employee's ordinary hourly rate, will be paid on all 'casual' hours of work. Employees with standard hours will also be paid a LCP for every 'additional' hour they work (and receive additional payment for). This is instead of accruing annual and sick leave on those hours. › Fixed term employees accrue leave from day 1.

Implementation: The Employment Leave Act will come into force and replace the Holidays Act on 6 August 2028 (the new rules will apply from the beginning of an employee's first pay period starting on or after that date). This provides a two-year period for payroll providers and employers to make changes to business and payroll systems and processes.

There will be an additional year after the Act comes into force to update leave terms in employment agreements. In that year, if terms have not been updated, employers must comply with any provisions in the employment agreement that are more favourable than those in the new Act. After that time (6 August 2029), if contractual leave terms are not consistent with the new leave framework, the minimum statutory terms will override any conflicting provisions.

Until the new Act comes into force all of the existing rules continue to apply. The new law is a major change to how leave works. Employers and payroll providers should start preparing once the Bill has passed. Information about preparing for the changes is available on the **Employment New Zealand** website.

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