

# Explainer: What's changing with employment leave?

Version 2: 11 March 2026

This document provides a summary of the changes proposed in the Employment Leave Bill. More detailed information can be found in the technical FAQ available on the MBIE webpage: [Holidays Act reform | Ministry of Business, Innovation & Employment](#).

## New Zealand's employment leave legislation is changing to make the system simpler and easier to understand.

Employers struggle to understand and apply the Holidays Act 2003 correctly, leading to workers not getting their correct entitlements. Administrative burden and compliance costs are high for employers, and despite good intentions, non-compliance is widespread and ongoing across both the public and private sectors.

New legislation has been proposed to establish a new framework for leave that is simple and clear, and that provides certainty to workers and employers about their entitlements and obligations.

## Proposed changes to the legislation

Here are the key changes proposed and what they mean:

### Annual leave based on standard hours worked

- **Current system:** All workers are entitled to four weeks' annual leave after twelve months' continuous employment.
- **New system:** Workers earn annual leave from day one in direct proportion to standard hours of work. Annual leave accrues at a rate of not less than 0.0769 hours per standard hour worked (providing the equivalent of four weeks' leave for workers whose standard hours do not change during a year).
  - **Standard hours** are hours a worker is required to work under their employment agreement (excluding any hours under an availability provision) and that an employer must pay them for.

### Sick leave based on standard hours worked

- **Current system:** After six months of work, eligible workers are entitled to a lump sum entitlement of 10 days' sick leave, and a new entitlement arises after every subsequent 12 months, regardless of the number of days they work per week.
- **New system:** Workers earn sick leave from day one, in direct proportion to standard hours of work. Sick leave accrues at a rate of not less than 0.0385 hours per standard hour worked (providing the equivalent of ten days per year for a worker who works five days a week and the same hours every day). There will be a cap of 160 hours. Once hit, the cap will stop new accrual until a worker has used some of their stored entitlement.

## Provision of leave entitlements during unworked periods

- **Current system:** Annual leave is earned during paid leave; unpaid sick, bereavement and family violence leave; parental and volunteers leave; when receiving accident compensation; and during the first week of any other unpaid leave.
- **New system:** Annual leave and sick leave accrue when a worker is on paid leave, unpaid leave or an unpaid absence under any legislation (including when on parental, jury and volunteers leave). It does not accrue during a period a worker receives accident compensation or on any hours of unpaid leave not provided by legislation. If a worker is on paid leave additional to minimum entitlements, leave will accrue by default, but workers and employers may agree that the worker does not accrue leave.

## The impact of changes in work hours on annual leave balances

- **Current system:** A worker's annual leave balance is held in weeks and automatically scales to match their working week when they reduce or increase their hours. For example, if a worker increases their weekly hours of work, they receive an effective increase in their leave balance. If they reduce their hours, they receive an effective reduction.
- **New system:** Accrued annual leave hours will be 'banked', meaning balances will reflect hours actually worked in the past rather than scaling when a work pattern changes.

## Taking annual leave

- **Current system:** Annual leave is taken in 'portions' of weeks. Employers and workers must agree on the portion of a week being taken based on what 'genuinely constitutes a working week' at the time leave is taken. Employers must not unreasonably withhold consent to a worker taking annual leave to which they have become entitled (meaning workers may have to wait 12 months before they can take any annual leave).
- **New system:**
  - Workers take accrued annual leave in hours and can use annual leave to take any part of a day off work.
  - From the start of employment an employer cannot unreasonably withhold consent to a worker's request to take any accrued annual leave and, in each 12-month period, must allow them to take the amount of annual leave in their annual leave balance as at their most recent start date anniversary. They may also allow workers to take annual leave in advance.
  - Annual leave may be taken against standard hours only. If an employment agreement or work roster specifies when a worker works their standard hours, annual leave can be taken against the specified standard hours. If a worker's employment agreement doesn't specify when they work their standard hours, the worker and their employer must agree to a notional roster for leave purposes. It would be used if a work roster had not been created at the time leave was requested.

## Cashing up annual leave

- **Current system:** At a worker's request, they and their employer can agree to cash up up to one week of annual leave in each 12 months of continuous employment.
- **New system:** In each 12-month period (not including the first 12 months of employment), at a worker's request, they and their employer can agree to cash up a maximum of 25% of the amount of annual leave in

their annual leave balance as at their most recent start date anniversary. This means that, where a worker has a large annual leave balance, there will be more flexibility to cash it up. Employers who agree to cashing up will benefit from reduced leave liability.

## Taking sick leave

- **Current system:** The Act only provides for sick leave to be taken as a full day. If a worker works for part of a day and then takes sick leave, it can be counted as a whole day of sick leave. Many employers do allow workers to use part days of sick leave, but there is no framework to support this practice.
- **New system:**
  - For every hour a worker takes off work, they will use an hour of accrued sick leave. Workers can use accrued sick leave hours to take any part of a day off work.
  - As well as being taken against standard hours like annual leave, sick leave can also be taken against any additional hours specified in a work roster at the time a worker notifies their employer of the intent to take sick leave (including when the hours are provided for under an availability provision in an employment agreement). Like annual leave, a notional roster will be used where an employment agreement doesn't have specific days and/or hours of work and leave is notified in advance of a work roster being agreed.

## Bereavement and family violence leave

- **Current system:** As in the case of sick leave, eligible workers can access bereavement or family violence leave entitlements after six months. The Act only provides for bereavement and family violence leave to be taken in full-day increments. If a worker works for part of a day and then takes leave, it can be counted as a whole day.
- **New system:**
  - All workers (including those who work casual hours) will be able to access bereavement leave and 10 days' family violence leave from day one.
  - These entitlements will remain days-based, but workers will be able to take part days of leave.
  - Workers with standard hours will be able to take bereavement and family violence leave against the same days and hours as sick leave. Workers with casual hours will be able to take these leave types against hours they have been rostered to work.

## Payment for leave

- **Current system:** There are different calculations for different leave types and complex calculations to reflect variable components of pay such as overtime, commission and allowances.
- **New system:** The same hourly leave pay rate will be used for all types of leave (including annual leave, sick leave, bereavement leave, family violence leave, non-worked public holidays and alternative leave):
  - For a waged worker, this rate will be based on the lowest hourly rate payable for the day on which leave is taken.
  - For a salaried worker, this rate will be based on the salary amount attributable to one standard hour of work in the pay period leave is taken.

- Workers paid wholly or partly by piece rates (where an employer is paid for the number of pieces produced—e.g., for the number of buckets of apples picked) will also be paid an hourly average of piece wages for each hour of leave.
- Workers paid wholly or partly by piece work or commission, who do not have a leave hourly rate that is greater, must be paid no less than the minimum wage for each hour of leave.
- Fixed allowances (allowances that an employer must pay under a worker’s employment agreement that do not vary in value) will be paid in full during leave, like normal.
- Other components of pay, like bonuses, commissions and variable allowances (such as for ad hoc special duties) will not be included in the hourly leave pay rate.

### Payment for leave following parental leave

- **Current system:** An ‘override’ applies to the normal annual leave payment rules for leave a worker becomes entitled to during, or in the 12 months after, parental leave. When a worker takes that leave, they are only entitled to leave pay at the rate of their average weekly earnings for the preceding 12 months (without the usual comparison to ordinary pay). If a worker takes annual leave soon after returning to work, the average earnings calculation is likely to be very low since the worker has not been working.
- **New system:** When annual leave is taken after a worker returns to work following parental leave, it will be paid like leave taken at any other time (and workers will continue to accrue leave during parental leave).

### Working extra hours — workers with standard hours

- **Current system:** When a worker takes leave, employers and workers must agree what ‘genuinely constitutes a working week’, taking into account the extra hours. Workers who work extra hours for which they receive extra pay have the pay for those hours reflected in higher leave pay at the time leave is taken.
- **New system:**
  - For each ‘additional’ hour a worker works, a leave compensation payment (LCP) will be paid in the pay period the hours are worked instead of accruing annual or sick leave. The rate will be 12.5% of a worker’s ‘ordinary hourly rate’. LCP must be paid in each pay period as a separate component of pay and must be shown separately in workers’ records and pay statements.
    - **Additional hours** are hours that an employer is not required to make available to a worker, that the worker has the right to refuse and for which an employer must make an additional payment to the worker for. Additional hours include hours worked under an availability provision.
    - The **ordinary hourly rate** is the lowest wage rate for any hour of work (or salary attributable to one standard hour of work). For a worker who receives piece rates, it also includes an hourly average of piece rates. The minimum amount on which LCP is payable for any worker is the minimum wage.
  - Where a salaried worker works extra hours under an availability provision and those hours are compensated for by their salary (so they do not receive additional pay), the hours will not be considered either ‘standard’ or ‘additional’. This means leave will not accrue and LCP will not be payable. The compensation will be reflected in their hourly leave rate when they take leave, however.
  - In other circumstances, salaried workers may receive additional pay for extra hours. In that case, LCP will be payable at a rate of 12.5% of the ordinary hourly salary rate.

## Casual workers

- **Current system:** Employers and workers can agree to use “Pay as you go” (8% of gross earnings each pay period) instead of paid annual leave if work is intermittent or irregular, but use of “Pay as you go” is not required. For sick leave, many casual workers do, technically, become entitled to sick leave – although they are unlikely to benefit from this entitlement in practice due to impracticality and compliance issues.
- **New system:** As in the case of additional hours, a leave compensation payment (LCP) (set at a rate of 12.5% of a worker’s ordinary hourly rate) will be paid for each ‘casual’ hour of work in every pay period, instead of that work accruing annual and sick leave.
  - **Casual hours** are hours worked by a worker whose employment agreement does not require their employer to offer any work and does not require them to accept any work offered. A worker cannot have standard hours and casual hours for the same role.

## Fixed-term work

- **Current system:** If a worker is employed on a fixed-term basis for less than 12 months, the worker and employer can agree to use “Pay as you go” for annual leave on the same basis as casual workers. If the fixed term is for less than 6 months, the worker does not receive any sick leave entitlements.
- **New system:** All fixed-term workers must accrue and be able to take annual and sick leave from the first day of employment on their standard hours. They will also have access to bereavement and family violence leave from the first day of employment.

## Public holidays

### Determining when a day is an Otherwise Working Day

Under both the current and new systems, entitlements to paid leave and alternative holidays on public holidays depend on whether the day on which the public holiday in question falls is an Otherwise Working Day (OWD).

- **Current system:** When it is not clear if a day is an OWD for a worker, employers and workers must consider a range of factors with a view to agreeing on whether or not the worker would otherwise have worked.
- **New system:** A day is an OWD for a worker if it is a day they would have worked, but for it being a public holiday, according to days of work or a pattern of days of work specified in their employment agreement. If those are not specified, a new test will apply. The test will be satisfied if the worker has worked (or was on paid or unpaid leave) for 50% or more of the days of the week that correspond to the public holiday (e.g., Mondays) in the previous 13 weeks (or in the period they have been employed if it is fewer than 13 weeks).

### Alternative leave entitlements for working on public holidays

- **Current system:** Workers receive a whole alternative holiday when they work on a public holiday that is an Otherwise Working Day (OWD), regardless of the time actually worked on that day. Alternative holidays can be taken on another day that is an OWD and can be cashed up 12 months after the entitlement arises.
- **New system:** Workers will accrue alternative leave in hours at a rate of one hour for every hour worked on a public holiday that is an OWD. Alternative leave can be taken on any day, or part of a day, that a worker could have worked under their employment agreement. A worker can request to cash up accrued alternative leave at any time.

## Payment for working on public holidays

- **Current system:** Workers are paid 1.5 times their Relevant Daily Pay (RDP) for all hours actually worked on a public holiday. If, however, a worker receives any contractual additional amount for working on a particular day of the week or a public holiday and that amount is greater than 1.5 times RDP (as calculated without including that extra amount), they will receive their contractual amount instead. If a worker works a part day, they are not entitled to payment for any hours they would normally have worked on the day but didn't due to the public holiday.
- **New system:** Workers will receive all payments the employer is required to pay them for working on the day under their employment agreement, not including any additional amounts for working on a particular day of the week or on a public holiday (an 'identifiable amount'). In addition, they will receive the greater of 50% of their ordinary hourly rate or any identifiable amount. Workers who, on a public holiday, are required or agree to work only some of the hours they would normally work on that day will receive public holiday pay for the hours they actually work and leave pay for the hours unworked.

## Pay statements

- **Current system:** There is no legal requirement for employers to provide pay statements to their workers. Unless a worker raises a request for information about their pay and leave from their records, their employer does not have to provide the information.
- **New system:** Employers will be required under the Employment Relations Act to provide a pay statement to a worker for each pay period. The Bill sets out a subset of information from workers' records that a pay statement must specify. This includes information about payments and deductions made, employer contributions and leave entitlements. The Bill provides flexibility about how a payment statement is provided; it could be provided directly in a physical or digital form or made accessible to workers via an online portal. It specifies that information related to family violence leave must not be included in a pay statement.

## Treatment of leave entitlements in restructuring situations

- **Current system:** For most workers, if their employer changes due to restructuring (for example, when the business they work for is sold to a new employer), their original employer is required to pay them out for any untaken annual leave and alternative holidays because their employment with their original employer has ended. Their new employer may reset their leave entitlements because they are technically starting a new employment.
- **New system:** For most workers, their employer will be required to include the treatment of leave entitlements as a matter in the Employee Protection Provisions (provided for under the Employment Relations Act) that they will negotiate with any new employer in restructuring situations. Their original employer may negotiate with their new employer for their untaken annual leave and alternative holidays to be transferred to their new employment, instead of being paid out. If the employers negotiate to transfer workers' untaken annual leave and alternative holidays, they must also negotiate how liability for these will be apportioned, and the original employer must provide the new employer with the worker information required to determine workers' transferred leave entitlements and payments.

## Transition to the new legislation

### 24-month implementation period

- There will be a 24-month implementation period between when the Bill has passed and when it comes into force. This provides time for payroll providers and employers to make changes to business and payroll systems.
- MBIE will ensure that information about the changes is available to support employers, workers and payroll providers as soon as practical after the Bill is passed.
- Until the Holidays Act is repealed and a new Act comes into force, all existing rules will still apply. This means that employers still need to comply with the current Holidays Act and ensure they are providing the correct entitlements and payments to workers.
- Additionally, employers retain an obligation to correct historical underpayments that have occurred due to non-compliance with the current Holidays Act.

### Technical transitional provisions

- The Bill includes transitional provisions with detailed formulas to convert existing leave balances held in weeks and days into hours, on the commencement date of the new legislation.
  - For workers with standard hours, annual holiday, sick leave and alternative holiday entitlements will be converted from weeks to hours. The converted leave will be paid as if it were leave accrued under the new Act from the date the new Act comes into force.
  - For workers who work casual hours, existing entitlements to annual holidays will be paid out on commencement. Sick leave will not be converted or cashed up. Alternative holidays will be converted.

### Three-year period to update employment agreements

- There will be a deadline of three years from the date when the new legislation receives Royal assent for parties to agree to contractual terms that are consistent with the framework of the new legislation (for example, by providing a compliant accrual rate for annual leave). If employment agreements are not updated by the deadline, then the new minimum statutory terms will override any contradictory terms in employment agreements.
- This approach is intended to incentivise both employers and workers to negotiate updated employment agreements in a timely way.

### Remediation

- The new legislation provides for the creation of a statutory remediation process, which will provide a new option (alongside the other options that already exist) for employers to address historical underpayments under the Holidays Act. Some important details of the remediation process are yet to be determined and will be specified in regulations. Once it is in force, employers who elect to use the new methodology will be required to provide reasonable compensation to current and past workers, relating to underpayments in the six-year period immediately before the new legislation takes effect.

## Scenario examples

### Tama – Full-time warehouse worker

**Works:** 40 standard hours a week, 8 hours per day, 5 days per week

**Current leave:** 4 weeks of annual leave (provided as a lump sum after every 12 months of continuous employment), 10 sick days a year (first provided as a lump sum after 6 months and then after every 12 months).

#### Under the new system:

- Tama accrues leave from the first day of employment based on hours worked:
  - **Annual leave:** 0.0769 hours accrued per standard hour worked → 160 hours/year (equivalent to 4 weeks)
  - **Sick leave:** 0.0385 hours accrued per standard hour worked → 80 hours/year (equivalent to 10 days)
- When Tama takes leave, it is paid at his lowest hourly rate for the day of leave, and his fixed acting manager allowance continues to be paid in full.

#### What it means:

- ✓ Tama's employer will only need to make one calculation to work out his leave pay and won't need to calculate any averages. His allowance will be paid in full like normal.
- ✓ Tama's employer won't need to calculate portions of weeks when Tama takes leave; the number of hours Tama takes as leave will be the number paid and deducted from his leave balance.
- ✓ Tama will receive the equivalent amount of annual and sick leave but now has access to some leave from day one.
- ✓ He can use sick leave to take any part days off work – he no longer needs to use a full entitlement day to take a few hours off work.

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### Maia – Part-time retail assistant

**Works:** 20 standard hours a week, two 8-hour days and one 4-hour day a week

**Current leave:** 4 weeks of annual leave and 10 sick days a year (same as full-time workers)

#### Under the new system:

- Maia will accrue both annual leave and sick leave hours from the first day of employment, in proportion to her standard hours worked:
  - **Annual leave:** 0.0769 hours accrued per standard hour worked → working 20 hours a week means she will accrue 80 hours a year (equivalent to what she is entitled to currently)
  - **Sick leave:** 0.0385 hours accrued per standard hour worked → working 20 hours a week means she will accrue 40 hours of sick leave a year (the number of days this is equivalent to depends on when she takes leave).

### What it means:

- ✓ Maia will receive the equivalent amount of annual leave to now.
- ✓ Maia's employer will only need to provide her sick leave proportionate to her standard hours, rather than providing her the same amount as a full-time worker like under the current Act. They may see a reduction in leave costs as a result (depending how much sick leave Maia currently uses).
- ✓ Maia will have access to some sick leave and annual leave from day one.

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### Niamh – Food service worker who can pick up additional hours

**Works:** 24 standard hours a week over three 8-hour days – but often picks up an additional shift a week, working an average 30 hours a week.

**Current leave:** It is unclear what a 'week' of annual leave entitlement is for Niamh – variable hours and days. Niamh and her employer must come to an agreement to determine how much entitlement she needs to use for time off work. She receives 10 days of sick leave. Niamh is compensated for leave on her additional hours in her leave pay. She is paid her average weekly earnings (which is greater than her ordinary weekly pay).

#### Under the new system:

- **Annual leave:** 0.0769 hours accrued per standard hour worked → working 24 hours a week means she will accrue 96 hours a year (equivalent to what she is entitled to currently).
- **Sick leave:** 0.0385 hours accrued per standard hour worked → working 24 hours a week means she will accrue 48 hours of sick leave a year (equivalent to six days).
- Niamh's hourly leave pay is based on the lowest hourly rate of pay for the day she takes leave.
- She will also receive a **Leave Compensation Payment** of 12.5% on each of the additional hours she works in every pay period. This replaces both annual and sick leave entitlements on those hours.

### What it means:

- ✓ There is no need for Niamh's employer to follow complex rules to calculate leave entitlements on her variable hours. Niamh's employer is not required to make multiple complex leave pay calculations.
- ✓ Leave pay is easier for Niamh to understand.
- ✓ Leave compensation is paid up front for additional hours rather than reflected in leave pay.

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### Alice – Casual café worker and student

**Works:** Irregular and intermittent shifts, no standard hours. Can turn down work that her employer offers her. She doesn't work during university breaks so has gaps between periods of work of more than a month.

**Current leave:** Alice and her employer have agreed she will receive PAYG for annual leave at 8% of gross earnings instead of receiving annual leave entitlement. They must regularly review her work pattern to ensure she remains eligible to receive PAYG instead of being provided annual leave. Because she has not worked continuously for 6 months (or for an average of 10 hours per week over that period with at least one hour per

week or 40 hours per month), she is not entitled to sick leave, bereavement or family violence leave.

**Under the new system:**

- Alice won't accrue sick leave or annual leave that she can take as paid time off, but she receives a **Leave Compensation Payment (LCP)** set at 12.5% of her ordinary hourly wage rate for every hour worked. She is paid the LCP in the pay period the hours are worked. This payment is made in lieu of both annual and sick leave entitlements.
- Alice also has access to bereavement and family violence leave from her first day of employment.

**What it means:**

- ✓ There is no need for Alice's employer to regularly assess whether her work pattern still meets the criteria for using PAYG for annual leave. As she only works casual hours, she must be paid the LCP for every hour worked.
- ✓ Alice is not entitled to sick leave but does receive upfront financial compensation for days unworked due to sickness. This is an immediate financial benefit rather than receiving leave payments in a non-worked period.
- ✓ Alice can take her bereavement and family violence leave entitlements against the hours of work she has been offered and accepted at the time she notifies her employer she intends to take the leave.

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### Divya – Store manager returning from parental leave

**Works:** 25 standard hours a week (has just returned to work after 12 months away on parental leave).

**Current leave:** Divya becomes entitled to four weeks' annual leave and sick leave at the same time she would if she were working. If she takes that annual leave when she returns to work, her leave pay is very low. She is paid only at her average weekly earnings over the last 12 months (which includes time she was not earning) because of an 'override' to the normal leave pay rules.

**Under the new system:**

- While on parental leave, Divya accrued leave as normal → a roster of 25 hours a week means she accrued 100 hours (equivalent to four weeks).
- On her return, Divya is paid for any annual leave she takes at the same rate any other leave would be.

**What it means:**

- ✓ Parents returning to work, who take leave soon afterwards, receive their normal leave pay.
- ✓ Removes complexity and confusion of the current annual leave payment rules after parental leave.

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### John – Sales consultant

**Works:** 40 standard hours a week, earns salary + commission on each sale paid in each pay period.

**Current leave pay:** John is paid the greater of two rates when he takes annual leave: average weekly earnings and ordinary weekly pay, both of which reflect his commission. To calculate his ordinary weekly pay, John's employer needs to determine what his 'regular' commission payment is. If that is not possible, he needs to use a

four-week average calculation.

**Under the new system:**

- For each hour of leave taken, John is paid the lowest hourly wage rate for the day of leave.
- Commission payments are not reflected in leave payments.
- If John received commission only, the minimum hourly leave pay rate would be the minimum wage.
- John will see a slight reduction in leave pay, due to variable pay not being reflected in leave pay.

**What it means:**

✓ John's employer will see a slight reduction in leave pay and cost respectively, due to variable pay not being reflected in leave pay.

✓ No complex calculations; easier for John's employer to manage.

✓ Simple and consistent leave payments.

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## George – Bank worker

**Works:** For the first year, George works 40 standard hours each week. He then decreases his hours to 20 standard hours each week as he begins a course of study.

**Current leave:** George is entitled to four weeks of annual leave each year. What a week means for George adjusts based on his work pattern at the time he takes annual leave. If he takes four weeks of annual leave in advance in his first year of employment, it will be equivalent to 160 hours. If he does not take it in the first year, instead taking it after he has started working 20 standard hours each week, his four weeks of annual leave will have become equivalent to 80 hours.

**Under the new system:**

- George will accrue 0.0769 hours of annual leave for every standard hour he works. The number of hours in his annual leave balance will not adjust when his work pattern changes.
- Over his first year of employment (when he is working 40 standard hours each week), he will accrue 160 hours of annual leave.
- Once he starts working 20 standard hours each week, his annual leave balance (assuming he has taken no leave) will remain at 160 hours (and he will continue to accrue annual leave for every standard hour he works from then on).
- In the 12 months that follow each employment anniversary, George can request to cash up a maximum of 25% of his leave balance. He can request to cash up 40 hours of annual leave (the equivalent of 2 weeks) in the 12 months after his hours reduce. If he doesn't take or cash up any leave in that year, his balance will be 240 hours at his next anniversary. He will be able to cash up 60 hours in the next year (the equivalent of 3 weeks).

**What it means:**

✓ George's annual leave balance reflects hours actually worked in the past rather than scaling when work

pattern changes.

- ✓ George's employer will not need to monitor and re-calculate balances when staff hours change.
- ✓ Given George has a high leave balance, he can request to cash up more than the equivalent of a week of annual leave in each year, and if his employer agrees, George will get his leave paid out and the employer will reduce their leave liability.

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## Employment leave key stats

In its 2023 pre-election survey, Simpson Grierson found that 63% of employers selected Holidays Act simplification as their top priority for an incoming government to address – for the fourth election in a row.

Problems with the Act's complexity are well-known, and large-scale remediation payments, running into billions of dollars, have been made across both the public and private sectors.

For example: as of December 2024, Health New Zealand / Te Whatu Ora has paid over \$308.2 million in Holidays Act remediation payments to 41,929 current workers. For the health sector alone, the total financial liability is estimated to be over \$2 billion.

## Types of work

- **Workers with contracted hours**

The change to hours-based accrual will affect all **workers with standard hours (permanent workers and fixed term workers) – approximately 93% or 2,183,700 workers.**<sup>1</sup> This includes the **584,200 part-time workers (20% of those with contracted hours).** A higher proportion of women work part time, 29% compared to 12% of men).<sup>2</sup>

- **Workers who earn variable pay such as commission, bonuses and variable allowances**

Data is not available on the number of workers who earn these types of variable payments. However, we know commission is common in the sales workforce. There are approximately 203,499 sales workers, a number that makes up about 8% of the total workforce.<sup>3</sup>

- **Workers who work extra hours on top of standard hours**

The shift to a leave compensation payment for additional hours of work (rather than these being reflected in leave pay) affects all workers who have standard hours but also work additional hours (while there is no definitive source of data on this, MBIE estimated approximately 9–12%, or 210,000–285,000, based on information about workers working more or fewer hours than normal in the Household Labour Force Survey).

- **Workers with casual hours**

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<sup>1</sup> Based on the number of permanent workers according to December 2024 quarter Household Labour Force Survey data.

<sup>2</sup> According to Statistics New Zealand Labour market statistics for the March 2025 quarter.

<sup>3</sup> According to the 2023 Census.

By definition, casual workers do not have to accept any work offered under their employment agreement, and employers are not required to make any work available to them. The change to a 12.5% Leave Compensation Payment affects all workers who work only casual hours (approximately 5%, or 107,300 workers).<sup>4</sup>

- **Workers who take parental leave**

The change to parental leave will affect workers who take parental leave and then return to work. In the past year, around 37,000 workers took time off to begin paid parental leave (around 1% of all workers).<sup>5</sup>

## Brief timeline of employment leave reform changes

- **2001 and 2009:** Significant reviews of holiday legislation were undertaken in 2001 and 2009. The 2001 review resulted in the 2003 Act, replacing the Holidays Act 1981, and the 2009 review resulted in a series of amendments in 2010. In recent years, it became apparent that there is a high level of non-compliance with the Act.
- **2018:** Holidays Act Taskforce established.
- **2020:** Government announced it had accepted the Taskforce’s recommendations.
- **2021 – 2022:** Policy design work required to implement the 2020 Cabinet decisions in legislation completed.
- **2022 – 2023:** Drafting of a Bill began. Work was put on hold before the 2023 General Election.
- **May 2024:** Cabinet agreed to targeted consultation on an Exposure Draft Bill. Cabinet agreed to some changes and additions to the previous Government’s decisions to simplify the design and reduce implementation costs.
- **September 2024:** Targeted consultation on the Exposure Draft Bill with employers, workers and technical experts.
- **December 2024:** Report back to Cabinet on the consultation feedback. The Minister of Workplace Relations and Safety announced she was directing officials to take a new approach to reforming the Act.
- **January - August 2025:** Policy design work completed. Cabinet agreed to major policy decisions for the new employment leave legislation (August 18, 2025).
- **September 2025 – March 2026:** Employment Leave Bill drafted.
- **March 2026:** Employment Leave Bill is introduced, has its first reading and is referred to Select Committee.

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<sup>4</sup> Based on December 2024 quarter Household Labour Force Survey data.

<sup>5</sup> Based on data from 1 April 2024 to 31 March 2025. This figure does not include workers who took parental leave but were ineligible for parental leave payments.