



New Zealand  
Payroll Practitioners  
Association

Developing and Supporting  
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# Holidays Act Next Steps

(What are the differences between what we are doing now compared to what is being proposed)



# A little background on the Holidays Act

- The 20-year ANN of the Holidays Act was on 1 April 2024
- Billions of \$\$ in underpayments, rework and uncertainty
- Already, we have had two major reviews:
  - 2011 Resulting in ADP, Cashing up a week AH
  - 2019 -2023 five years & two governments and nothing to show
- Now, the new government – we have a new way forward – could be the same dog, just different fleas
- The minister has been honest in that she is hoping to get changes within this term.



## The new government

- Changes to the Holiday Act are not in the coalition agreement with any of the parties in the new government, so any changes will be open to all parties' agreement or disagreement.
- No political party actively promoted what they wanted to do to resolve the Holidays Act in last year's election.
- We now have a Minister from the Act party driving the changes to the Holidays Act.
- On the ACT party website, they state the following:
  - Introduce an hours-based accrual system for annual leave, which will make it significantly easier to calculate entitlements and removes the need for complicated pay-as-you-go provisions.



## What will the draft Bill include?

The Government has agreed that the exposure draft of the Bill will include some changes and additions to the previous Government's decisions on the reform of the Act.

The main focus of the changes is simplifying calculations and reducing the cost to employers of implementing them. The exposure draft will include (along with other changes):

- a proposed approach to pro-rating sick leave so that there is some proportionality to how much an employee works;
- moving from a weeks-based entitlement system to a weeks-based accrual system for providing annual leave entitlement;
- simpler methodologies for calculating use of leave that do not require pay systems to access data about daily hours of work;
- objective criteria for using pay-as-you-go for annual leave and a less burdensome review process; and
- simplifying the payment method for other types of leave so that only one calculation is required.



## A proposed approach to pro-rating sick leave so that there is some proportionality to how much an employee works;

### What is happening presently:

Employees who work continuously (6 months) get 10 days of sick leave, which is unrelated to their actual work.

### For example:

- **Employee 1:** works 1 day (10-hour day) for 6 months; at the 6-month mark, they get 10 days of sick leave. They could effectively take 10 weeks of sick leave to use all of their leave.
- **Employee 2:** works 5 days(40 hours per week) for 6 months. At the 6-month mark, they get 10 days of sick leave. They could be sick for two weeks and use all of the sick leave.

### How this could change:

- This could change so SL is pro rata based on what the employee works, so 1 day a week (of 10 hours) becomes 2 days of sick leave, so effectively 2 weeks for that employee.



## Moving from a weeks-based entitlement system to a weeks-based accrual system for providing annual leave entitlement;

### What is happening presently:

An employee earns 4 weeks' entitlement after completing 12 months of continuous employment.

- The main issue with using an entitlement system is when an employee works variable hours, what is a **WEEK FOR THE EMPLOYEE**

There is very little to go on regarding the government's plans for an accrual system, but a couple of fundamental questions need to be answered:

- What will accrual be based on: ordinary hours worked, overtime, additional hours, changing hours of work, etc.
- How will a week of entitlement be defined (the employee will get 4 weeks of what?)



## **Simpler methodologies for calculating use of leave that do not require pay systems to access data about daily hours of work;**

### **What is happening presently:**

- Payroll systems don't, in general, access daily hours worked.
- The employment agreement, roster and employee work patterns are used to define the week, days in a week and hours in a day.

### **What could happen:**

We have no averages for time in the present Holidays Act, by using averages for time, the following could be done:

- ❖ Using an average to define an average week
- ❖ Using an average to define days in a week
- ❖ Using an average to define hours in a day



**Objective criteria for using pay-as-you-go for annual leave and a less burdensome review process;**





## **Simplifying the payment method for other types of leave so that only one calculation is required.**

If they are talking about RDP and ADP for FBAPS

- RDP is what the employee would have been paid
- ADP is used when RDP cannot be defined (Variable employees)

We already use only one calculation RDP, and if that cannot be undertaken, we use the other ADP.

There are problems with both, but changing to a new calculation will mean something cannot be covered.



## What's next...

MBIE has asked for people who are interested in being part of targeted consultation (closed on 8 July)

This group will receive an exposure draft of the bill, a consultation document, and a feedback form in September.

### **NZPPA Comment:**

- Where is the input from payroll in the draft bill (we need that right at the start)?
- This is what happened with the last government two weeks before the Holidays Act Review was given to the Minister, a group from payroll was asked to provide feedback, but the decision had already been made.

We will be lucky to see any change before 1 April 2026!