Employment Leave Bill

Key takeaways for organisations

The highly anticipated replacement for the Holidays Act, the Employment Leave Bill *(Bill)* was released on 9 March 2026 and had its first reading on 12 March 2026.

The proposals are broadly consistent with the Minister's earlier signaled policy direction. In addition to setting out how the stated objective of a simple, clear and workable approach will be delivered, the Bill also includes proposed rules for transition to the new legislation and a remediation pathway for unresolved outstanding Holidays Act liability.

The Bill also contains consequential and related amendments to other legislation. Notably some requirements are proposed to come into force earlier than the two-year period for the new legislation. For example, certain changes to the Parental Leave and Employment Protection Act will come into force from 1 July 2027. We discuss below some key takeaways on the Bill and what this means for organisations.

Key changes

Some of the key changes include:

- Introduction of three defined categories of hours: (1) standard hours – agreed expected hours of work, (2) additional hours – hours in excess of standard hours, and (3) casual hours – hours worked without an agreement to offer or accept work.
- A single rate for all leave types applied to standard hours (as opposed to contracted hours proposed previously) plus fixed allowances and, for the most part, exclusion of variable remuneration.
- Removal of the parental over-ride to the annual leave rate (which comes into force from **1 July 2027**).
- Shift from 'weeks and days' to 'hours' for accrual and reporting of leave. Employees will also be taking leave in hours.
- Proportional accrual of annual and sick leave at 0.0769 and 0.0385 respectively for each standard hour worked from day one.
- Clear approach to determine Otherwise Working Day (50% or more over the previous 13 weeks).
- Introduction of the Leave Compensation Payment of 12.5% on additional and casual hours worked.
- Removal of the 8% payment closedown provision.

Refer to our previous communication (Holidays Act reform | KPMG NZ) for more details.

Consultation

Following initial consultation on issues with the current Act, there has been targeted consultation on the exposure draft, and further engagement with a small group of payroll providers and legal experts on the current proposals.

MBIE has advised that due to time constraints, widespread consultation on all aspects of the bill was not performed.

Short term public consultation is expected to occur through committee. The Bill is expected to be reported back to the House by 13 July 2026.

New Legislation Transition

A 24-month implementation period has been proposed for most provisions of the Bill, with the majority of clauses commencing two years after Royal assent.

The schooling sector however has a delayed commencement, scheduled for 10 years following Royal assent (unless brought forward by Order in Council).

The Bill also includes transitional provisions to support the move to the new framework, including provisions designed to assist with aligning existing employment arrangements with the new leave settings including time-bound requirements to update employment agreements, convert legacy leave balances (weeks/days) into hours based records and to address how any existing pay as you go (casual) annal leave positions should be treated at transition, and uplifting record keeping requirements.

Impact

Aside from the upfront cost to implement the new legislation, some cost increase is expected, particularly for employers who have casual employees or employees with variable-hours.

The Bill also introduces a mandatory requirement to provide pay statements, and new infringement offences for non-compliance (i.e. up to $20,000 penalty for non-compliance).

Organisations should assess impact on their current work arrangements, workforce mix (e.g. permanent vs casual), labour cost forecasting, rostering practices and other contractual arrangements that may be impacted.

Contractual agreements

Employers should be mindful of the distinction between contractual obligations (for example the provisions in collective and individual employment agreements) and statutory minimum entitlements, particularly where the specific provisions of the current Holidays Act have been written into contracts or policies.

As payroll systems and processes move toward the updated requirements, it may become more difficult in practice to maintain legacy contractual provisions that assume the previous legislative framework.

A key consideration during the transition period for organisations will be ensuring that any updates to contractual terms are designed to remain workable and aligned with the direction of the Bill (where applicable).

Remediation Process

Alongside the new forward-looking changes, the Bill also introduces an optional statutory remediation process that employers may elect to use to address unresolved outstanding Holidays Act liability.

If an employer elects into the process, it must follow the prescribed notification, calculation and payment requirements and, if completed correctly, the process is intended to provide a pathway to settle that historic exposure through the payment of “reasonable compensation”.

The Bill’s enabling provisions for the remediation process commence early, but the detailed methodology is to set under secondary legislation and the Bill provides that the remediation regulations commence on or after the second anniversary of Royal assent. In practice this sequencing may create some uncertainty for employers who are unsure whether to elect into the process, and a delay for employees who are awaiting resolution of Holidays Act obligations.

The Government has indicated it expects to progress the Bill through the current Parliamentary process within the current term. As such, organisations should plan ahead including consideration of:

- The impact on current workforce arrangements
- Engagement during the consultation process
- Whether remediation will be required
- The feasibility of any existing plans to implement new payroll and/or related systems prior to transition to the new legislation.

Get in touch

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