



The 2024 Holidays Act Reform: What Employers Need to Know

As the days have gotten shorter and colder in New Zealand, many employees may have been dreaming of, if not planning and taking, a winter holiday. For employers, the management of holidays and holiday pay can sometimes be somewhat of a nightmare, especially if your employees do not work standard hours and weeks.

The 2024 Holidays Act Reform could be a significant step towards addressing longstanding issues with the Holidays Act 2003. This reform aims to simplify calculations and reduce implementation costs for employers, while ensuring fair entitlements for employees. Here's a quick look at what we know about the reform process currently, the previous attempts at change, and the potential impacts on employers.

Background and Previous Attempts at Reform

The Holidays Act 2003 has been a source of concern for workers, employers, and payroll providers due to its complex calculation requirements and ambiguities. The previous Government had initiated steps to review the Act, recognising a need for change. A Holidays Act Taskforce made 22 recommendations for changes, and the drafting of a Bill had begun. However, the Bill was not progressed before the 2023 election. The incoming government has prioritised resolving Holiday Act issues, leading to the current reform process.

The Reform Process

The Ministry of Business, Innovation and Employment (MBIE) has outlined the process for the 2024 Holidays Act Reform. The key steps include:

- 1. Exposure Draft Release:** In September 2024, an exposure draft of the Bill will be released for targeted consultation. It is expected that this draft will incorporate changes and perhaps additions to the previous government's review decisions.
- 2. Targeted Consultation:** Stakeholders, including those who represent the range of groups who will be affected by the legislation, employers, payroll providers, and legal experts, will be invited to provide feedback on both the technical and policy details of the Bill. This consultation aims to refine the Bill based on practical insights and experiences.
- 3. Introduction to Parliament:** Following the consultation, the Bill will be introduced to Parliament, where it will undergo further scrutiny and public consultation through the Select Committee process.

Key Changes in the Reform

The proposed reform will focus on simplifying the entitlements and calculation processes. The key changes highlighted at this stage include:

- **Pro-rating Sick Leave:** Sick leave will be pro-rated to align with the proportionality of an employee's work hours.
- **Annual Leave Accrual:** Transition from a weeks-based entitlement system to a weeks-based accrual system for annual leave, simplifying the calculation process.

- **Simplified Calculation Methods:** New methodologies will make it easier to calculate leave without requiring detailed data on daily work hours.
- **Pay-as-You-Go for Annual Leave:** Introduction of objective criteria for using pay-as-you-go for annual leave, along with a less burdensome review process.
- **Clarified Reference Periods:** Only full pay periods will need to be included in the 13-week reference periods for leave calculations.

Potential Impact on Employers

The reforms aim to reduce the administrative burden on employers by simplifying the calculations and entitlements processes. For employers, this could mean:

- **Lower Compliance Costs:** Easier calculations and fewer data requirements will likely reduce the costs associated with complying with the Act.
- **Greater Clarity:** Clearer rules and objective criteria will help avoid disputes and ensure consistent application of leave entitlements.
- **Improved Fairness:** Pro-rating and new accrual systems will ensure fairer distribution of leave based on actual work hours, benefiting both part-time and full-time employees.


Conclusion

The 2024 Holidays Act Reform could address some of the complexities of the current Act. By engaging in targeted consultation, stakeholders have an opportunity to give input that could contribute to a final Bill that is both practical and fair. Employers should stay informed about the progress of the reform

so that when appropriate they can prepare for the changes to ensure smooth implementation and compliance. I will ensure updates are provided as the reform processes progress.

For more information on the reform process, including MBIE's briefing papers and relevant Cabinet papers, visit the Ministry of Business, Innovation and Employment [website](#).

If you have any questions regarding your current obligations, please do not hesitate to contact me.

 021 932 332

 marie@tovioconsulting.co.nz

 www.tovioconsulting.co.nz