



NEW ZEALAND

Changing Landscape of Employment Law in New Zealand

New Zealand has been widely regarded as one of the world’s pioneers in terms of enforcement of and protection of labour rights and obligations. Many employers recognise the business imperatives for work-life balance policies to attract and retain quality staff.

Early this year, the government announced some key changes to the Employment Relations Act 2000, intended to introduce greater fairness in the workplace between employees and employers to promote productive employment relationships. Here’s an overview of the employment laws as well as the proposed key changes which will have a significant effect on the employment law landscape in New Zealand:

Minimum Wage

As of 1 April 2018, the minimum wage for employees aged 16 years and above has increased to NZ\$16.50.

Type of Minimum Wage	Per Hour	8-Hour Day	40-Hour Week	80-Hour Fortnight
Adult	NZ\$16.50	NZ\$132.00	NZ\$660.00	NZ\$1,320.00
Starting-out	NZ\$13.20	NZ\$105.60	NZ\$528.00	NZ\$1,056.00
Training	NZ\$13.20	NZ\$105.60	NZ\$528.00	NZ\$1,056.00

The ultimate intent of the current government is to increase the adult minimum wage to NZ\$20.00 per hour by April 2021.

Working Hours

There are no standard working hours in New Zealand, but most businesses operate from Monday to Friday, 8.30 a.m. to 5.00 p.m. with a 40-hour limit per week.

If employees or employers wish to change the hours of work, any agreed hours, times or days of work must be stated in the employment contract. In cases where no hours were agreed to, the employer must provide an indication on the arrangements relating to the employee's working time.

There are no legal requirements for overtime pay unless it is stated in the employee's employment agreement.

Meal & Rest Breaks

There were no general requirements for meal and rest breaks under New Zealand law but under the recent amended bill, employees are entitled to statutory rest and meal breaks after they have worked a certain number of hours:

- A 10-minute paid rest break during a work shift of between 2 and 4 hours;
- A 10-minute paid rest break and one 30-minute meal break (unpaid unless agreed otherwise) during a work shift of between 4 and 6 hours;
- Two 10-minute paid rest breaks and one 30-minute meal break (unpaid unless agreed otherwise) during a work period of between 6 and 8 hours; and
- For periods of work over and above 8 hours, the requirements will apply with further rest and meal breaks necessary.

Leave & Holidays

All employees, including part time, full time, fixed term and 'casual', enjoy the following minimum leave and holidays entitlements:

- At least 4 weeks of annual leave after 12 months of continuous employment;
- Up to 11 public holidays each year;
- Access to sick leave and bereavement leave after 6 months of continuous employment.

If employees work on a public holiday, work should be paid at the rate of at least time and a half. Employees are also entitled to a paid alternative holiday if the day is an otherwise working day for them (unless they are employed to work only on public holidays).

Paid parental leave is now increased from 18 to 22 weeks as of 1 July 2018, with a further increase to 26 weeks from 1 July 2020.

Trial Periods

90-day trials were first introduced for small businesses in 2008 and extended to all employers in 2010. Employers can employ new employees on trial for up to the first 90 days of their employment and can dismiss new staff within their first 90 days without having to provide any reason to the employees and having to face any legal action for unfair dismissal.

Under the current legislation, any employer, regardless of size, is able to include a 90-day trial provision in their employment agreement for new employees. With the amendment bill, anticipated to come into force in early 2019, will limit the application of 90-day trial period to businesses with less than 20 employees. Where a trial period cannot be used, an employer could introduce a probationary period to its employment agreements.

Termination of Employment

New Zealand does not have official termination policies. It is common for employment agreements to include a clause that states employer or employee can terminate employment by giving the other party a certain period of notice. There is no statutory minimum notice period or severance payment.

If an employee is dismissed and was not in a trial period, they have the right to ask the employer for a written statement of the reasons for dismissal. This request can be made up to 60 days after they find out about the dismissal. The employer must provide the written statement within 14 days of such a request. If the employer fails to provide this written statement, the employee may consequently be able to raise a grievance after the required 90-day limitation period. Where dismissal is in relation to a trial period the employer needs to provide an explanation if asked, but this can be verbal under a trial period.

At the same time, the government has decided to change the rules around unfair dismissals, with reinstatement to be restored as the primary remedy for employees in cases of unfair dismissal. By retaining reinstatement as a remedy, it provides a strong motivation for employers to act fairly and reasonably when dismissing staff.

Tax Requirements

Personal income tax in New Zealand is based on wages, anywhere from 10.5% for low income earners to 33% for the upper bracket. The basic rates of income tax applicable to an individual's taxable income for an income tax year are as follows:

Taxable Income	Tax Rate
Over NZ\$70,000	33%
NZ\$48,001 to NZ\$70,000	30%
NZ\$14,001 to NZ\$48,000	17.5%
Up to NZ\$14,000	10.5%

Social Security & Welfare

In New Zealand, there is no specific social security taxes and the social security system is funded by general tax. However, employees do make contributions to the Accident Compensation Corporation (ACC) scheme. This scheme provides a comprehensive range of benefits if an employee suffers an accidental injury. ACC contributions are deducted from salaries through the pay-as-you-earn (PAYE) system at the rate of NZ\$1.39 per NZ\$100 of liable earnings, up to a limit of NZ\$126,286 from 1 April 2018 to 31 March 2019.

The government pension, New Zealand Superannuation (NZ Super) is available to New Zealanders (citizens and permanent residents who have lived in New Zealand for 10 years since age 20) from the retirement age of 65 years old. Eligible New Zealanders receive NZ Super regardless of how much they earn through paid work, savings and investments, what other assets they own or what taxes they have paid.

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