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Committee Secretariat
Education and Workforce Committee
Parliament Buildings
Wellington

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Attention: Chairperson of the Education and Workforce Committee

SUBMISSION EMPLOYMENT LEAVE BILL

The Association of Digital Service Providers Australia New Zealand (DSPANZ) welcomes the opportunity to provide a submission on the Employment Leave Bill.

DSPANZ broadly supports the intent of the Bill and its move toward a clearer and more structured framework for employment leave. However, in practice, the proposed model will create complexity regarding data, classification, and system integration. Successful implementation will depend on whether the framework can be consistently operationalised across payroll and workforce systems.

This submission focuses on key implementation considerations, including transitional arrangements, data availability, classification rules, and system readiness. It identifies areas where additional clarity, guidance, and sequencing will be critical to achieving consistent and workable outcomes.

DSPANZ would welcome ongoing engagement with MBIE to support practical implementation, including participation in technical discussions and working groups. For further information, please contact Chris Denney at chris.denney@dspanz.org.

About DSPANZ
Digital Service Providers Australia New Zealand is the gateway for the government into the dynamic, world-class business software sector in Australia and Aotearoa New Zealand. Our members range from large, well-established companies to new and nimble innovators working at the cutting edge of business software and app development on both sides of the Tasman.

Yours faithfully,

Chris Denney,
President
DSPANZ.

Executive Summary

Digital Service Providers Australia New Zealand (DSPANZ) welcomes the opportunity to provide feedback on the Employment Leave Bill.

DSPANZ broadly supports the intent of the Employment Leave Bill and recognises the need to address long-standing issues with the Holidays Act. The proposed framework has the potential to improve consistency, reduce ambiguity and support better long-term compliance outcomes. In particular, DSPANZ supports the move toward a clearer and more structured framework, including hours-based accrual and a single rate of pay.

However, successful implementation will depend on whether the framework can be operationalised consistently across payroll, human resources and workforce systems.

In practice, the Bill shifts complexity away from calculation under the current framework and into data quality, employee classification, system integration and transition design.

Clearly any new law needs to be workable in practice and due consideration given to the administrative design. While DSPANZ supports the intent of this Bill, we remain concerned the new complexity introduced by this Bill will not be workable in practice.

Feedback from DSPANZ members indicates that there are material risks relating to data availability, system capability, and implementation readiness. In particular:

- calculations may need to be performed outside the core payroll systems,
- classification rules that rely on inputs that are not easily codified, and
- employers will need time to implement changes effectively once systems are technically ready.

To give effect to the policy intent, DSPANZ members require clear operational guidance, consistent calculation rules, practical transition settings to ensure the Bill can be delivered through software and business systems in a consistent and auditable way.

DSPANZ's submission focuses on those implementation conditions.

Key Implementation Issues

Transitional arrangements

The Bill requires employers to comply with both the existing employment agreement and the new Act during the transition period, with statutory provisions prevailing where agreements do not comply.

In practice, this creates ambiguity for payroll and workforce systems. Software requires deterministic rules to apply entitlements consistently, but the Bill does not yet provide a sufficiently clear operational method for resolving conflicts between agreement terms and legislative requirements during the transition period.

In practice, this creates ambiguity for payroll and workforce systems:

- No clear operational rule for resolving conflicts between agreement terms and legislative requirements
- Systems require deterministic logic to apply entitlements consistently
- Employers will require clear guidance on how to configure systems during transition.

DSPANZ recommends the development of:

- Explicit precedence rules
- Worked examples covering common conflict scenarios
- Guidance on system configuration during the transition period.

Conversion of legacy entitlements

The Bill introduces conversion rules for existing leave balances and entitlements. However, these rules lack sufficient operational detail for consistent implementation.

Key gaps include:

- Rounding methodologies
- Treatment of partial hours and irregular patterns
- Handling of historical inconsistencies.

In practice, inconsistent interpretation of conversion rules is likely to result in divergent outcomes across systems.

DSPANZ recommends:

- Detailed worked examples across common scenarios
- Standardised calculation methodologies

- Publication of test cases or reference methods to support consistent implementation

Employment Agreement & Roster Dependencies

The framework relies heavily on employment agreements specifying standard hours, additional hours, and work patterns. Where this is not available, notional rosters may need to be established or later determined by a Labour Inspector.

This introduces several implementation challenges:

- Current systems may not capture this level of structured data
- Data may be split across payroll, HR, and rostering systems
- Retrospective changes (e.g. inspector determinations) may require recalculation.

DSPANZ recommends:

- Minimum data requirements for agreements and systems
- Guidance on the treatment of notional rosters in payroll processing
- Clarification of retrospective adjustment expectations.

Otherwise Working Day Rules

The introduction of a 13-week, 50% threshold for determining otherwise working days provides greater structure than the current regime. DSPANZ supports the move toward a clearer test. However, successful implementation will require:

- Aggregation of data across multiple systems
- Treatment of edge cases (leave periods, new starters, irregular workers)
- Processes for generating employee notifications.

These are operational requirements, not merely drafting issues.

DSPANZ recommends:

- Clear decision rules and worked examples
- Standardised inputs and calculation logic
- guidance on audit and notification requirements.

Classification of Hours & Leave Compensation Payment (LCP) Model

The classification of hours into standard, additional and casual categories is central to the framework and directly affects operation of the Leave Compensation Payment (LCP) model.

In practice, these classifications will often depend on the interpretation of employment agreements and work patterns that are not always easy to codify in software. The same employee may also move between patterns over time. Where legislative concepts remain subjective or under-specified, software providers and employers will be forced to infer rules, increasing the risk of inconsistent outcomes.

The LCP model also introduces new system requirements for tracking, displaying and correcting payments. It therefore increases the consequences of misclassification and the complexity of remediation.

In practice, payroll systems must apply deterministic logic. Where inputs are subjective or ambiguous, this creates a risk of inconsistent outcomes across employers and systems.

DSPANZ recommends:

- Clear definitions and examples
- Standardised decision frameworks or test cases
- Clear default treatments where ambiguity remains
- Clarification of how corrections should be handled when work patterns change o historical classifications are revised.

Record-keeping & Access Requirements

The Bill introduces a six-year record-keeping requirement and expanded access rights. DSPANZ supports the policy objective of improving transparency and traceability.

However, the practical burden should not be understated. Required data may be distributed across payroll systems, human resources platforms, rostering systems and other records, which are not always interoperable or readily integrated. Extracting and presenting information in the required form may therefore require significant system changes, process redesign or reliance on third-party software across the broader data ecosystem.

DSPANZ also notes that the proposed record-keeping period may not align neatly with other tax and accounting obligations. Greater harmonisation would reduce unnecessary compliance complexity.

DSPANZ recommends:

- Alignment with existing record-keeping frameworks where possible
- Clarification of data scope, format, and timing for access requests
- Guidance on handling multi-system environments.

Integration, operational complexity and data availability

Although the Bill is intended to reduce overall complexity, the transition to the new model will create significant integration, operational and data challenges for many employers and DSPs. The changes will impact multiple systems used by employers, including payroll, human resources, rostering, and other record-keeping processes. These systems vary in maturity and may include a mix of digital and manual or paper-based processes.

The Bill assumes that the required inputs for calculations are readily available within payroll systems. In practice, this is not always the case. Relevant data may be held across multiple systems, may be incomplete or inconsistently structured, and may depend on the interpretation of employment agreements.

As a result, employers may need to perform some calculations outside standard system workflows, increasing reliance on manual processes and introducing additional complexity.

For many employers, regardless of size, there will be considerable effort required to assess their current state, understand system interactions, and determine whether existing solutions can support the new requirements. Where systems are not interoperable or fit for purpose, employers may need to redesign processes or implement interim workarounds.

This creates several risks:

- Updating and reconciling employee data across unconnected systems increases the likelihood of errors due to fragmentation
- Transition periods heighten this risk, particularly where systems must be updated and aligned concurrently
- Dependencies across the broader software ecosystem may delay implementation, as some providers cannot progress until connected systems are updated
- Rushed or poorly sequenced transitions may result in data loss or gaps, data inconsistencies, and reconciliation errors

In addition, employers will need to maintain sufficient records to support traceability and compliance over time.

Greater recognition of these integrations and data constraints, along with clear guidance on transitional approaches, system interoperability, and record-keeping expectations, would support more consistent and effective implementation across the ecosystem.

DSPANZ recommends:

- Guidance on acceptable approaches for less integrated environments
- Transitional allowances where full system integration is not feasible.
- Clarification of minimum required data inputs
- Guidance on acceptable approaches where data is not fully systemised
- Alignment with existing data standards, where possible.

Implementation & transition

DSPANZ acknowledges the value of a two-year lead time between passage and commencement. However, in practice, system readiness does not equate to operational readiness.

Experience from large-scale payroll system changes indicates that employers require a further transition period following system readiness to:

- Understand new concepts
- Update employment agreements
- Configure systems
- Validate outputs and correct errors.

Without this, there is a risk that legal obligations commence before employers can comply with confidence in practice. Successful implementation will also depend on detailed guidance, complex scenario testing, and sustained engagement with DSPs and employers.

DSPANZ recommends:

- Consideration of a formal or informal post-implementation transition period
- Guidance on expected employer transition activities
- A pragmatic compliance approach during early implementation
- Establishment of a technical working group with DSPs
- Publication of comprehensive implementation guidance that contains worked examples and complex scenario testing
- Resources for DSPs that contain worked examples and complex scenario testing

- A coordinated education and support program.

Risks if Unaddressed

If the implementation issues outlined above are not addressed, there is a risk of:
- Inconsistent implementation across software providers
- Increased compliance costs for employers
- Reliance on manual workarounds
- Downstream disputes and remediation activity
- Reduced confidence in the new framework.
- **Complexity undermines compliance and stakeholder confidence**
- **Poor transition design increases ecosystem resistance**

Conclusion

DSPANZ supports the intent and direction of the Employment Leave Bill and recognises the importance of reform.

However, the Bill represents a significant shift in how leave is calculated, classified and administered. The success of the reform will depend not only on legislative clarity, but on whether the required concepts, inputs and processes can be translated into functioning business systems.

To support successful implementation, DSPANZ recommends clearer operational rules, greater alignment with real-world system capability, structured engagement with DSPs, and sufficient time and support for both system and employer readiness.

DSPANZ welcomes continued engagement with MBIE to help ensure the framework is both conceptually sound and operationally workable.