

The Advocate

A regular newsletter for clients of MGZ Employment Law



Employment Relations Amendments Series: Collective Agreements and New Employees

The Employment Relations Amendment Bill (“**Bill**”) was introduced in June 2025 and had its first reading in Parliament on 15 July 2025. In our Employment Relations Amendments Series we consider the proposed changes and their practical implications in detail. The first part of this series focuses on changes relating to collective agreements and new or prospective employees.

The Explanatory Note of the Bill sets out that the Government’s aim with these changes is to “*reduce red tape for employers and increase freedom of choice for employees at the beginning of employment, as well as support the Government’s intention for 90-day trials to be available to all employers*”. But what could the changes mean for employers in practice?

Current Law

Currently, where a new employee’s work is covered by a collective agreement, regardless of whether or not they are a union member, they must be employed under terms and conditions of the collective agreement for the first 30 days of their employment. An employer and employee may agree to additional terms and conditions on an individual basis, but they must be no less favourable than the terms of the collective agreement. This limits the ability of the parties to agree to individual terms and conditions of employment.

Unions can also request that employers provide specific information about the role and functions of the union to prospective employees. There are only limited circumstances where the employer can refuse to comply with this request.

Following the initial 30-day period, employers must also advise the union of the employee’s name and give them a copy of the employee’s active choice form, unless the employee objects.

Proposed Changes under the Bill

The Bill would remove the requirement for a new (non-union member) employee’s terms and conditions of employment be based on the collective agreement for the first 30 days of employment. The Bill also removes the requirement to provide the employee with an active choice form and other information about the role and functions of the union.

Once a new (non-union member) employee has entered into an individual employment agreement, the employer would only be required to:

- (1) Tell the employee:
 - (a) that there is a collective agreement that covers their work; and
 - (b) that they may join the union;
 - (c) how to contact the union; and
 - (d) that if the employee joins the union they will be bound by the collective agreement; and
- (2) Give the employee a copy of the collective agreement; and
- (3) With the employee’s agreement, advise the union as soon as practicable that the employee has entered into an individual employment agreement.

If there are multiple collective agreements covering the employee's work, then the employer must provide a copy of the collective agreement that binds the most employees doing that work and inform the employee of the existence of the other collective agreement(s).

Practical Considerations

If this proposed change is passed into law in its current form, the first thing employers would need to consider is the terms of any applicable collective agreement. If:

1. there are details set out in the collective agreement about information that must be provided to prospective employees; and/or
2. there are any obligations over and above the existing legislation that are agreed in the collective agreement;

then employers will still be required to comply with the terms of the collective agreement.

Where the collective agreement does not provide any specific requirements for prospective employees, then when a non-union member employee has entered into an individual employment agreement, the employer must tell the employee about the existence of the collective agreement(s) and provide the union's contact details. They must also provide the employee with a copy of the applicable collective agreement.

With the employee's consent and agreement, the employer then needs to advise the relevant union as soon as practicable that the employee has entered into an individual employment agreement.

The employee can then choose whether to contact the relevant union and become bound by the applicable collective agreement, or to continue on their individual employment agreement.

These changes would mean greater flexibility for employers and employees to agree to individual terms and conditions of employment from the outset. Notably, it would be significantly easier to put new employees on 90-day trial periods. However, it is also important to remember that an employer's obligations in respect of preference and "*passing on*" will still apply, although this is generally more relevant when bargaining and concluding a collective agreement.

While there will be more freedom for the parties to agree on individual terms and conditions, any individual agreement cannot contain terms that undermine, or are intended to undermine, a collective agreement. Note, there can be different terms and conditions, and this does not necessarily mean they undermine the collective agreement. If you have any questions about employment terms and conditions, please contact us for advice.

The changes would also have implications during collective bargaining. Several unions have publicly criticised the changes, claiming that they are an attempt to undermine unions and will encourage exploitation of workers. It is likely that unions will seek to include a more detailed process for employers to follow in respect of prospective and new employees in collective agreements, in order to circumvent the legislative changes and continue to encourage union membership. Employers may also try to negotiate additional terms/processes for prospective employees out of any collective agreement before the Bill is passed into law.

As the Bill has only just been introduced, it is likely that there will be changes to it before it becomes law. We will closely monitor the status of the Bill and provide updates as needed. If you have any questions about the Bill or about your employment obligations, please contact our team for advice.



Changes to KiwiSaver Scheme

The Government has announced in this year's budget that there will be changes to the KiwiSaver scheme. From 1 July 2025:

- the Government contribution will be halved to 25c per dollar, to a maximum of \$260.72; and
- the Government contribution will be removed entirely for members with a taxable income over \$180,000 per annum; and
- 16- and 17-year-olds would be eligible for the scheme; and

The default employer and employee contribution rates will be increased as follows:

- From 3% to 3.5% from 1 April 2026; and
- From 3.5% to 4% from 1 April 2028.

Increases to Parental Leave Payments

From 1 July 2025, there will also be increases to parental leave payments as follows:

- The maximum weekly raid of paid parental leave will increase from \$754.87 to \$788.66; and
- The minimum parental leave payment for self-employed parents will increase from \$231.50 to \$235.00 per week.

Disclaimer:

This newsletter is not intended as legal advice but is intended to alert you to current issues of interest. If you require further information or advice regarding matters covered or any other employment law matters, please contact **Dean Kilpatrick, Jane Taylor, Nick Mason, Deborah Hendry or Jane Freeman.**