

**Holidays (Increasing Sick Leave) Amendment Bill
Education and Workforce Committee Select Committee**

Te Ope Whakaora – The Salvation Army New Zealand Fiji Tonga and Samoa Territory Submission

General Comments:

1. In principle, The Salvation Army supports the passing of this Bill. We agree with the fundamental purpose of the Bill which is to *increase the availability of employer-funded sick leave for employees.*ⁱ However, we are concerned about the impact of the Bill's provisions on the leave entitlements for the significant number of part-time or variable hours employees that work with us. Specifically, there is no mechanism in the legislation that allows for a pro-rated calculation of sick leave for part-time or variable hours employees. This is a weakness in this Bill. Therefore, we have made some recommendations based on our own practice that we believe can strengthen and further clarify the reach and impact of this Bill. We are confident that many other employers who have large numbers of part-time or variable hours employees will have similar concerns we have about this Bill.

Background:

2. The mission of The Salvation Army is to **care for people, transform lives and reform society through God, in Christ and by the Holy Spirit's power.**ⁱⁱ The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for over one hundred and thirty years. It provides a wide range of practical social, community and faith-based services around the country.
 - a. The combined services of Te Ope Whakaora The Salvation Army provided support to around 120,000 people per year. These services included over 57,000 food parcels to more than 28,000 families and individuals, providing some 2,400 people with short- or long-term housing, nearly 7,000 families and individuals supported with social work or counselling, just over 17,000 addictions counselling sessions, more than 5,500 families and individuals helped with budgeting, other practical assistance to over 6,000 families and individuals, 6,500 hours of chaplaincy support, and some 9,000 victims, defendants and families supported at court.
 - b. The Salvation Army employs almost 2,000 staff, has approximately 3,000 volunteers and 400 officers across New Zealand, Fiji, Tonga, and Samoa. We have over 1000 full time employees and over 900 staff who are part-time or working variable hours with us. Therefore, 48 per cent of the staff we employ are part-time or variable hours employees.
3. This submission has been prepared by The Salvation Army Social Policy and Parliamentary Unit (SPPU). The SPPU works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's New Zealand Fiji Tonga, and Samoa Territory.

Specific Responses to the Bill:

4. We affirm and support the fundamental intent and purpose of this Bill. As the Ministry of Business Innovation and Employment (MBIE) noted in their Regulatory Impact Statement (RIS), Covid has raised the profile of this issue around sick leave entitlements.ⁱⁱⁱ Again, we support this approach. The impacts of Covid are far-reaching and still unravelling for our nation. We noted some of the major social impacts of Covid in our 6 Covid-19 Social Impact Dashboards released between March and November 2020.^{iv}
5. In relation to this Bill and the principal Holidays Act 2003, the specific area this submission focusses on is the leave entitlements and calculations for part-time and casual employees.
 - a. The practice of The Salvation Army is to provide five days sick leave after 6 months to employees as per the statutory requirements.
 - b. After 12-months service, the sick leave entitlement for our employees then goes to 10 days. This is in line with the intentions from government in their Disclosure Statement^v and in the different MBIE RIS to eventually increase sick leave entitlements. This intention is enshrined in clause 4 of the Bill.
 - c. The average sick leave taken by Salvation Army employees is 5.16 days sick leave per year.
6. Within this context, the key concern we have is the sick leave entitlement for those who work less than full time hours. As a Christian charity, we are very reliant on part-time staff, as evidenced with the over 900 part-time or variable hours employees we currently have. For example, many of those working in our Family Stores (second-hand stores) around the country are part-time or work variable hours during the working week.
7. Our staff who work less than full time hours will essentially, under this Bill, be entitled to 10 days sick leave. This is even if they are only actually working 1 to 2 days per week. As the Committee might appreciate, this is a very challenging situation for us as a Christian charity, particularly the additional financial costs that we have to bear under this Bill. Clearly, as a charity who are not-for-profit, any additional financial costs we are tasked to bear are more significant and confronting for us compared to for-profit organisations. Another major challenge relevant to this Bill is that our managers or team leaders who have several part-time staff or variable hours employees must, under these increased leave entitlements, juggle the proposed leave entitlements and staffing demands that will likely come.
8. Consequently, we recommend that a provision or mechanism be inserted into the Bill that allows for a pro-rated calculation of sick leave for part-time employees. This kind of provision, in our view, will greatly assist employers who have many part-time staff to remain fair in the calculation of leave entitlements for staff.
 - a. We note that the MBIE RIS noted the feedback from stakeholders suggested that in terms of part-time employees, *an approach like annual leave where leave is in proportion to the amount of time spent working.*^{vi} This approach was not adopted in the Bill.
 - b. The Salvation Army already employs a pro-rated approach. Currently, if an employee works for 3 days (60% of the week) and has more than 12-months service, then they

are entitled to 5 sick leave days. On top of that, we provide further entitlements based on a pro-rated amount. In the scenario of the staff member working 3 days per week, they will have in total 6 days sick leave per year, or 60% of our Salvation Army 10-day entitlement.

- c. We submit that a pro-rated calculation like this will provide clarity and will in fact strengthen the Bill. Therefore, we recommend the inclusion of this kind of mechanism. Furthermore, we contend that a rigorous select committee process can help inform the committee about the most appropriate pro-rated approach. We will look forward to engaging in this process to clarify the pro-rated approach.
9. Finally, The Salvation Army notes the wider financial impact of this Bill. We affirm that there will be several benefits for both employees and employers if this Bill passes. At the same time, the financial impact for charities and the wider not-for-profit sector cannot be ignored. MBIE estimates the passing of this Bill would lead to a cost increase of approximately \$958 million per year across New Zealand – an increase of 0.88 per cent to the country’s wage bill.^{vii} While all of the costs and benefits of this Bill cannot be determined beforehand, the impact on charities who have varying and fluctuating income streams is significant. And if this Bill passes, this will add further costs to a charitable/not-for-profit sector that is *already* chronically underfunded and under-resourced (with some estimating a funding gap of over \$630 million per year^{viii}). This conjures up the old saying of *getting blood out of a stone* which is very real for our sector.

ⁱ Retrieved from <https://www.legislation.govt.nz/bill/government/2020/0001/latest/LMS430531.html?src=qs>

ⁱⁱ Retrieved from <https://www.salvationarmy.org.nz/church-community/resources>

ⁱⁱⁱ Retrieved from <https://www.mbie.govt.nz/dmsdocument/12307-regulatory-impact-statement-increasing-minimum-sick-leave-entitlement>, page 1.

^{iv} Retrieved from <https://www.salvationarmy.org.nz/research-policy/social-policy-parliamentary-unit/latest-report>

^v Retrieved from <http://disclosure.legislation.govt.nz/bill/government/2020/1>

^{vi} Supra note 3, page 5.

^{vii} Ibid, page 3.

^{viii} Retrieved from <https://www.rnz.co.nz/news/political/397993/social-service-providers-point-to-630m-shortfall-in-funds>