

The Collective Agreement Checklist

The five clauses that really matter before you sign



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Introduction

In collective bargaining, attention often goes straight to the headline wage increase. That is understandable, because wage movement is visible, measurable, and usually the most contested issue at the table.

However, under the Employment Relations Act 2000, legal compliance is only the starting point. The clauses that create the most long-term risk are often the structural clauses.

These are the provisions that determine who is covered, how work is organised, how pay interacts with hours and leave, and whether the agreement will operate cleanly in practice.

This checklist is designed to help employers review five essential clauses before signing, renewing, or varying a collective agreement.

The five clauses that matter

While there will always be organisation-specific issues to account for, if the following five core clauses are unclear, outdated, or poorly aligned with your operating model, the agreement can quickly become difficult to administer and expensive to fix.

Coverage
Term
Remuneration and pay structure
Hours of work
Leave entitlements



Clause 1: Coverage

Who and what does the agreement actually cover?

The coverage clause is one of the most important clauses In a collective agreement. It defines the:

- specific work
- types of work
- roles, or categories of employees

that fall within the agreement.

This matters because coverage determines which employees may become bound by the collective agreement if they are union members. It also affects bargaining scope, pass-on risk payroll application, and future disputes about whether new or changed roles sit inside or outside the agreement.

A coverage clause should not simply be copied forward from the last agreement without checking it against the current business. That is how employers end up with agreements that no longer reflect how the organisation actually operates.

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Coverage: Why it matters

The safest coverage clauses are not necessarily the narrowest. They are the clearest. The drafting should reflect the employer's actual structure, the kind of work performed, and the realistic areas where future disagreement may arise.

Coverage can become a major issue when:

- job titles have changed but the underlying work has not
- new roles have been created since the last agreement
- hybrid roles now perform work that crosses old occupational boundaries
- the union asserts that a new group of employees falls within the existing coverage clause
- the employer assumes a role is outside coverage, but the wording does not support that view

Red flags to look for

Watch for wording such as "all employees of the employer" unless that is genuinely intended. Also be cautious about coverage clauses that rely only on job titles, because job titles change over time and may not capture the real work being performed.

Before signing, check the coverage clause against:

- the current organisation chart
- current position descriptions
- known restructures or operating model changes
- roles likely to be created during the term of the agreement
- any areas where union coverage may be contested



Clause 2: Term

When does the agreement start, when does it expire, and what does that timing do to your bargaining position?

The term of the agreement is often treated as an administrative detail. It should not be.

Term is inextricably linked to the money value – time is money$. For example, a 2% increase over 12 months is very different to a 2% increase over 6 months.

The expiry date affects:

- bargaining timing
- potential leverage
- business continuity, and
- how much pressure an employer may face at the next round.

A collective agreement must state the date on which it expires, or the event on which it expires. The term also needs to be considered alongside the statutory continuation rules that may apply after expiry while bargaining continues.

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Term: Why it matters

Good term drafting is about more than compliance. It is about planning the next negotiation before the current agreement is signed.

Employers should deliberately consider:

- backpay is not a given, it is a matter for negotiation during the bargaining
- how does the term and any proposed wage/salary increase interact?
- whether the term aligns with budget cycles
- whether expiry falls in a peak operating period
- whether multiple agreements should be aligned or staggered
- whether the term gives enough time to implement operational changes
- whether the expiry date creates unnecessary pressure in the next round

Red flags to look for

The biggest warning sign is simply rolling forward the last expiry date without asking whether it still suits the business.

Also watch for:

- expiry dates that always land in the same high-pressure period
- multiple collective agreements expiring atonce without a deliberate strategy
- terms that do not align with payroll implementation timeframes
- agreements that expire shortly before or during major organisational change



Clause 3: Remuneration and pay structure

What is being paid, how is it calculated, and what changes during the term?

Since the 2018 amendments, collective agreements must include the rates of wages or salary payable to employees bound by the agreement, or the method for calculating them. The Act also requires the agreement to indicate if and how the rate of wages or salary may increase during the term of the agreement.

This is often where the most visible bargaining occurs. But the risk is not only the headline percentage increase. The real risk not knowing your own numbers. You need good modelling on the actual costs that will be driven by any proposed changes to rates and/or pay structure.

If pay clauses do not clearly explain how increases apply, what happens to steps or bands, whether allowances move, and how penal or overtime rates are calculated, the employer may face disputes that are far more expensive than the original wage movement.

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Why it matters

Pay structure needs to be modelled, not just negotiated. Employers should check:

- whether rates are fully stated or clearly calculable
- whether increases apply to printed wage/ salary rates only, or also to the actual paid wage/ salary rates
- if you have progression steps in your CA, how those progression steps operate, (i.e., service, skill, qualification based) and the potential costs of any step based progression over the term of the agreement
- whether employees can move between grades, bands, or classifications
- how backpay is dealt with
- how new employees enter the scale
- whether payroll can actually administer the structure

A pay clause that sounds simple at the table may be difficult to implement once payroll, rosters, allowances, leave, and overtime all interact.

Red flags to look for

Be cautious about pay clauses that refer vaguely to:

- "current company policy"
- "normal payroll practice"
- "rates as agreed from time to time"
- schedules that are not attached
- allowance rules that do not say whether future increases apply
- progression wording that does not identify the trigger for movement

If the method of calculation is not clear from the agreement itself, the employer is leaving room for a dispute.



Clause 4: Hours of work

What hours are ordinary hours, what flexibility does the employer retain, and when do additional payments start?

Hours of work clauses are often where operational flexibility is either preserved or lost.

They determine the difference between ordinary hours, overtime, penal time, shift work, rostered work, call-backs, availability, and sometimes sleepovers or on-call arrangements. They also determine whether the employer can change rosters, respond to demand, manage absenteeism, and use labour efficiently.

This clause is particularly important because hours wording interacts directly with pay, leave, payroll systems, and operational planning. An hours of work clause should be tested against how the organisation actually operates, not how it operated several bargaining rounds ago.

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Why it matters

The most problematic hours clauses are often the ones that have been inherited from old agreements and no longer reflect the current labour model.

- Employers should consider:
- what ordinary hours are
- whether ordinary hours are stated daily, weekly, fortnightly, or by roster cycle
- whether the employer can roster across days and times needed for the business
- when overtime starts
- when penal rates apply
- whether part-time and casual arrangements are clearly dealt with
- whether minimum engagements apply
- whether changes to rosters require consultation, notice, agreement, or a specific process
- whether the clause aligns with payroll configuration

Red flags to look for

Watch for clauses that:

- define ordinary hours too narrowly for current operations
- trigger overtime earlier than intended
- use unclear terms such as “reasonable overtime” without a process
- do not explain how roster changes are made
- conflict with actual payroll practice
- create different entitlements for similar work without a clear reason
- fail to deal with part-time employees properly

Hours clauses should be stress-tested before signing. Ask: if we had to run the business from this wording alone, would it work?

On top of these concerns, we know that the new Employment Leave Act 2026 is going to require even greater focus on the legislative requirements regarding ‘standard hours’, ‘additional hours’ and ‘casual hours’ and how these will interact with provisions in employment agreements.



Clause 5: Leave entitlements

What leave is provided, how is it calculated, and does it align with minimum statutory obligations?

Leave clauses are often underestimated because many leave entitlements are already regulated by legislation. But collective agreements frequently add additional leave, modify access rules, create enhanced payments, or use wording that affects how leave is calculated.

This can create material cost and compliance risk, particularly where the collective agreement wording does not align with payroll systems or statutory minimum entitlements.

Why it matters

Leave clauses need to be reviewed carefully because they often interact with:

- annual holidays
- sick leave
- bereavement leave
- family violence leave
- public holidays
- alternative holidays
- parental leave
- long service leave
- special leave
- union leave
- discretionary leave
- service-based enhancements

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The risk is not only whether the leave entitlement is generous. The risk is whether it is clear and compliant with current and potential future legislation. Its also critical to understand if the it is operational in terms of do your time and attendance systems accurately capture sufficient detail to separate all the different types of leave and ensure the record keeping is compliant with legislation?

For example, a clause may provide an additional entitlement but fail to explain eligibility, accrual, carry-over, payment on termination, or whether the entitlement is pro-rated for part-time employees.

Red flags to look for

- Watch for leave clauses that:
- duplicate legislation but don't reference that the entitlement is "in accordance with the Act…"
- create enhanced entitlements without clear eligibility rules
- do not specify whether leave is pro-rated
- use discretionary wording inconsistently
- create payroll rules that are hard to administer
- refer to policies that may change during the term
- fail to explain whether unused enhanced leave is paid out on termination
- If a leave clause gives more than the statutory minimum, it should say exactly who gets it, when they get it, how it is calculated, and what happens when employment ends.

Also check whether any existing collective agreement still contains wording that reflects the previous 30-day approach. Even if the statute has changed, the wording in the agreement may still create practical or contractual issues if it has not been updated.



The checklist:
run your agreement through this before you sign

Coverage

- ◯ Does the clause clearly identify the work, roles, or employees covered?
- ◯ Has it been checked against the current organisation structure?
- ◯ Does it deal with new, changed, or hybrid roles?
- ◯ Is it clear enough to avoid future disputes about whether a role is in or out?

Term

- ◯ How does the expiry date align with budget cycles and operational capacity?
- ◯ Have you considered whether multiple agreements should be aligned or staggered?
- ◯ Does the term support your medium-term operating strategy?

Remuneration and pay structure

- ◯ Are the rates or calculation method clearly stated?
- ◯ Is it clear how increases apply during the term?
- ◯ Do the pay clauses explain progression, allowances, penal rates, and overtime interactions?
- ◯ Has the full-term cost been modelled, not just the first-year increase?
- ◯ Can payroll administer the clause as drafted?

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Hours of work

- ◯ Are ordinary hours clearly defined?
- ◯ Is the overtime trigger clear?
- ◯ Are rosters, changes to rosters, minimum engagements, and part-time arrangements properly dealt with?
- ◯ Does the clause preserve the flexibility the business actually needs?
- ◯ Does it align with current payroll and rostering practice?

Leave entitlements

- ◯ Are statutory and enhanced entitlements clearly separated?
- ◯ Is eligibility clear?
- ◯ Are pro-rating, carry-over, and payment on termination addressed where needed?
- ◯ Does the wording align with payroll practice?
- ◯ Are references to policies or discretionary entitlements clear and controlled?

Heading into bargaining, or unsure what is hiding in your current agreement?

Three60 Consult works with New Zealand employers to review collective agreements, prepare bargaining strategy, and support employers through negotiations.

A well-drafted collective agreement should do more than record the outcome of bargaining. It should support the way the organisation actually works, reduce avoidable disputes, and give both parties a clear framework for the term ahead.

If you are preparing for bargaining, renewing an existing agreement, or dealing with a clause that no longer works in practice, we can help you identify the issues before they become bargaining or compliance problems.

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