

Rural eSpeaking

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Welcome to the Winter edition of *Rural eSpeaking*.

We hope you enjoy reading this e-newsletter, and find these articles both interesting and useful.

If you would like to talk further about any of the topics we have covered in *Rural eSpeaking*, or indeed on any other legal matter, please do not hesitate to contact us. Our details are on the top right.



Understanding workplace accommodation and service tenancies

Complex legal obligations

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Focus on New Zealand wool

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The government has agreed to an amendment to Rule 69 of the Procurement Rules; this rule requires agencies to note the Construction Procurement Guides when procuring construction works (essentially meaning agencies must prioritise wool when possible).

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Over the fence

Health and safety on farms in the wet season

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Changes to the Recognised Seasonal Employer scheme

The agricultural sector continues to struggle with a persistent shortage of experienced farm workers. In response, many employers have turned to the RSE scheme.

Foot and mouth disease agreement

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136–138 Powderham Street
Private Bag 2031, New Plymouth 4342
T 0800 733 837 or 06 769 8080 | F 06 757 9852
info@connectlegal.co.nz | www.connectlegal.co.nz

Understanding workplace accommodation and service tenancies

Complex legal obligations

In certain sectors, particularly agriculture, tourism and residential care, it's common for employers to provide housing to their employees as part of the job. These arrangements are known as 'service tenancies.' They can be legally complex due to being dually governed by both employment law and residential tenancy law.

While providing accommodation for employees can support recruitment and retention, it also creates legal obligations that employers must manage carefully. In particular, an employer who provides accommodation becomes a landlord under the Residential Tenancies Act 1986 (RTA), with all the associated duties and liabilities.

What is a 'service tenancy'?

A service tenancy exists when an employer provides accommodation as part of an employment package. The key legal feature is that the right to occupy the premises is tied to the job – if the employment ends, an employer can give notice to also end the right to stay in the accommodation.

As the RTA applies to service tenancies, employers are subject to the same rules as residential tenancies, including:

- + The requirement for a written tenancy agreement
- + Obligations around rent, maintenance and quiet enjoyment, and

- + Dispute resolution through the Tenancy Tribunal.

Employers as landlords: key obligations

Employers offering accommodation must meet the full legal obligations of residential landlords, including:

- + **Healthy homes standards:** all residential rental properties, including service tenancies, must meet the standards' requirements around heating, insulation, ventilation, drainage and moisture control
- + **Tenancy agreements:** a written tenancy agreement is mandatory, even when the housing is 'part of the job.' The agreement should clearly state:
 - That the tenancy is a service tenancy
 - The relationship between the tenancy and the employment agreement, and
 - The rental value or allowance (even if nil)

There need not be two separate documents: an employment agreement may incorporate the terms of the tenancy agreement, provided the requisite detail above is included.

- + **Bond lodgment:** if a bond is taken, it must be lodged with Tenancy Services within 23 working days after it's received from the tenant/employee, even if the employer sees the accommodation as part of a broader employment arrangement, and

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- + **Notice periods:** termination of a service tenancy must be handled according to section 53B of the RTA. If the employment ends, the landlord (employer) may give 14 days' notice to vacate. However, this must be done with due process to avoid unlawful eviction claims.

Common pitfalls

Employers sometimes assume that service tenancies are informal or outside standard tenancy rules. This is not the case. Common mistakes include:

- + Failing to record the tenancy in writing
- + Not meeting healthy homes requirements, exposing employers to fines
- + Assuming the tenancy ends automatically with employment termination
- + Failing to consider the tax implications of the value of the rental, and
- + Charging rent without clearly defining it in the employment or tenancy agreement.

These errors can lead to disputes before the Tenancy Tribunal, with potential penalties for unlawful eviction, unlawful entry or breaches of maintenance obligations.

Employment relationship risks

As the accommodation is tied to employment, disputes can straddle two legal regimes: employment law and tenancy law. For instance, if an employee is dismissed and then evicted from their home they may challenge both the dismissal and the tenancy termination. However, while they can overlap in practice, the legal jurisdictions remain entirely separate and legal disputes can only be pursued in the relevant jurisdiction. For example, an employee cannot raise an issue with the compliance of healthy homes standards as part of a personal grievance claim in the Employment Relations Authority for unjustified disadvantage.¹

¹ Unjustified disadvantage is where an employer takes actions that negatively impact an employee's working conditions, or ability to do their job, without a reasonable or justifiable reason.

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The importance of wool

New Zealand is currently the world's third largest wool producer, trailing only China and Australia. Our wool accounts for around 9% of total global wool production.²

Home to around 23.3 million sheep, 80% of New Zealand's wool clip is 'strong wool' that is suitable to use in building products such as carpets, rugs, insulation and acoustic panels.

The 120,000 tonnes of wool that New Zealand produces annually generated \$549 million in 2024. The government, however, believes this figure can be improved upon by prioritising a more direct approach to use more natural fibres in government buildings.

New changes

The government has agreed to an amendment to Rule 69 of the Procurement Rules; this rule requires agencies to note the Construction Procurement Guides when procuring construction works

(essentially meaning agencies must prioritise wool when possible). The changes will affect two categories of government buildings:

1. New construction works when the maximum total estimated value of the build meets or exceeds \$9 million, and
2. Refurbishments when the maximum total estimated value of the work meets or exceeds \$100,000.

If an agency has chosen not to use woollen fibres, it must report annually to the Ministry of Business, Innovation, and Employment (MBIE) regarding why the use of woollen fibres was not practical or appropriate.

A developing trend?

This announcement continues a developing trend as the government clearly signals a more supportive approach towards the wool industry.

In November 2024, New Zealand signed the Agreement on Climate Change, Trade and Sustainability (ACCTS) with Switzerland, Costa Rica and Iceland to remove tariffs on hundreds of sustainable goods and services (including wool products). The ACCTS aims to prioritise New Zealand's sustainable exports.

Alongside the ACCTS, the government also made a raft of changes to the Emissions Trading Scheme (ETS) that limit the ability of farmers to turn their most productive farmland into forestry for the purpose of



obtaining carbon credits. While the price of wool continued to drop, many farmers had begun to move away from wool in favour of planting forestry with the perception being that this approach was likely to yield a higher profit than farming sheep. The changes to the ETS provide a further boost to the wool industry.

The benefits of using wool

For close to 150 years, the sheep industry was the backbone of New Zealand's economy. While the profitability of wool and sheep farming has reduced with the creation and implementation of synthetic fibres in clothing and other manufactured goods, the quality of New Zealand's wool has not decreased.

Wool outperforms synthetic fibres when it comes to sustainability and longevity.

Wool's natural qualities allow it to dampen sound and absorb pollutants. As well, wool creates healthier indoor environments by naturally regulating humidity and improving air quality.

What are farmers saying?

The reaction from New Zealand farmers has been, unsurprisingly, overwhelmingly positive. Federated Farmers' Meat & Wool just-retired chair, Toby Williams said that the government's announcement was a clear vote of confidence in the future of New Zealand wool as a natural and sustainable product.

Mr Williams praised the long-term effects of the decision, saying, "For too long, synthetic alternatives have dominated

² NZ Wool Industry fact sheet, 9 April 2025.

Over the fence



Health and safety on farms in the wet season

Farming in New Zealand is a year-round responsibility. The wet season (usually in winter) has particular challenges that require an increased focus on health and safety practices.

Working in wet conditions presents hazards for you, your employees and your property. These include:

- + Rain-soaked ground and slippery surfaces make it easy to lose footing, increasing the risk of sprains, fractures or more severe injuries
- + Machinery, such as tractors and quadbikes, become harder to control raising the likelihood of accidents and machinery damage
- + Livestock can be unpredictable and difficult to manage when moving them through flooded or slippery areas, and
- + Flooding can restrict access to key areas of farmland, damage infrastructures and contaminate water supplies.

Improving health and safety: The Health and Safety at Work Act 2015 outlines the responsibilities of both employers and employees. It requires all parties to take reasonable care for their own safety and ensure that their actions do not adversely affect the health and safety of others.

With this year's heavy winter rain, it is essential to implement effective risk mitigation strategies. Checking and repairing drainage systems may reduce the risk of flooding or damage to other infrastructure before the onset of heavy rain. This includes cleaning drains, reinforcing culverts and ensuring paddocks are equipped with adequate runoff channels.

Some other risk mitigation measures include:

- + Providing all workers with waterproof clothing and appropriate footwear
- + Conducting regular maintenance checks on all equipment
- + Ensuring health and safety policies and procedures are up to date, and
- + Having adequate training and supervision for all workers.

By proactively implementing these safety measures, farmers can reduce the risks associated with wet weather and create a safer working environment for themselves, their employees and their livestock.

Changes to the Recognised Seasonal Employer scheme

The agricultural sector in New Zealand continues to struggle with a persistent shortage of experienced farm workers.

In response to this ongoing problem, many employers have turned to the Recognised Seasonal Employer (RSE) scheme. This initiative enables workers from eligible Pacific countries to travel to New Zealand on a seasonal basis to assist with tasks such as planting, maintaining, harvesting and packing crops.

Recent changes and what's ahead:

- + Since 10 March 2025: The median wage requirement was removed for future employees and the work experience requirement for workers was reduced from three years to two years, and
- + A proposal for changes to start on a yet-to-be-decided date in November 2025: New pathways will be introduced for experienced seasonal workers, including:
 - A three-year multi-entry visa for experienced workers, and
 - A seven-month single-entry visa for lesser-skilled workers.

What do these changes mean for employers and employees? Employers hiring under the Accredited Employer Work Visa or Seasonal Specific Purpose Work Visa are no longer required to pay the median wage. Instead, the only wage thresholds are to ensure the worker is being paid the market rate and that rate is above the New Zealand minimum wage; the minimum wage increased to \$23.50 per hour on 1 April 2025.

The reduction of migrants only needing to demonstrate two years' relevant work

experience broadens eligibility and allows more workers to qualify.

Finally, the introduction of multi-entry and single-entry seasonal visas will create more opportunities for seasonal work in New Zealand. They will also provide workers with structured pathways that support varying skill levels, and offer more flexible and sustainable options for both employers and employees.

Foot and mouth disease agreement

Foot and mouth disease (FMD) is a highly contagious viral illness that primarily affects cloven-hoofed animals such as cattle, pigs, sheep, deer and goats. FMD is rarely fatal but could still lead to significant production loss, and severely impact our meat and dairy industry.

Common FMD symptoms are:

- + Blisters in the mouth, on the feet, or on the teats
- + High fever
- + Loss of appetite due to mouth pain
- + Lameness or difficulty walking caused by blisters, and
- + Decreased milk production.

The FMD agreement: An agreement has been entered into between six major livestock industry organisations and the government. It formalises how all parties will work together to prepare for, and respond to, an outbreak of FMD in New Zealand.

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Understanding workplace accommodation and service tenancies (continued)

Careful drafting is essential. Either the employment agreement needs to fully encompass the terms of the tenancy, or a standalone tenancy agreement also needs to be prepared.

Best practice for employers

- + Clearly link the accommodation to the employment but avoid automatic termination clauses that breach tenancy law
- + Ensure housing meets healthy homes standards, even if the employee is not paying rent, and
- + Talk with us before terminating the tenancy, especially if the employment ends in contentious circumstances.

Real benefits but be careful

Providing accommodation as part of an employment package can offer real benefits – but only if managed correctly. Employers must wear two hats: one as an employer and the other as a landlord.

Understanding and fulfilling their obligations under the RTA, as well as employment laws and regulations, is essential to avoid costly legal disputes and to ensure that employees are treated fairly and lawfully.

If you're providing housing to staff, we recommend reviewing your tenancy and employment documents to ensure they're up to date and legally compliant. +

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Shearing the love (continued)

the list of preferred construction materials, despite wool being a better option in so many ways.

"In the past, it's felt like a total slap in the face to see our own Government choosing those synthetic alternatives over sustainable and locally grown woollen products.

"Today's announcement goes a long way in putting those past wrongs right, and is certainly a very positive step in the right direction.

"To sum it up in two words? Shear brilliance." +



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Over the fence (continued)

The agreement outlines clear roles and responsibilities for all partners, including how associated costs will be shared. It gives industry partners a direct and legally binding role in decision-making. This ensures that the perspectives of farmers and industry stakeholders are included in every stage of the response.

It is estimated that an FMD outbreak in New Zealand could cost up to \$3 billion to eradicate. Livestock industry partners would contribute up to 40% of preparation costs and 15% of response costs, with total contributions capped at \$450 million over the five year duration of the agreement.

Recent FMD outbreaks overseas highlight the importance of New Zealand reaching an adequate level of preparedness and the peace of mind this will provide for industry providers. +

