New Zealand Staff Turnover

Summary Survey Report 2019

LawsonWilliams
future people

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About the authors

Lawson Williams Consulting Group is a Recruitment Solutions business.

We work with a wide range of New Zealand businesses and for over 25 years have delivered improved recruitment outcomes and reduced the total cost of recruitment.

The business operates with 3 Recruitment brands...

LawsonWilliams
Specialist Recruitment

Specialising in 6 core verticals..

Manufacturing and Operations, Supply Chain and Procurement
Technical, Quality and Health and Safety, Engineering
Lean and Continuous Improvement, Sales and Marketing

Oxygen
recruitment.hr

Specialising in 6 core verticals..

Human Resources, Accounting, Customer Services, Office Support
Tech/Trade/Ops, Sales and Marketing

LawsonExecutive
High performing people

Leadership recruitment for New Zealand organisations

Each brand operates with 3 divisions...

End to end recruitment...

As recruitment specialists our role is to know who is right. It's about experience, capability, potential and fit
Today's recruitment specialist must know both the market and the people in it. With over 25 years recruiting in New Zealand, including the completion of thousands of successful assignments we have become an authority within our areas of recruitment specialisation.

Recruitment Consulting...

Our Recruitment consulting team work with clients who are looking for a fit for purpose recruitment solution, not always requiring our end to end specialist recruitment services. We work with Managers, Human Resources and Internal Recruitment to develop, implement or supplement unique recruitment services.

HR Services....

Our clients often have human resources management needs that require reliable access to senior level HR experience, but not on a full-time basis. Whether it's a one-off project or on-going support and advice throughout the year, HR Services can develop and provide the HR service or support to meet your requirements.

Introduction

The New Zealand National Staff Turnover Survey is now in its 12th year. The survey provides organisations a benchmark of the success of their recruitment, onboarding, retention and development activities.

Staff Turnover

CEO's have become more focused on the costs of staff turnover in the last decade as business competition increases, there is a drive for cost reduction and skills are in short supply.

Staff turnover includes both direct and indirect costs to a business. These include:-

- The cost of hiring a new employee including the advertising, interviewing, screening, and hiring.

- The cost of onboarding a new person, including training and management time.

- Lost productivity—it may take a new employee one to two years to reach the productivity of an existing person.

- Lost engagement—other employees who see high turnover tend to disengage and lose productivity.

- Customer service and errors—for example new employees take longer and are often less adept at solving problems.

- Training cost—for example, over two to three years, a business likely invests 10 to 20 percent of an employee's salary or more in training

- Cultural impact—whenever someone leaves, others take time to ask why.

Employee Retention

Most New Zealand businesses do not understand or know the true cost of staff turnover in their business.

To do this effectively requires having systems in place to track exit costs, recruiting, interviewing, hiring, orientation and training, lost productivity, potential customer dissatisfaction, reduced or lost business, administrative costs, lost expertise, etc.

This takes collaboration among departments (HR, Finance, Operations), ways to measure these costs, and reporting mechanisms.

Despite not knowing the true cost of turnover, a focus on employee retention is essential to minimise the level of unwanted staff turnover.

This year we continue to present the reasons for turnover and the retention strategies being used by New Zealand businesses to minimise it.

90 Day trial period

The recent Employment relations amendment bill as expected reduced the conditions of the 90-day trial period to that introduced by the National Government in 2009. It is now only available to companies with less than 20 staff.

This is the final year under this government that we will report on the use of this trial period by both small and large companies and their employees.

Our Survey Partners

Lawson Williams appreciates the ongoing support of the Human Resources Institue of New Zealand.

HR NZ People powered success

Executive Summary

The average National Staff turnover rate for 2018 was 20.5%. This is a 9.2% increase from 2017 and is the highest rate since 2008.

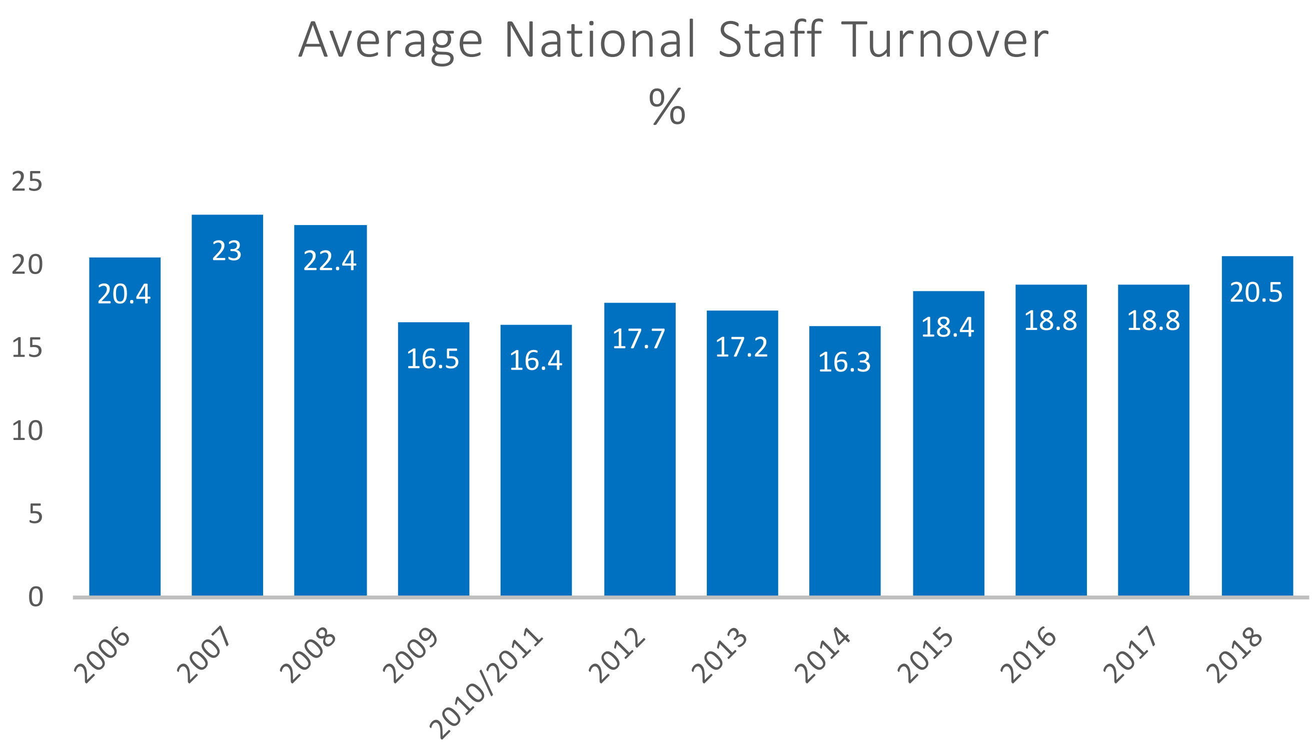
Staff Turnover in New Zealand plateaued through 2015 to 2017. In 2018 we have seen a significant increase to 20.5, the highest rate since before the GFC in 2008.

The rate of staff turnover is made up of both voluntary and involuntary turnover. In a typically strong economy the level of voluntary turnover will increase as employees feel more comfortable and positive and therefore will seek to improve their employment conditions through new employment opportunities. At the same time, we expect a decrease in the rate of involuntary turnover as businesses are more typically in a stable or growth mode and are not as often needing to actively reduce staff.

In 2017 we saw a 10.5% increase in Voluntary turnover to 16.9% and a 27.8% decrease in Involuntary turnover to 2.6% which is typical of a strong economy.

Interestingly in 2014 and 2015 we saw an increase in Voluntary turnover at the same time as an increase in Involuntary turnover. This indicated that the economy was showing some variability across sectors with some commentators labelling it a "two speed" economy. The impact of the Christchurch earthquake recovery contributed to this variability across sectors and regions in New Zealand.

Now in 2018 we again see some interesting variability in Voluntary vs Involuntary turnover. Involuntary turnover has increased significantly by 62% to 4.2%. As discussed above we would expect with this rise to see a corresponding decrease in Voluntary turnover however this remained steady at 17.2%.



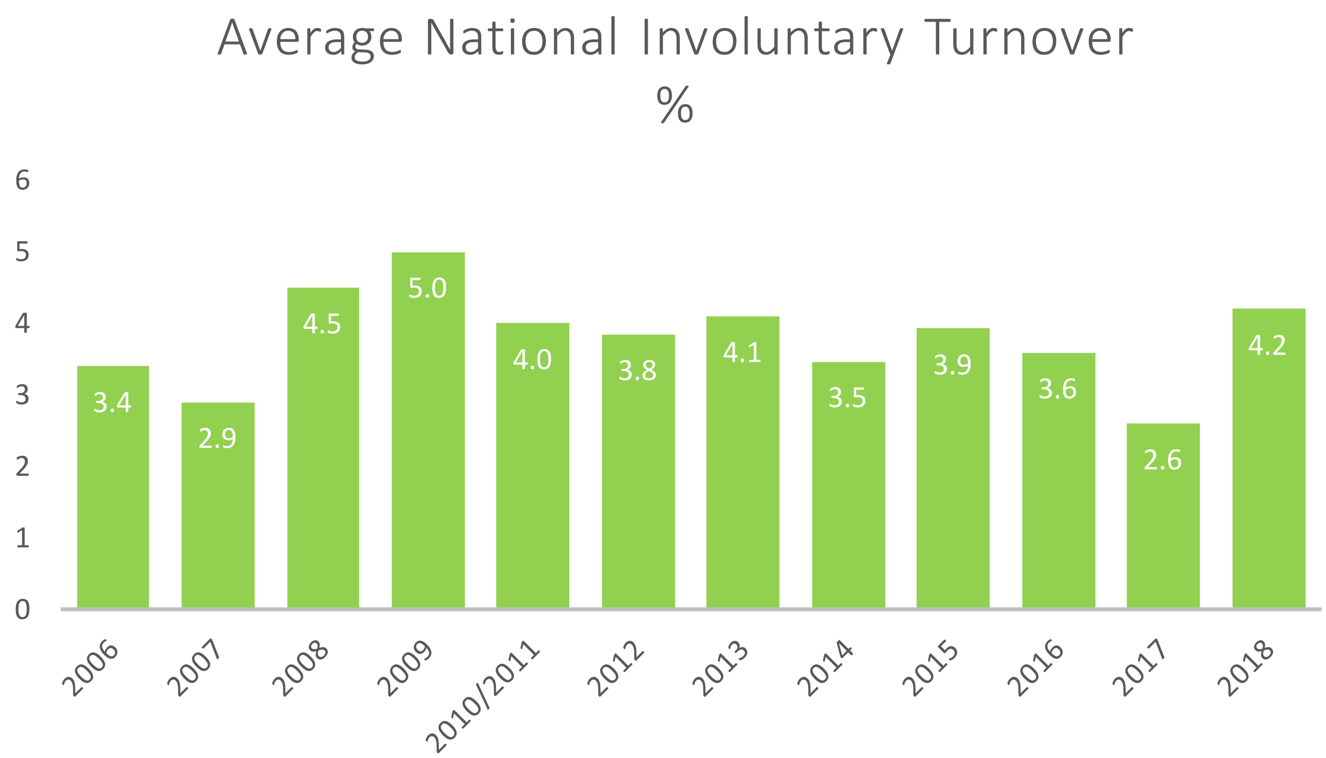
Voluntary vs Involuntary Turnover

In 2017 we saw a 10.5% increase in Voluntary turnover to 16.9% and a 27.8% decrease in Involuntary turnover to 2.6%. Although the average turnover rate remained stable, these were significant movements in the underlying components of average turnover. Refer to the graphs on the following page.

Again in 2018 we have seen a large movement in Involuntary turnover and this has been the key driver in the national average turnover increasing to 20.5%.

A large movement in Voluntary turnover is more commonly matched by a drop in Involuntary turnover when an economy is in a growth phase. Voluntary turnover however remained steady while Involuntary increased significantly which indicates that there is real variability of performance across industry sectors in New Zealand.

In the current market Voluntary turnover has remained at levels equivalent to before the GFC. It appears that employees continued to be confident and to look for new employment. In some sectors as already stated such as Accounting Practices, Energy & Electricty, Fastfood & Hospitality, Property & Construction there has been higher levels of Involuntary turnover indicating that these sectors are finding the current market conditions challenging leading to restructure and/or the laying off of staff.



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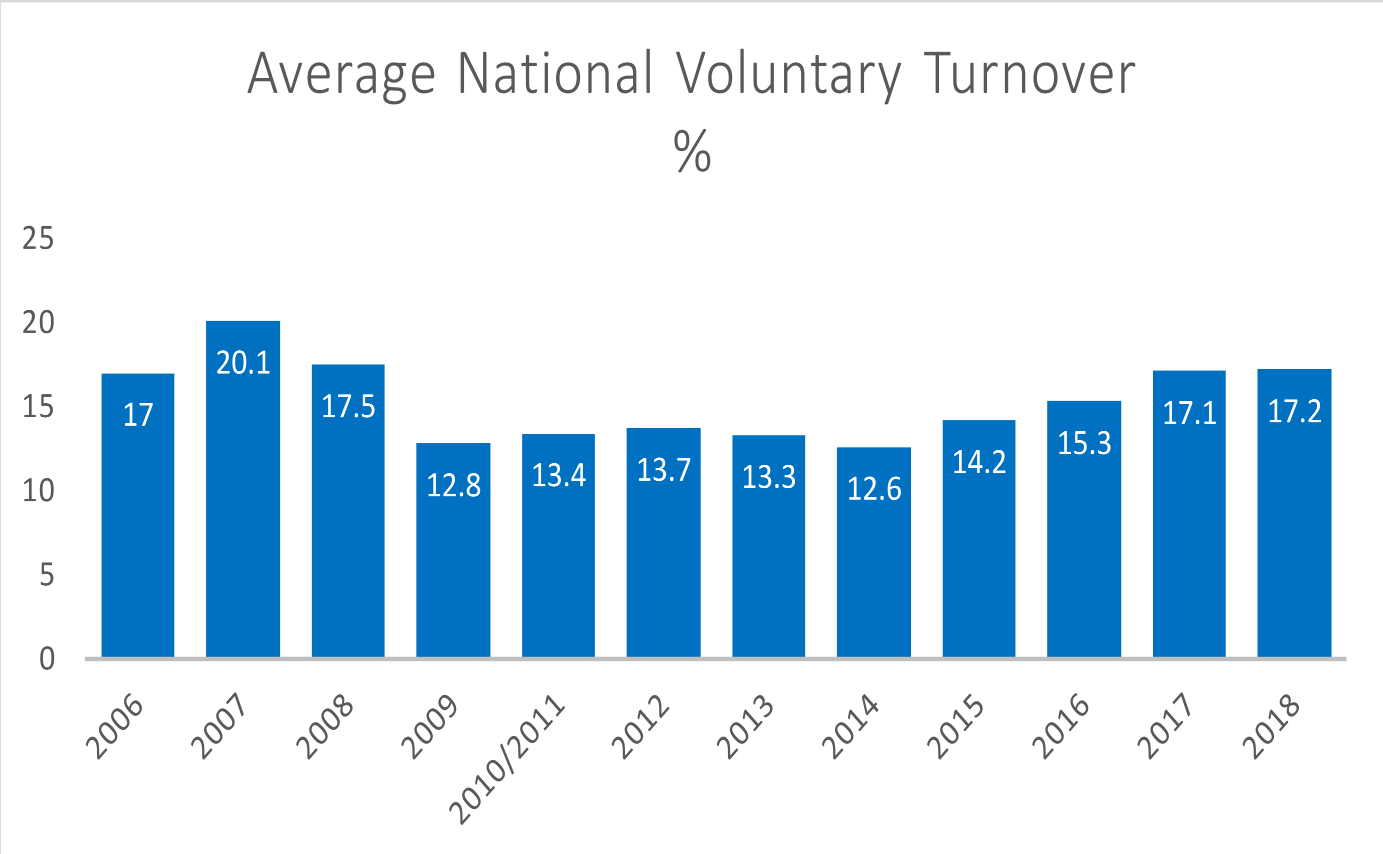


Turnover in the first twelve months of employment

In 2016 we reported an increase of 21% turnover in the first 12 months of employment to 19.6%. In 2017 this increased a further 11.5% increase to 28.4%.

In 2018 this has peaked at 31.9% and is equivalent to 1 in every 3.1 hires failing within the first year.

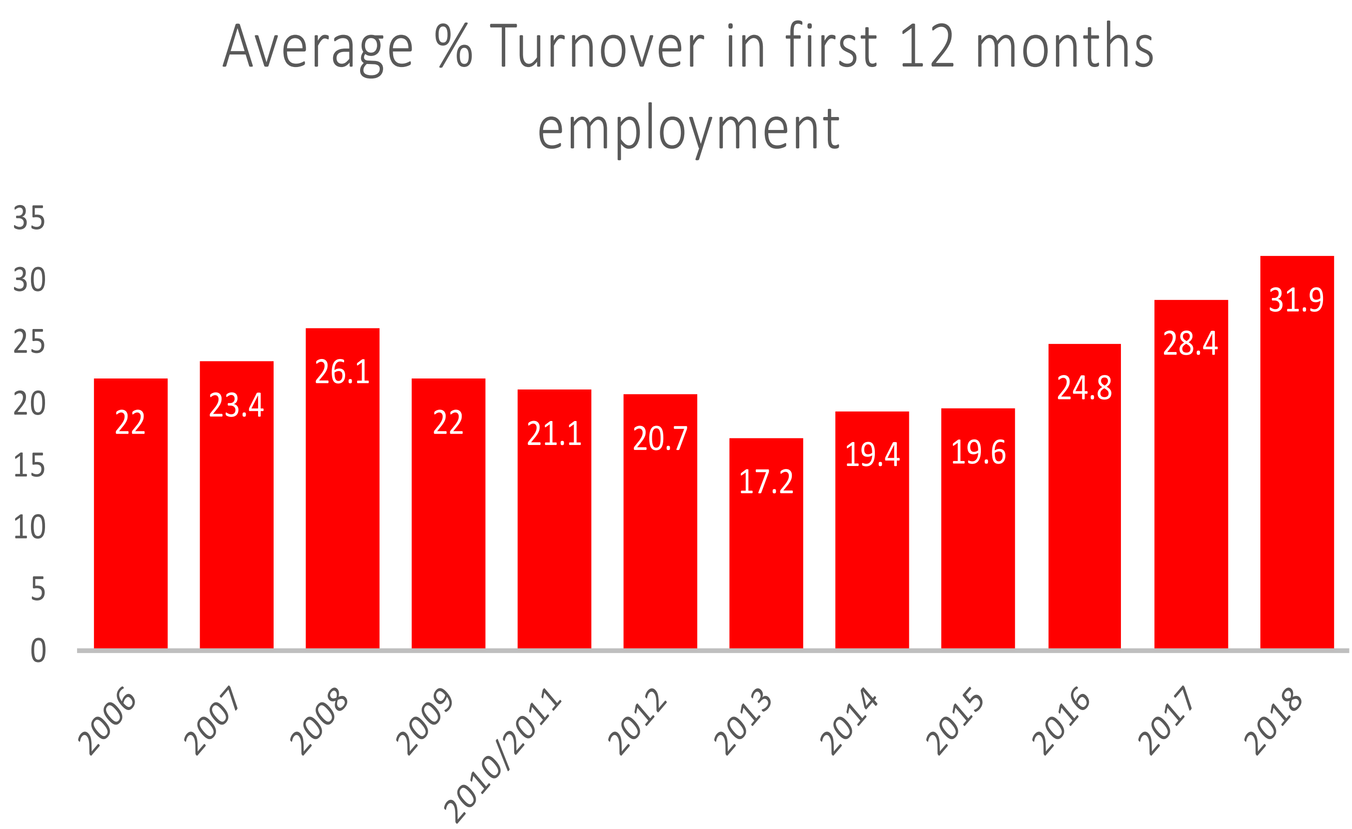
This is the highest level of first year tunover reported by this Survey and passes for the second year the level recorded during the Global Financial Crisis in 2008.

First year turnover is a key benchmark of recruitment and induction success.

These turnover rates show just how important it is for Companies to look carefully at its recruitment and selection strategy – and its onboarding process.

Ensuring new starters receive ongoing support and attention, and have the opportunity to raise any concerns as soon as possible, can help to avoid staff churn among this group.

Losing an average of one in 3.5 employees before completing one year of service is not only costly in terms of resources, but also for employee engagement among those already in post.



Comparisons by Industry Sector

Consistent with past results, 2018 turnover rates varied considerably across industry sectors. The variation across industries accentuates the need for organisations to evaluate the turnover/staff retention performance across their own industry sector, rather than using the national average turnover rate of 20.5% as a benchmark.

We have therefore provided industry-by-industry turnover figures throughout this report

The following graphs display turnover data for different industries. The graph labels throughout the report are abbreviated (e.g., 'Agriculture' is short for the agriculture, horticulture, forestry & fishing industry sector). A definition for each industry categorisation is available on p. 29.

Average turnover varied from 10.9% (Energy Electricity) to 57.9% (Fastfood, hospitality). Previously in 2017 turnover across different industries ranged from 8.2% (Other Professional Services) to 46.0% (Fastfood, hospitality).

The results information for this section is available to participants only.

Please contact us at info@lawsonwilliams.co.nz if you would like to participate and to ensure you receive all of the results from our next turnover survey.

Change in Turnover 2017 to 2018

In this survey we note some significant changes in percentage of staff turnover in specific industry sectors between 2017 and 2018:

Retail, Local Government, ICT, Engineering Consulting and Other Manufacturing & Industrial industries had only small changes in staff turnover, ranging within 10% of 2017.

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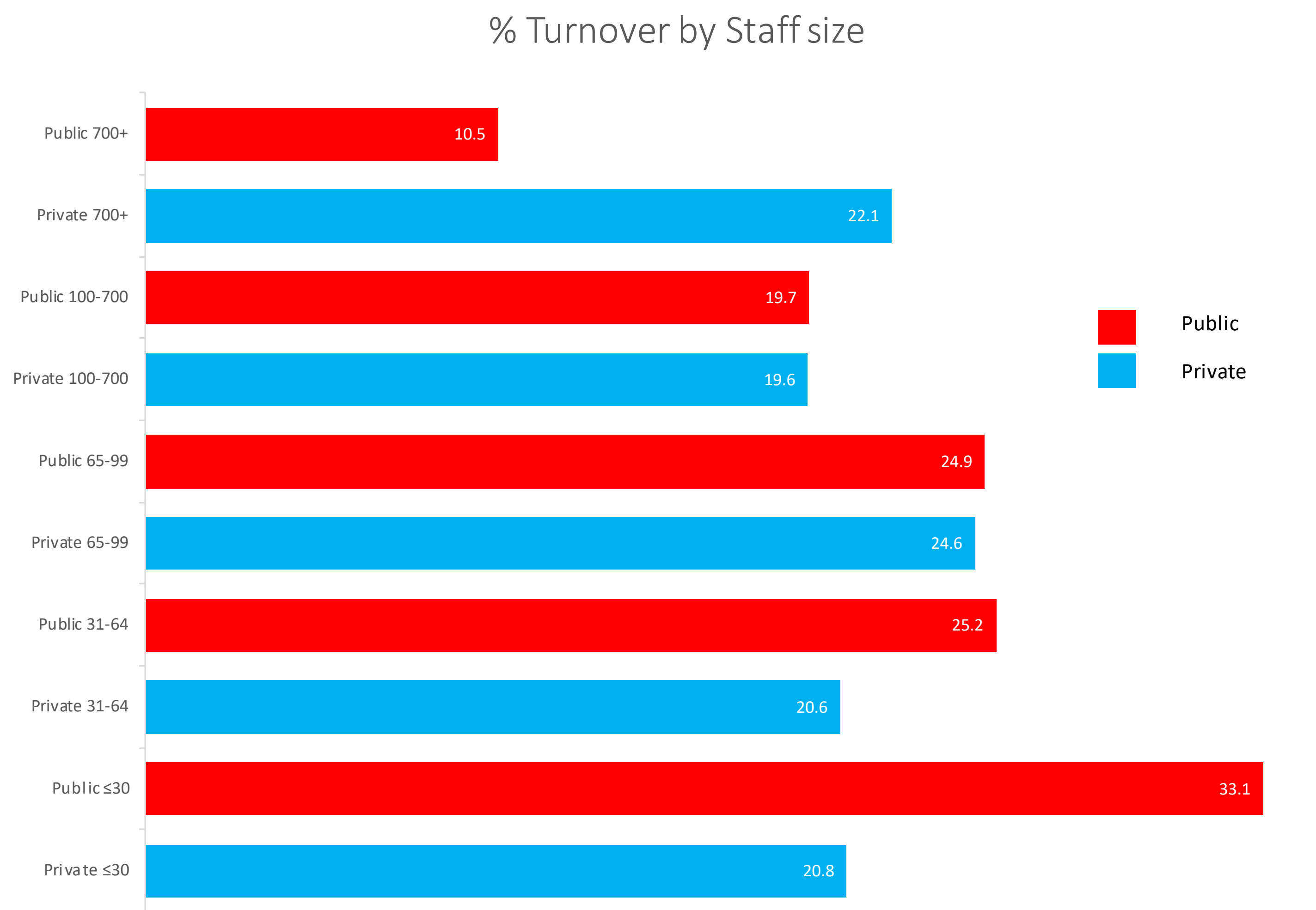
Turnover by Staff size

The following graph compares turnover (private vs public) according to five different groups of organisational size: (1) fewer than 30 staff, (2) 31-64 staff, (3) 65-99 staff, (4) 101-700 staff, and (5) more than 700 staff.

Large organisations (700+ staff) within the Public sector have consistently shown lower rates of turnover. Staff turnover within this group showed a decrease of 33% between 2017 and 2018.

With the above exception, turnover in Public Sector organisations increased between 2017 and 2018: by 94% for public organisations with fewer than 30 staff; by 36% for 31-64 staff; by 54% for 65-99 staff; and by 34% for 100-700 staff.

In the Private sector, turnover for organisations with 700+ employees remains stable from the previous year (22.2% in 2017); as does organisations with 100-700 employees (20.0% in 2017). Private employers with 31-64 employees saw a decrease in turnover by 18%. Conversely, Private organisations with 65-99 employers experienced an increase in turnover by 21% as well as those with fewer than 30 employees (+13%).



Voluntary and Involuntary Turnover by Industry

Consistent with past results, rates of involuntary turnover varied greatly across industries: from 0.4% (Early Childhood) to 16.5% (Fastfood, Hospitality).

Voluntary turnover also varied between industries: from 8.8% (Energy, Electricity) to 41.4% (Fastfood, Hospitality).

High levels of involuntary turnover suggest relatively high levels of restructures, redundancies and dismissals in a given industry sector.

Fastfood/Hospitality, Accounting Firms, and Banking/Finance industries all showed higher rates of involuntary turnover, a contrast to what we saw in 2017 (3.2%, 1.6%, and 3.8% respectively).

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Turnover by Revenue

This graph compares turnover either by organisational revenue (for the Private Sector, blue bars) or baseline budget (for the Public Sector, red bars).

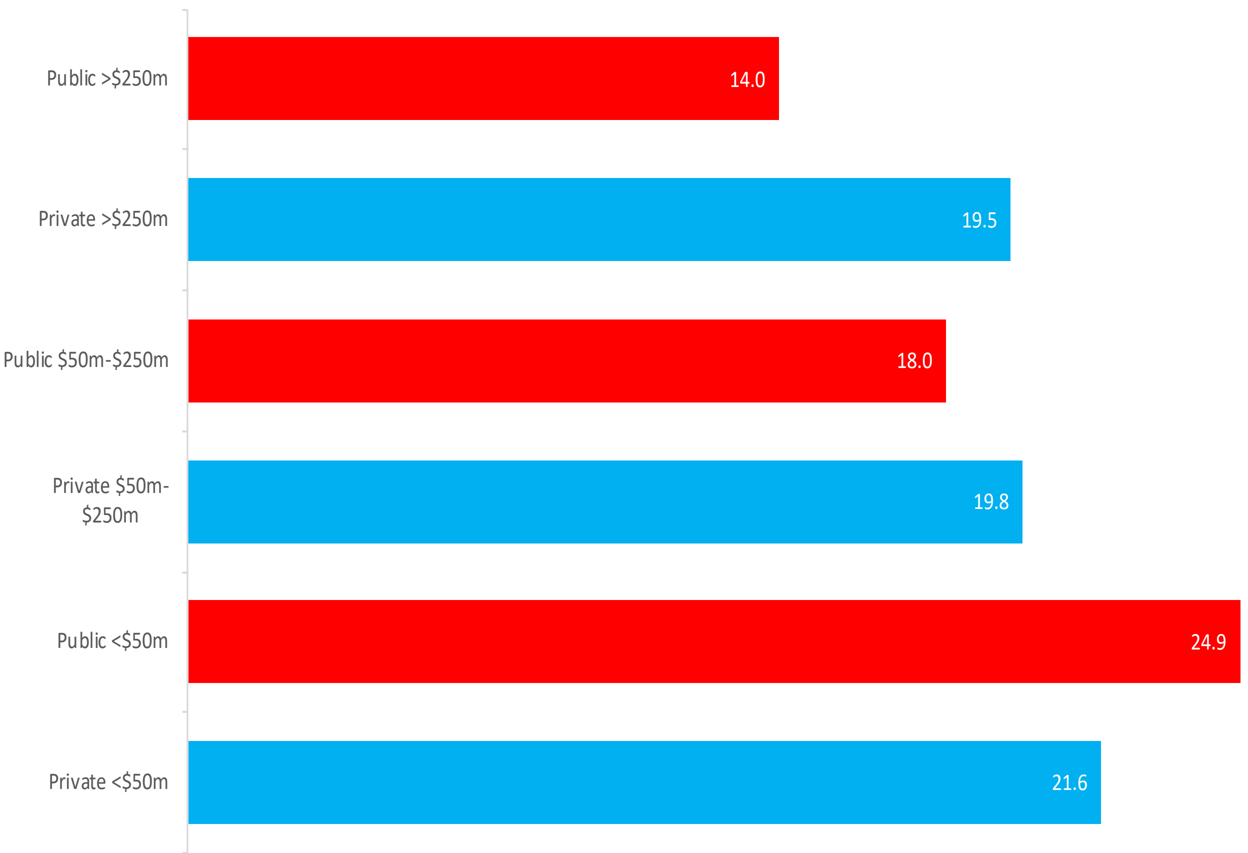
The data collected from the Public Sector were grouped as follows: (1) baseline budget of less than $50 million, (2) baseline budget of $50 million to $250 million, and (3) baseline budget of over $250 million.

The data gathered from the Private Sector were grouped according to: (1) revenue of less than $50 million, (2) revenue of $50 million to $250 million, and (3) revenue of over $250 million.

Staff turnover from 2017 to 2018 remained stable for private employers with a revenue of $50m to $250m (-4%) as well as those with a revenue of over $250m (+7%). Private sector organisations with a revenue of less than $50 million saw an increase in staff turnover by 13% from 2017.

Between 2017 and 2018, staff turnover decreased by 9% within public sector organisations with greater than $250 million budget. Staff turnover increased for public sector organisations with $50-$250m budget (+27%) and less than $50m budget (+50%).

% Turnover by Revenue



Turnover by Location

Participants were asked to provide the geographic location of where 50% or more of their staff are located. The following graph charts turnover data in Auckland, Waikato, Wellington, Rest of North Island, Christchurch, Rest of South Island, as well as an 'Across New Zealand' category for organisations with staff fully spread throughout the country.

Turnover in Auckland has consistently remained high in the past few years, indicating an active job market in this region.

Last year we remarked that turnover in Christchurch (19.8% in 2017) was the highest it has been since 2012, noticeably above average of 14.7% between 2012 to 2016. Turnover increased to 20.2% in 2018.

Another region which saw a considerable increase in staff turnover rates was Wellington, from 17.2% in 2017 to 28.1% in 2018.

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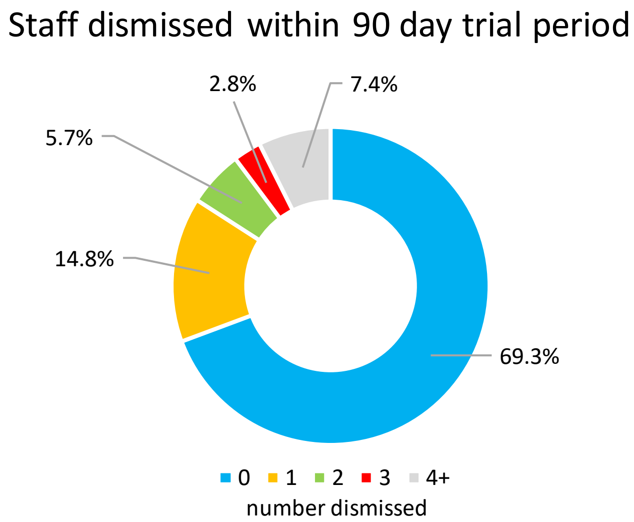
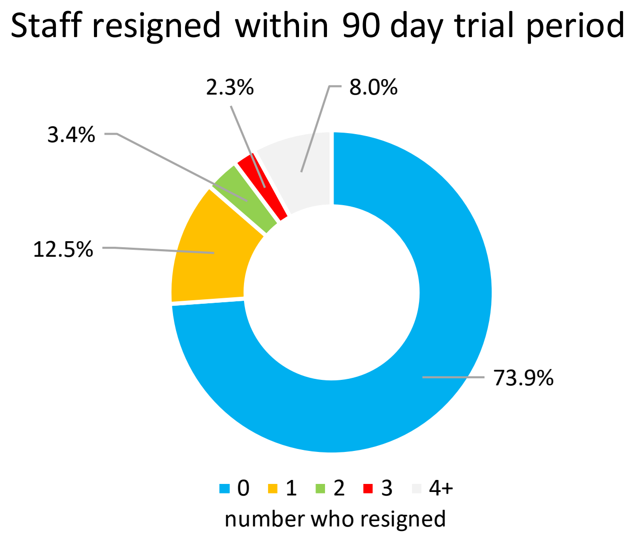
90 Day trial period

Last year 76% of respondents reported having a 90-day trial period in their employment agreements, up from 68% in the previous year. From 9 May 2019 changes in the employment legislation meant organisations with 20+ employees were prohibited from using the 90-day trial period.

At the time of the survey (before restrictions to the 90-day trial were introduced) most organisations (69%) reported they did not dismiss any staff during this period – only slightly down from 73% in the previous year. These figures, along with a low number of employees being dismissed during the trial period (as shown in the following graph), dispels the myth of ruthless employers carelessly discarding employees at will. As every new hire incurs significant costs of recruitment, selection, and on-boarding, and often time consuming training, the data suggest employers have relied on the 90-day trial period as a last resort when things are truly not working out with the new employee.





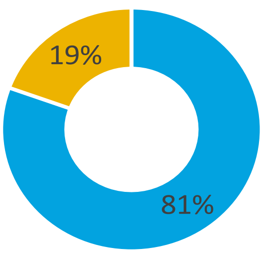
Transition/Outplacement Support

Over half (59%) of all organisations offered transition/outplacement support for involuntary turnover situations, with 53% guaranteeing such support to employees in their employment agreements.

Exit Interviews

Of those surveyed, 81% reported having a formalised exit process, indicating most New Zealand employers are making a proactive effort to ensure a smooth exit and transition. employers are making proactive efforts to identify the cause of staff turnover and tackle any problem areas.

Does your company have a formalised exit process?



Reasons for leaving employment

Why do people leave their job? We asked organisations what were the reasons for their Voluntary turnover in 2018.

81 percent of our respondents reported having a formalised exit interview process, indicating that most of New Zealand employers are making proactive efforts to identify the cause of staff turnover and tackle any problem areas.

We asked organisations to identify the top three reasons for voluntary turnover.

Family/personal circumstances were seen as the biggest contributing factor for staff departures.

Many organisations also identified promotion opportunities elsewhere, increase in salary or benefits, or retirement/relocation as key reasons.

Interestingly, it is common to hear the statement that people don't leave companies they leave managers. Our results show that although significant at 9.4%, quality of management is not a key reason for turnover from an employers perspective.

Of note, 7% of our respondents stated that location/commute time was seen as an increased reason for staff turnover.

Refer to next page for results.

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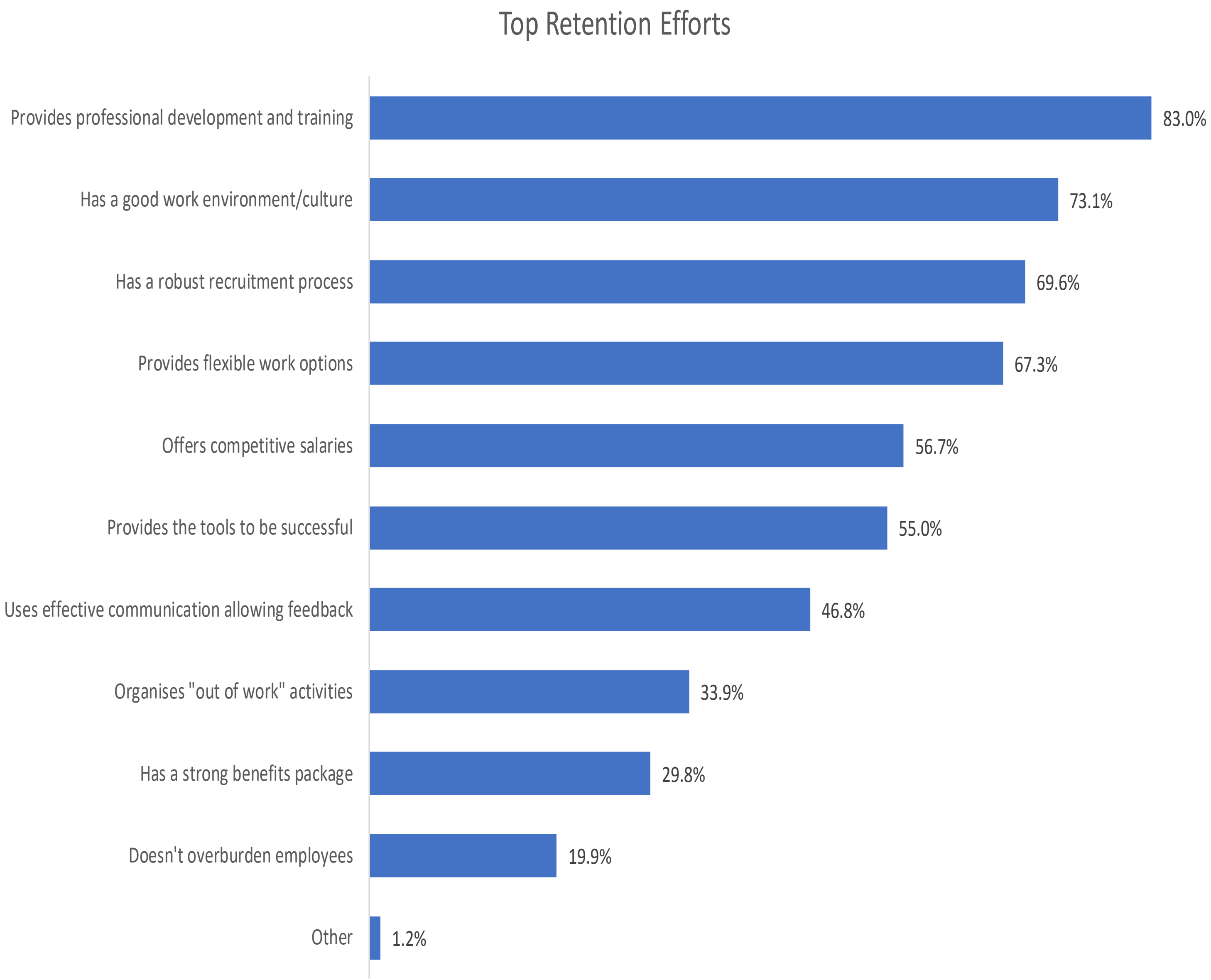
Retention Efforts

Employers were asked about their top three retention efforts.

Most employers prioritised offering professional development and training up from 53% in 2017 to 81% this year. In addition they also focussed on building a good work environment and culture.

Providing flexible work options is becoming an increasingly popular retention strategy for employers, up from 53% in the previous year's survey.



Contributing Organisations

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Industry Categories

Building Products
FMCG (food, beverage, OTC pharmacy, stationery)
Engineering Consulting
Accounting firm
Law firm
Other professional services
General & Other Services (airlines, postal, call centres, cleaning contracting)
Retail
Fastfood, Hospitality & Tourism (quick service restaurants, hotels, travel & tourism venues)
Banking & Finance
Insurance
Information & Communications Technology (Computer systems, software providers, telcos, ISPs, office equipment, etc)
Engineering & other technology products
Other manufacturing and industrial products
Media & Advertising (TV, radio, publishing, advertising agencies etc)
Property & Construction Services
Transport & Logistics Services (services in air freight, sea freight, third party logistics, supply chain, couriers, rail, ports etc.)
Energy & Electricity (water, electricity, gas, coal etc.)
Agriculture, horticulture, forestry, fishing
Research & Development (Public & Private)
Healthcare provider (Public & Private)
Education and training provider (Public & Private)
Non-profit Charity or Community Organisation
Print, packaging and paper
Crown Entity
Local Government (Local Authority or Regional Authority)
Government Department/Ministry
Other Government Organisation