



Lawson Williams

The New Zealand Staff Turnover Survey
- Summary report



in partnership with...

Introduction..

Companies are seeking to improve recruitment outcomes and achieve a reduction in the total cost of recruitment.

Improved recruitment outcomes result from effective recruitment, onboarding, retention and the development of staff.

The measurement of staff turnover provides organisations a benchmark of the success of their recruitment, onboarding, retention and development activities.

The improvement of staff turnover is a competitive opportunity employers have, in an increasing talent and skills short market.

The New Zealand Staff Turnover Survey provides New Zealand companies their staff turnover benchmark.

The NZ Staff Turnover Survey report.

Survey participants receive a report including:

Industry comparison - your organisation's performance on staff turnover versus other employers in your industry sector. Also included is private sector vs. public sector comparisons.

90 Day trial period status - an update on who is using it and how often.

Voluntary versus involuntary departures - a benchmark indicator of your Staff Retention performance & Organisational Culture.

Departures in the first year of employment - a benchmark indicator of the success of your Recruitment & Induction programmes.

Turnover by Region - compare across New Zealand.

Costs of Turnover - method for costing of staff turnover.

Trends Analysis and Commentary - key comparisons with the previous five years and suggestions for the future.

Recommendations - managing turnover and applying turnover metrics.

This is a FREE survey and report - unlike remuneration surveys, there is no cost to participate and receive the report findings.

About the authors.

Lawson Williams Consulting Group Ltd is a Recruitment Solutions business.

We have worked with a wide range of New Zealand businesses for over 20 years, **improving recruitment outcomes** and **reducing the total cost of recruitment**.

The business operates with 3 recruitment brands...



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



Specialising in 6 core verticals..
Human Resources
Accounting
Customer Services
Office Support
IT
Sales and marketing



Leadership positions 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 20 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.

For further information visit

www.lawsonwilliams.co.nz

www.oxygenrecruitment.co.nz

To participate in this survey contact us at ...

Auckland Office

Level 17, 126 Vincent Street
Auckland

Phone: 09 522 3920

Waikato Office

298 Barton Street
Hamilton

Phone: 07 854 3716

Web

www.lawsonwilliams.co.nz

www.oxygenrecruitment.co.nz



THE 2016 NEW ZEALAND
STAFF TURNOVER

SURVEY

www.hrinz.org.nz

www.lawsonwilliams.co.nz

New Zealand's only National Staff Turnover survey

Contents

List of Contributing Organisations	3	Turnover by Region	22
Executive Summary	5	Voluntary vs. Involuntary Turnover	24
The 90 day trial period	11	Voluntary vs. Involuntary Turnover by Industry	26
Turnover by Industry	15	Statistical Notes	31
Turnover by Staff Size	18	Industry Categories	32
Turnover by Organisational Revenue/Baseline	20		

COPYRIGHT

Copyright, Lawson Williams Consulting Group Limited, 2017

No part of this publication may be reproduced, transmitted, or stored in an information retrieval system by any means, except for the specific and sole use by the subscribing organisation solely and only within the subscribing organisation, without the prior written permission of Lawson Williams Consulting Group Ltd. The material in this publication may not be issued to others.

1. Contributing Organisations

The following are the list of organisations who have contributed data for this report

This information is only available to survey participants.

If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz.

2.Executive Summary.

The New Zealand National Average Turnover

The National average turnover for 2016 was 18.8%. This is the highest rate since 2008 showing a 2.2% increase on 2015.

Factors such as an aging workforce, skill-shortages, attitudinal shifts to the desirable speed of changing jobs, reduced loyalty, rapid organisational change producing redundancy & reduced job security have all driven gradual increases in turnover during most of the past twenty years.

These increases came to an abrupt halt after the onset of the Global Financial Crisis in 2007 and subsequent recession of 2008 & 2009. Turnover decreased by well over a quarter (28.3%) since its peak of 23.0% in 2007. Furthermore the 2008 figure of 22.4% masked a significant jump in involuntary turnover, with 4.5% of the total (about one-fifth of departures) being involuntary and with that increase almost certainly being due to a sharp increase in redundancies in the second half of the 2008 calendar year. 2009 saw a dramatic drop in voluntary turnover from 17.5% in 2008 to 12.8%. More than one departure in five was involuntary, again suggesting a high rate of redundancies that year.

Since 2009 with the end of the recession and the move to a more stable but very low growth economy, the labour market has stabilised and shown some very gradual improvement. This was reflected in voluntary turnover increasing from 12.8% to 13.4% and involuntary turnover

reducing from 4.6% to 4.0% for the year ending 31 May 2011. In turn, the very gradual improvement continued with voluntary turnover increasing slightly from 13.4% to 13.7% in 2012 and involuntary turnover reduced from 4.0% to 3.8%.

In 2013 we noted a reversal in both voluntary and involuntary turnover. Voluntary decreased slightly to 13.3% from 13.7% which was indicative of the continuing uncertainty in the employment market in most sectors through to late 2013. Involuntary increased slightly from 3.8% to 4.1% which again may indicate that some companies were still in restructure or reduction mode in 2013. The average turnover rate in 2014 remained relatively stable with a small decrease from 17.2% in 2013 to 16.3% in 2014.

This slight decrease reflected that even though the economy was showing positive signs of growth this was not reflected in employment activity across all sectors and an increase in voluntary turnover. We noted that throughout 2014 and particularly in the 4th quarter a record number of people entered the workforce and the participation rate reached an all time high, yet wage inflation was mild. This left the economy in a strong position of economic growth with little inflation which led to the speculation

that low wage inflation i.e. a lag in salary increase behind economic growth might impact on peoples desire to voluntarily seek new employment in 2014.

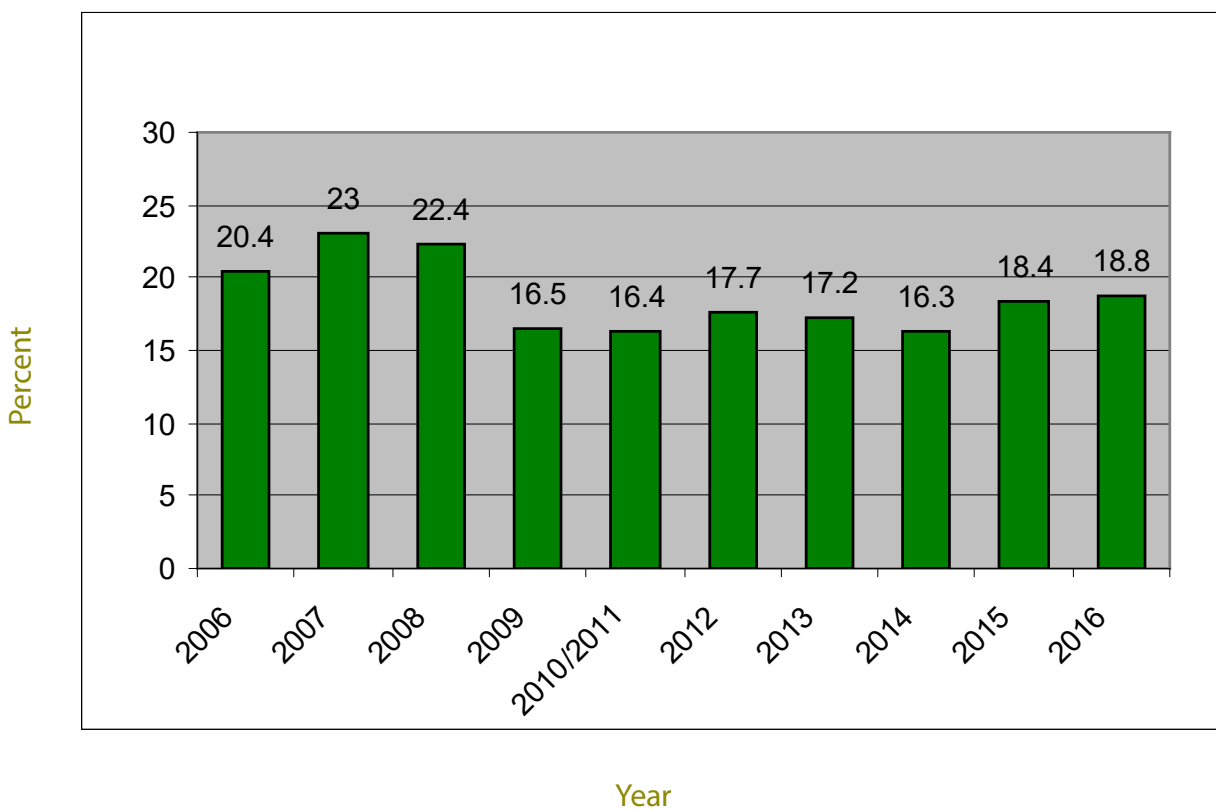
In 2015 we saw a significant increase of 11.4% in the national average turnover to the highest level of 18.4% since 2008. This has increased a further 2.2% in 2016 to 18.8%.

Involuntary turnover has shown a decrease in 2016 to 3.6% from 3.9% in 2015. This has returned to the trend where movements in Involuntary turnover following voluntary turnover. In the past two years we had seen a change to this trend where these figures had moved in the same direction as each other. We had suggested that since 2014 these figures were indicating an economy of significant variability.

At that time for example growth and confidence in Auckland and Canterbury and in sectors such as manufacturing and construction was not reflected across a broader range of regions and sectors. It appeared that some organisations were still in a mode of restructuring and increasing their levels of Involuntary turnover. This resulted in a national increase at the same time as a national increase in Voluntary turnover.

As we present these 2016 survey results in early 2017, amidst more consistent and positive market conditions it appears that the transition and subsequent strength of New Zealand economy across a broader number of sectors has returned the strong correlation between Voluntary and Involuntary staff turnover.

National Average Staff Turnover



Suggestions for Using the Data

Comparisons by Industry Sector

Consistent with past research, 2016 turnover rates varied considerably across industry sectors. The average turnover in 2016 ranged from 11.7% in the Accounting Sector to 41.7% in Fast-food and hospitality.

In this survey we note some significant changes in percentage of staff turnover in specific industry sectors, between 2015 and 2016.

Fastfood and Hospitality 21% decrease
Retail 20% decrease
Transport and Logistics 27% increase
Healthcare 23% increase
Crown Entity 36% increase
FMCG 21% increase
Agriculture 23% increase

These changes in industry accentuate 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 18.8% as a benchmark. We have therefore provided industry-by-industry turnover figures throughout this report.

Insurance 25% increase
Non profit 19% decrease
Banking and Finance 26% decrease
Pharma/Med products 27% decrease
Energy/Electricity 19% increase
Accounting firms 18% decrease

Voluntary vs. Involuntary

Over 2014 and 2015 voluntary and involuntary moved in the same direction as each other. This was a reversal of the trend we had seen since 2006 where a rise or fall in voluntary turnover was reflected by the opposite movement in involuntary turnover. 2016 has seen a return to this long standing trend with a 7.7% increase in Voluntary turnover and a 7.7% decrease in Involuntary turnover.

An increase in Voluntary and decrease in Involuntary is a strong indicator of an improving economy. In 2014 and 2015 we discussed what was termed the “2 speed” economy where there were obvious pockets of strength in regions such as Auckland and Christchurch in sectors such as Manufacturing and Construction. This was not reflected across all regions and sectors however. In 2016 it is apparent that the strength of the economy has broadened regionally and across a wider range of sectors, leading to a decrease in businesses having to consider involuntary turnover. This strength leads to more employee confidence and therefore more voluntary turnover.

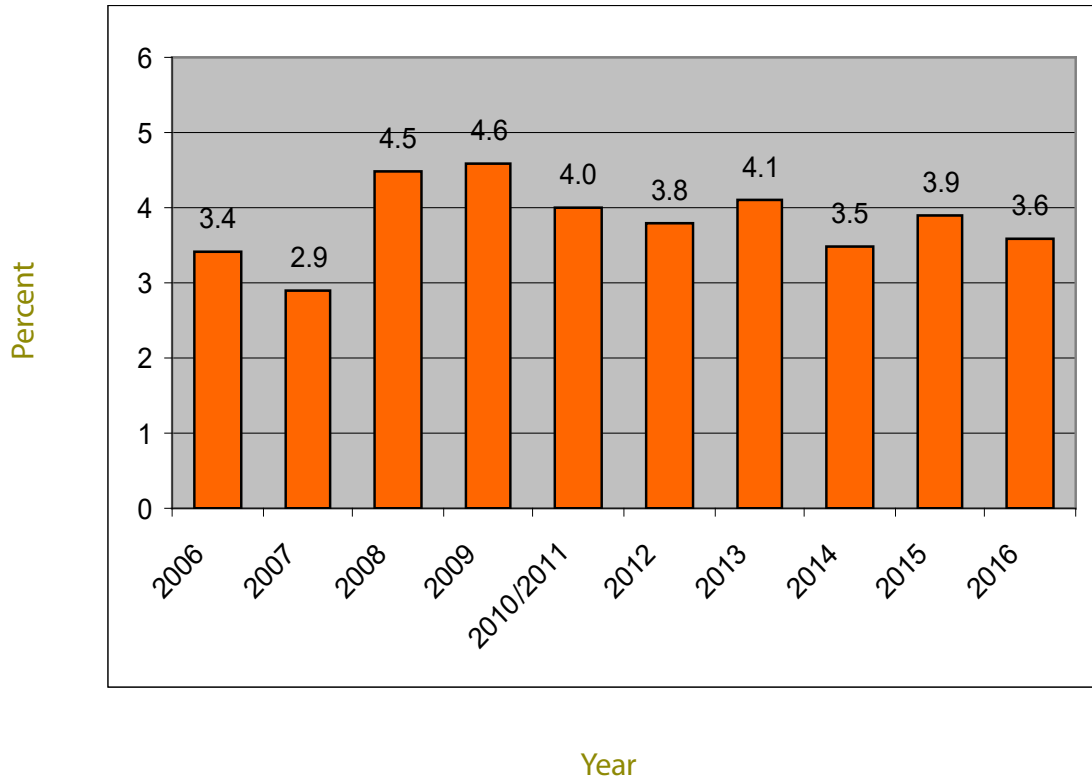
It is worth considering the potential impact of two factors on this level of

Voluntary turnover in 2016. Firstly inflation has been at the levels of the 90's where it averaged around 2.4% and then increased over the following two decades to average around 11%. Wage inflation is directly proportional to CPI inflation rate and consequently we have seen little movement in salaries over the years following the GFC. People are more inclined to leave jobs for higher salaries and these higher salaries have not been on offer. Secondly the large influx of immigrants and returning kiwi's has increased the number of available workers leading to greater competition for available jobs. This increase has in fact led to an increase in the unemployment rate to 5.2% when economists were predicting a figure of 4.9% in the 2016 September quarter. Participation rate is also at an all time high of 70.5%, so more people working at the same time as more unemployed. These conditions will have impact on some people not wishing to leave their current employment.

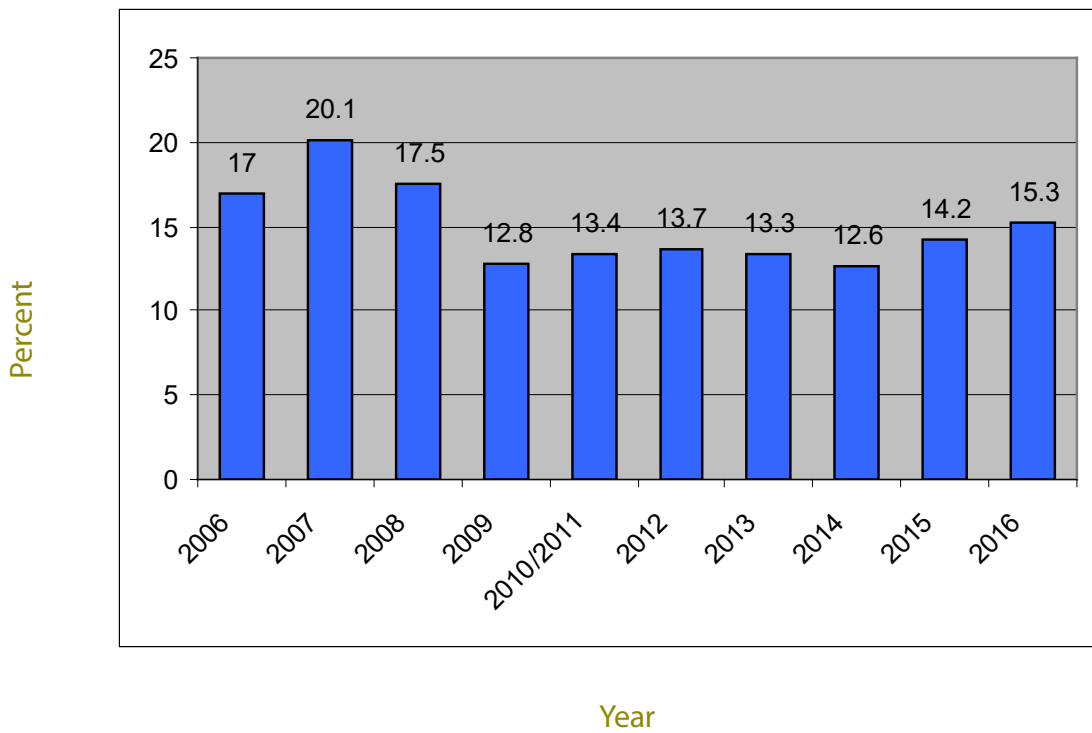
If these conditions had not existed we would have expected to see a further increase in Voluntary turnover in 2016.

Refer to graphs on next page.

Involuntary Turnover



Voluntary Turnover



Suggestions for Using the Data

Turnover in the first twelve months employment

This is a key benchmark of recruitment & induction success.

Consistently across the years of this survey has been the trend that turnover in the first 12 months employment is similar to or higher than beyond 12 months employment.

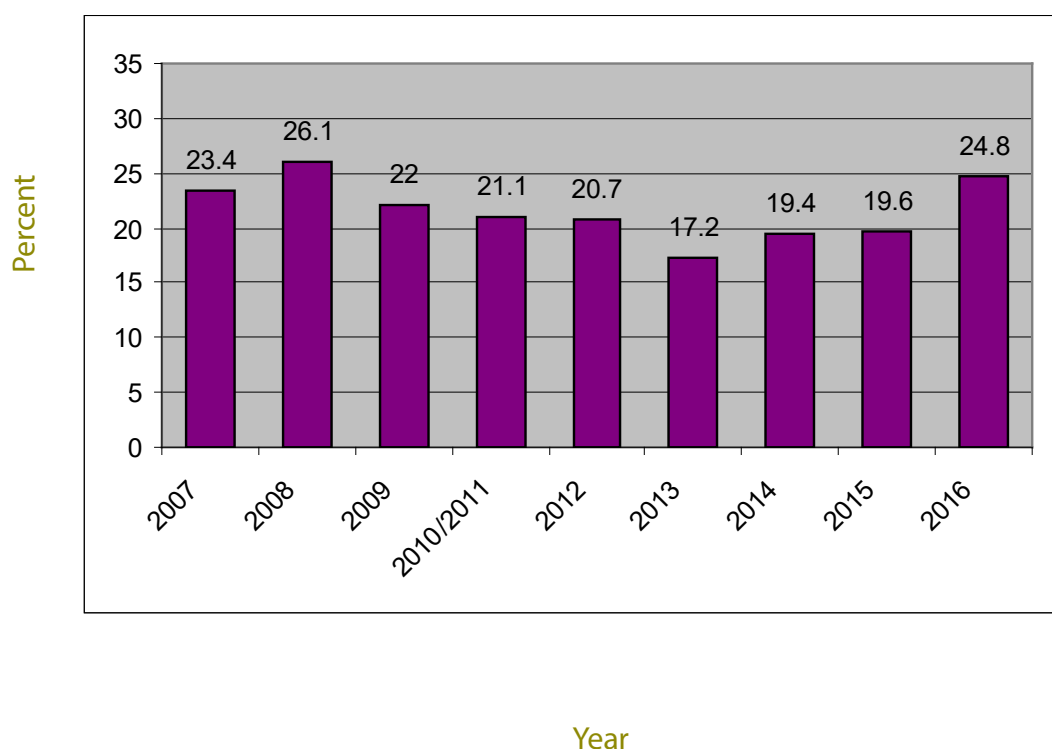
In the past we have said anecdotally that for most roles, finding the right work experience & qualifications is not the issue but assessing behaviour, motivation, cultural fit and implementing a successful induction are where the risks lie.

We understand many organisations in New Zealand have been focused over the last few years on improving the quality of their recruitment and induction practices.

In 2013 we suggested that the result was a reflection of all the good work being done in recruitment, induction and retention. 2014 showed a 12.8% increase in 1st year turnover and 2015 showed only a 1% increase to 19.6%. In 2016 we are reporting a 21% increase in first year turnover. The trend appears to be following the increase in overall turnover percentages but the % increase is surprising.

The point to take away from this data is that your retention strategies should start on day one. Employee engagement, flexible schedules, providing a positive work environment, and setting fair compensation should be implemented and evaluated on a year long basis.

Turnover in the first twelve months of employment



3.The 90 day trial period.

Background

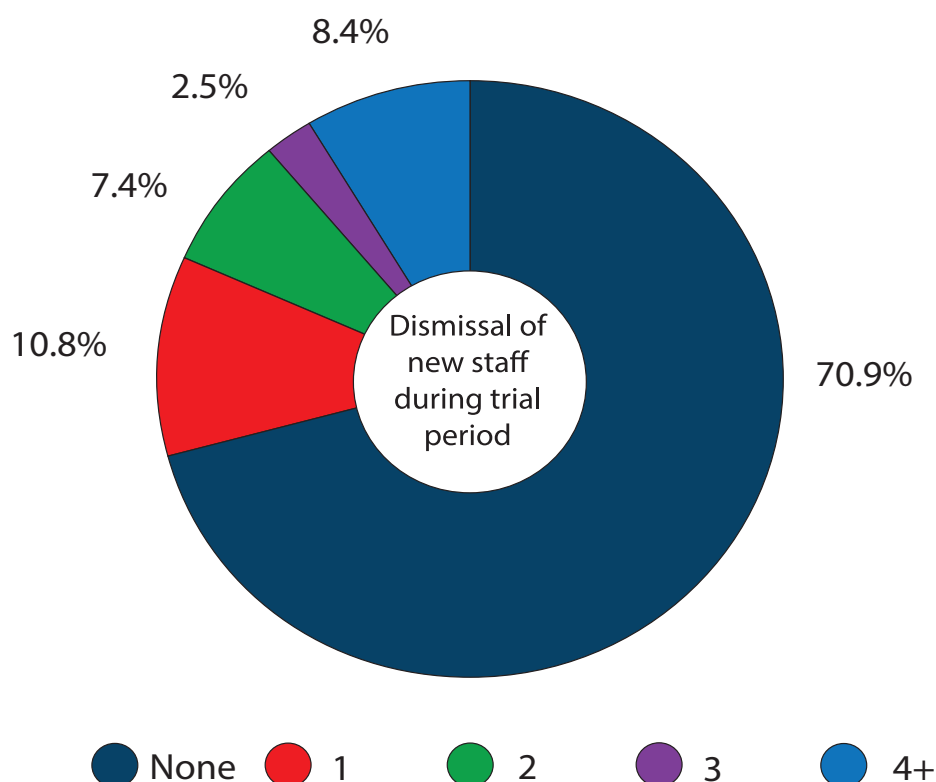
The ability for companies to include a 90 day trial period as a clause in their Individual Employment Agreement (IEA) was introduced March 1st 2009 for companies with 19 or fewer staff. This was extended to all New Zealand businesses 1st April 2011.

Current status of trial periods - 2016

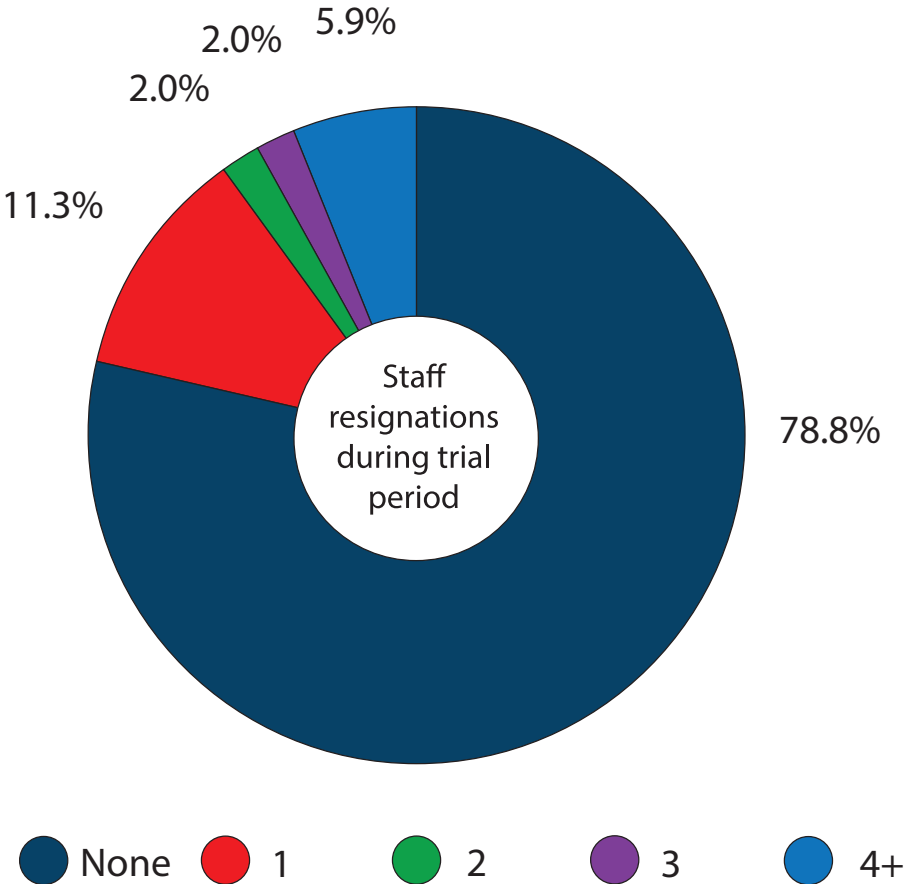
67.5% of respondents stated they had a trial period clause in their Individual employment agreements (IEA) for new staff, a slight increase from 65.5% in 2015; 32.5% said they did not.

Of the organisations that had a trial clause for new staff, 70.9% stated they did not dismiss anybody during this initial period. In 2015 this figure was 53.8%, showing a lower reliance on the trial clause to address an unsatisfactory hiring decision. This is a 24% decrease.

Of the organisations that have a trial period in their IEA, a fifth (20.7%) reportedly terminated between one and three new employees; with less than a tenth (8.4%) dismissing four or more staff.



78.8% of organisations with a trial period clause reported that none of their new staff resigned during this period. this is an increase of 9.5% from 69.3% in 2015. Those that did have resignations, 94% had three or less with only 5.9% reporting 4+ resignations.



Employment of staff due to the existence of the 90 day trial

A core tenet of the 90 day trial period introduction was that its existence would encourage organisations to employ more staff, to take a risk knowing they could exit the employment relationship with relative ease within 90 days.

Of the 67.5% of organisations that have a 90 day trial period in their employment agreements only 9.1% believe its existence has encouraged them to employ more staff with 90.9% believing the 90 day trial period has not influenced them to employ more staff.

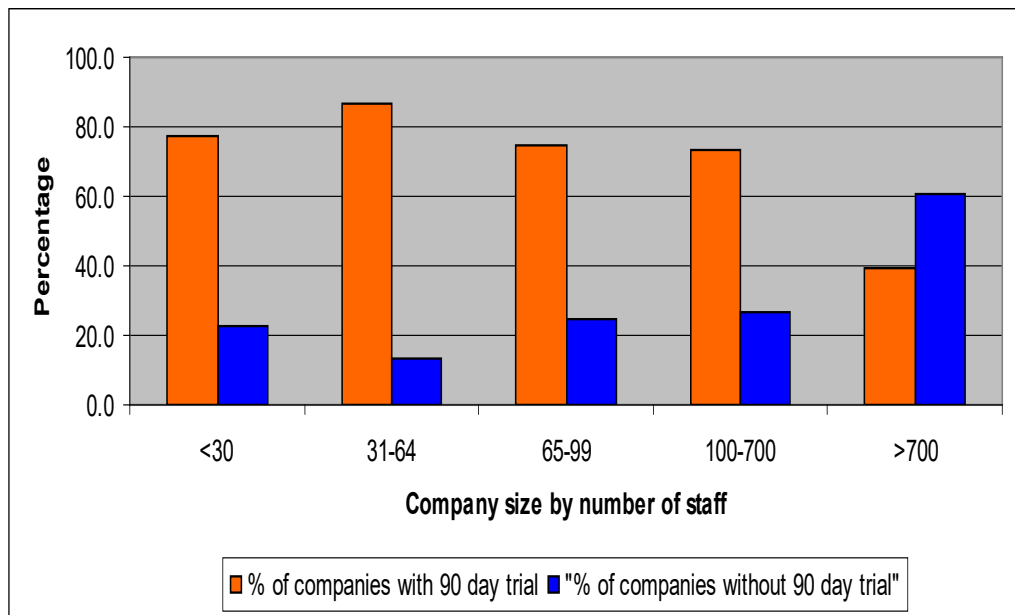
Uptake of 90 day trial period by company size.

When considering the size of a company and the uptake of the 90 day trial option there are some differences.

The turnover survey collects data across 5 company size categories (refer to the graph below)

For companies below 700 staff it is significantly more likely that they have chosen to incorporate the 90 day trial in their employment agreements.

For organisations with over 700 staff only 39% have incorporated the trial period into their employment agreements.



Percentage use of the 90 day trial period relative to company size.

Smaller organisations are less likely to use the 90 day trial period to dismiss staff. Of the organisations who have included the trial period in their employment agreements, only 10% with less than 30 staff have used it to exit an employment agreement. Whereas 100 % of organisations with over 700 staff have used the trial period to exit an employment agreement.

Our previous section showed companies above 700 staff have the lowest percentage of incorporation of the 90 day trial period into their IEA's.

When we compare the use of the trial period to dismiss staff relative to size there is a consistent increase in the use of the trial period as company size increases. This could be expected as companies increase in size they have more employment.

When we compare however the relative size of the companies and their use of the 90 day trial we find that for example a company of less than 30 staff is 2.3 times more likely to use the 90 day trial period to dismiss staff than a company with more than 700 staff. In 2015 this figure was 3 times.

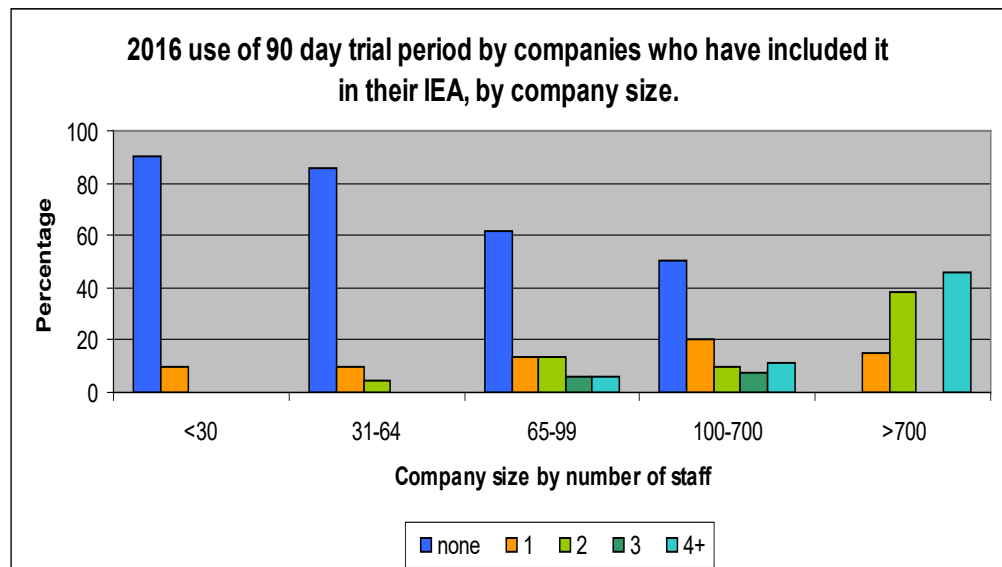
There is a consistent trend, as company size decreases there is a higher relative use of the 90 day trial period.

Small companies must improve the quality of recruitment and induction.

Turnover through the use of the 90 day trial period is unplanned involuntary turnover. Its higher prevalence in smaller companies can be indicative of the quality of recruitment, induction, retention and development processes and experience.

When we consider that one of the initial arguments for the creation of the 90 day legislation was to give small businesses greater opportunity to take on new staff.

The higher relative use of the 90 day trial period by these small businesses to dismiss staff indicates that they must increase the emphasis on their recruitment and induction strategies to ensure that they are employing people who fit their organisation and by doing so maximising the value that the trial period provides.



3. Turnover by industry.

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 page 32.

As expected, turnover in 2016 varied considerably between different industries, from 11.7% (Accounting Firms) to 41.7% (Fastfood, hospitality). Previously in 2015, turnover across different industries ranged from 11.0% (Energy/Electricity) to Fastfood, hospitality (52.7%).

Looking at the average turnover rates between 2007 and 2015, industries that typically represent low turnover rates are Energy/Electricity (13.0%), Engineering/Tech products (14.8%), Accounting firms (14.9%).

2016 was a year of significant fluctuation in turnover rates. Crown organisations showed the highest increase since 2015 of 36%, with Healthcare, FMCG, Agriculture and Insurance all showing an increase above 20%. Conversely Other manufacturing showed the largest decrease of 28% with Pharma/medical products and Banking and Finance close behind. The usually high sectors of Fastfood/Hospitality and Retail also showed a decrease in turnover of over 20% in 2016.

This data is only available to survey participants.
If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

This data is only available to survey participants.
If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

4. Turnover by staff size.

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

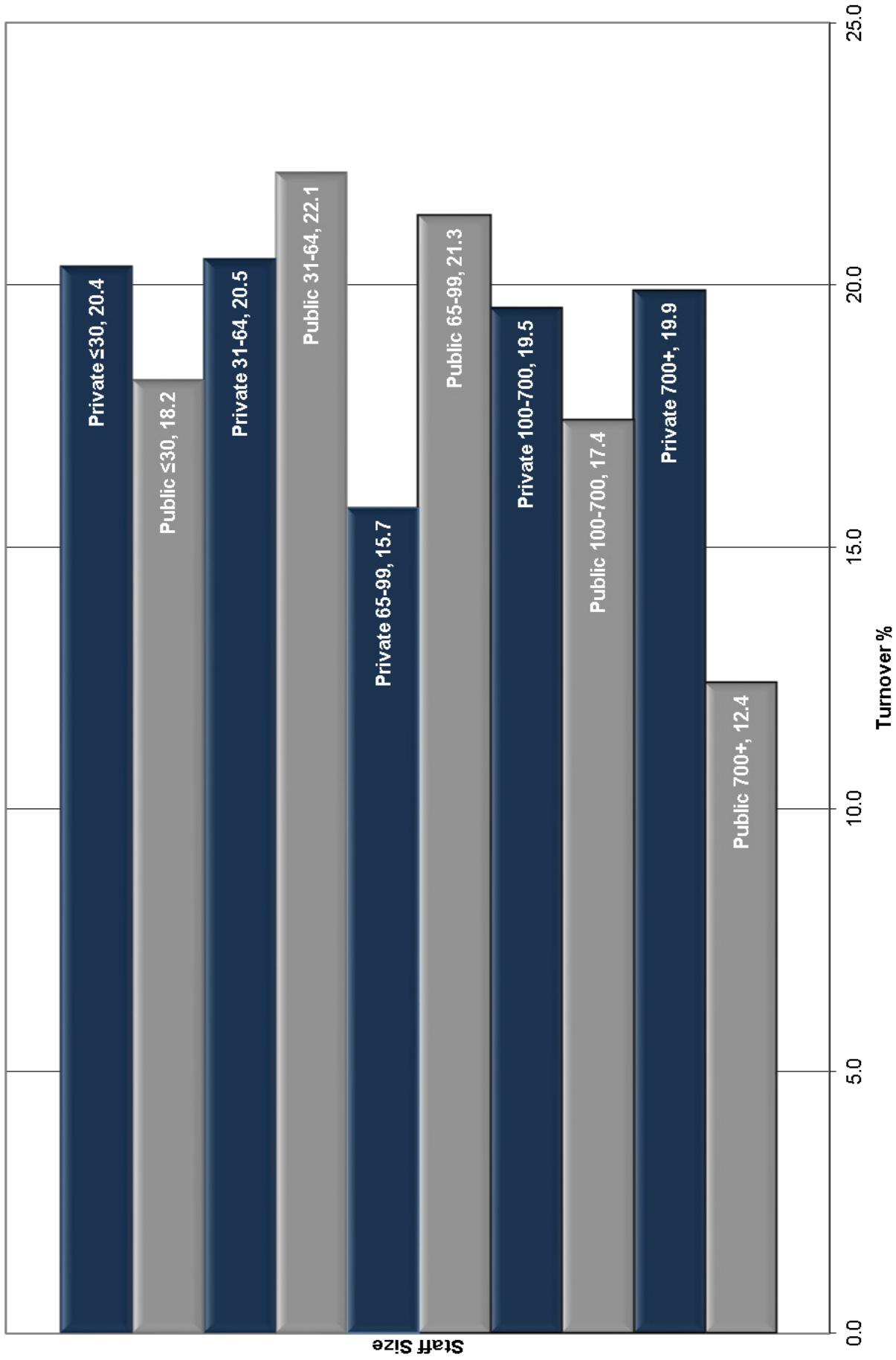
Amongst public sector employers, turnover decreased slightly for organisations with greater than 700 staff (from 14.1% in 2015 to 12.4% in 2016). A small increase occurred for organisations with 100-700 staff (16.9% in 2015 to 17.4%); as well as organisations with 31-64 staff (19.8% in 2015 to 22.1%). Employers with 65-99 staff saw a large increase in turnover from last year (from 14.5% to 21.3%).

Large organisations (700+ staff) within the Public sector have consistently shown lower rates of turnover.

Turnover in smaller private sector companies has shown a large increase from 2015 to 2016. Turnover within organisations with less than 30 staff have doubled from 11.4% in 2014 to 20.4%: for organisations with 31-60 staff, 14.4% to 20.5%. In contrast private organisations with 65-99 staff showed the largest change with a decrease from 26% in 2015 to 15.7% in 2016.

Larger private organisations above 100 staff remained stable at just under 20% turnover.

TURNOVER COMPARED BY STAFF SIZE



5. Turnover by organisational revenue/ baseline budget.

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

Turnover amongst large public sector organisations jumped from 11.4% in 2014 to 17.1% in 2015 and in 2016 have fallen to 12.7. This equates to an decrease of 25% turnover, returning to the trend of consistently low (less than 13%) staff departures since 2010.

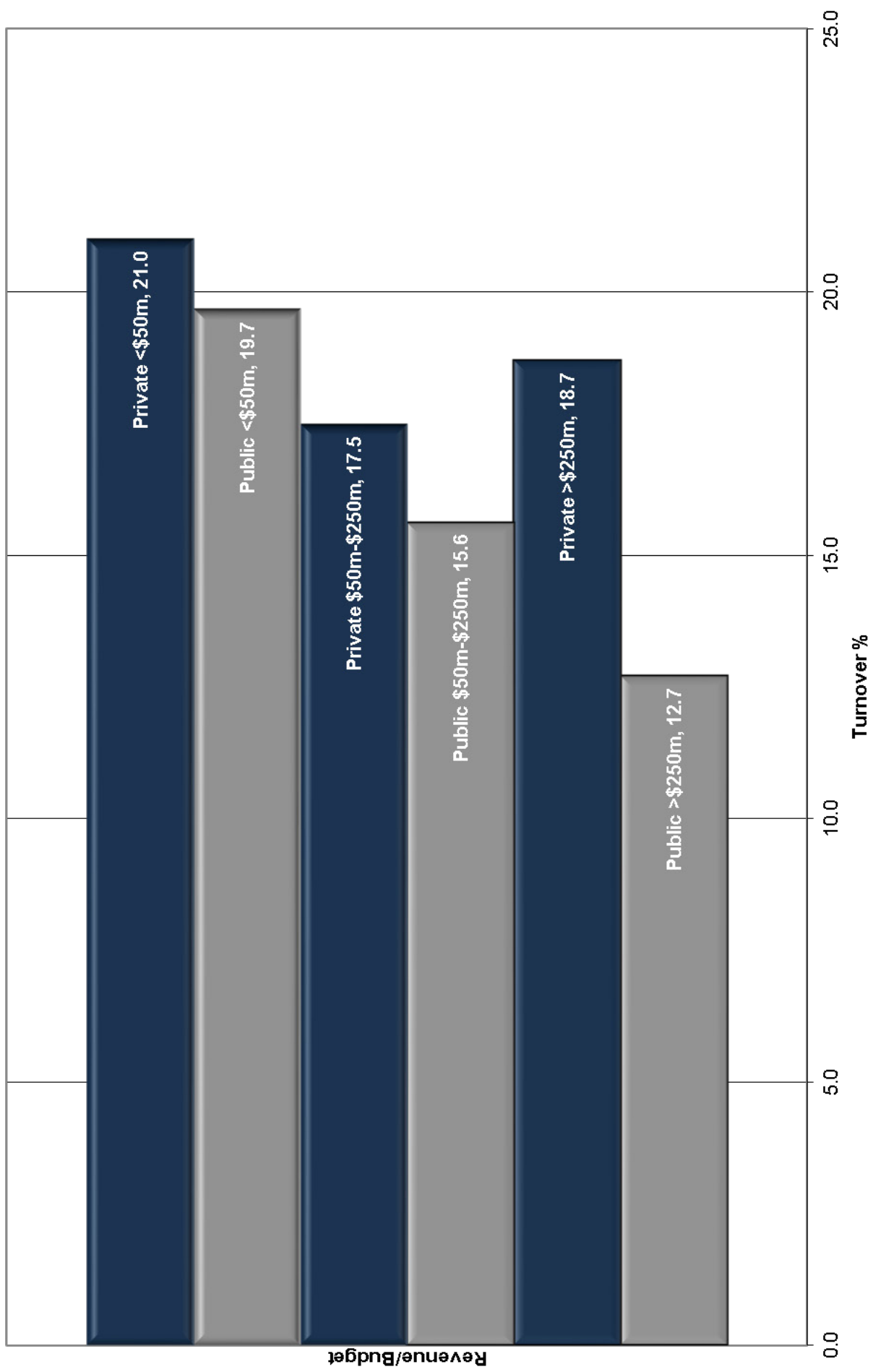
Public sector employers with a baseline budget of \$50 million to \$250 million increased from 11.9% in 2014 to 12.7% in 2015 and again increased significantly to 15.6% in 2016.

Public sector employers with a baseline budget of less than \$50 million show steady turnover. In 2015 the figure was 19.1%, an increase from 17.8% in 2014. In 2016 the figure is 19.7%.

Turnover amongst larger private sector organisations shifted slightly between 2014 and 2015, from 16.1% to 17.1% and again to 18.7% in 2016 for organisations with a revenue of over \$250 million; and 17.4% to 17.5% and holding at this level in 2016 for organisations with a revenue between \$50 million and \$250 million.

Private sector employers with less than \$50 million in 2015 had the highest rates of staff departures (20.9%), an increase from 15.8% in 2014. In 2016 this level had held at 21.0%.

TURNOVER COMPARED BY ORGANISATIONAL REVENUES/BASELINE BUDGET



6. Turnover by region.

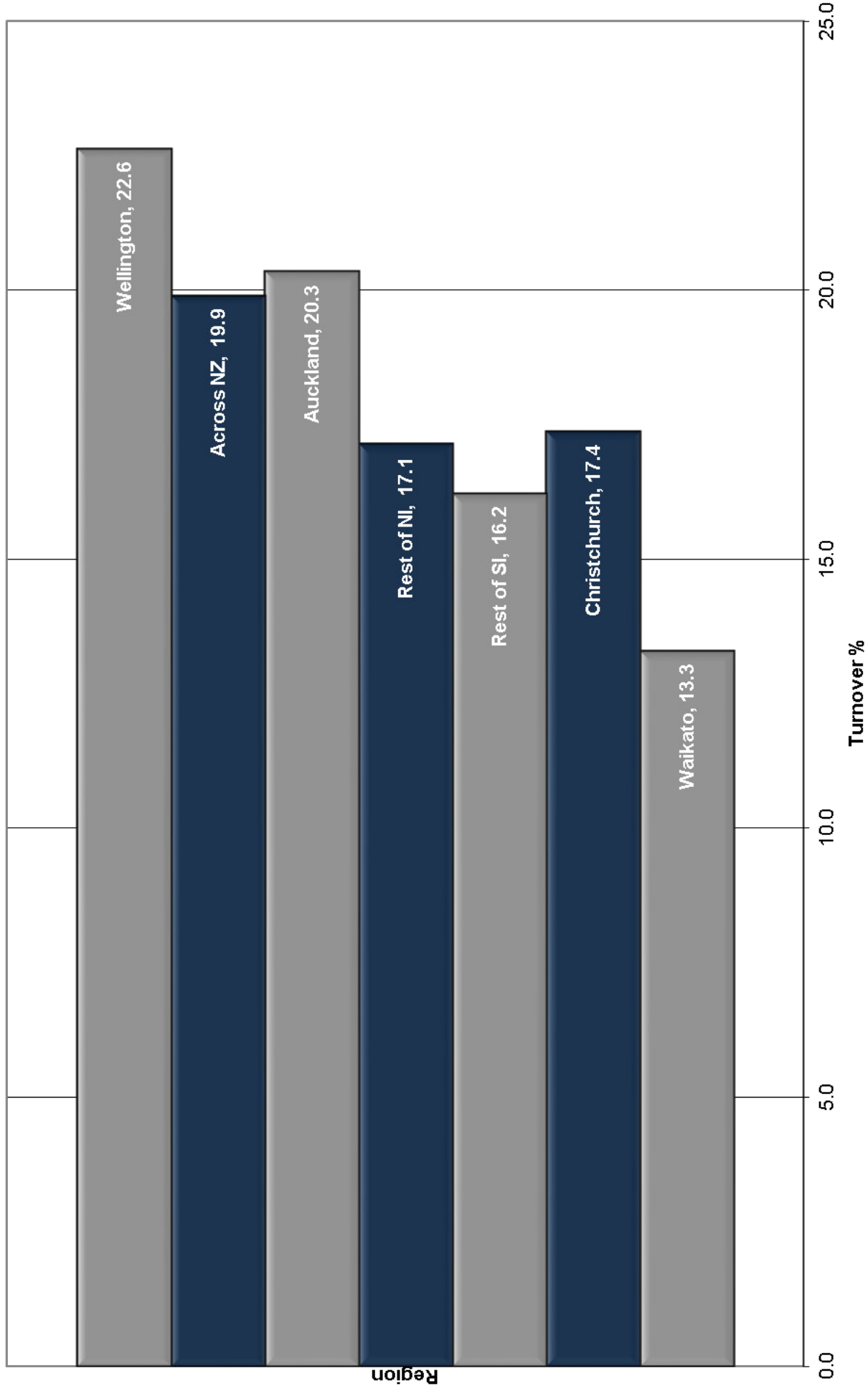
Participants were asked to provide the geographic location of where 50% or more of their staff are located. The following graph charts turnover data in Auckland, Waikato, Wellington, Rest of North Island, Christchurch, Rest of South Island, as well as an 'Across New Zealand' category for organisations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

Organisations with the majority of staff based in Waikato consistently show the lowest rates of turnover, ranging from 13.2-14.7% in the past five years.

Auckland and Wellington show the highest rates of turnover, indicating an active job market in these regions.

At 17.4%, turnover in Christchurch in 2016 is the highest it has been in the previous five years.

TURNOVER COMPARED BY REGION



7. Voluntary vs Involuntary turnover.

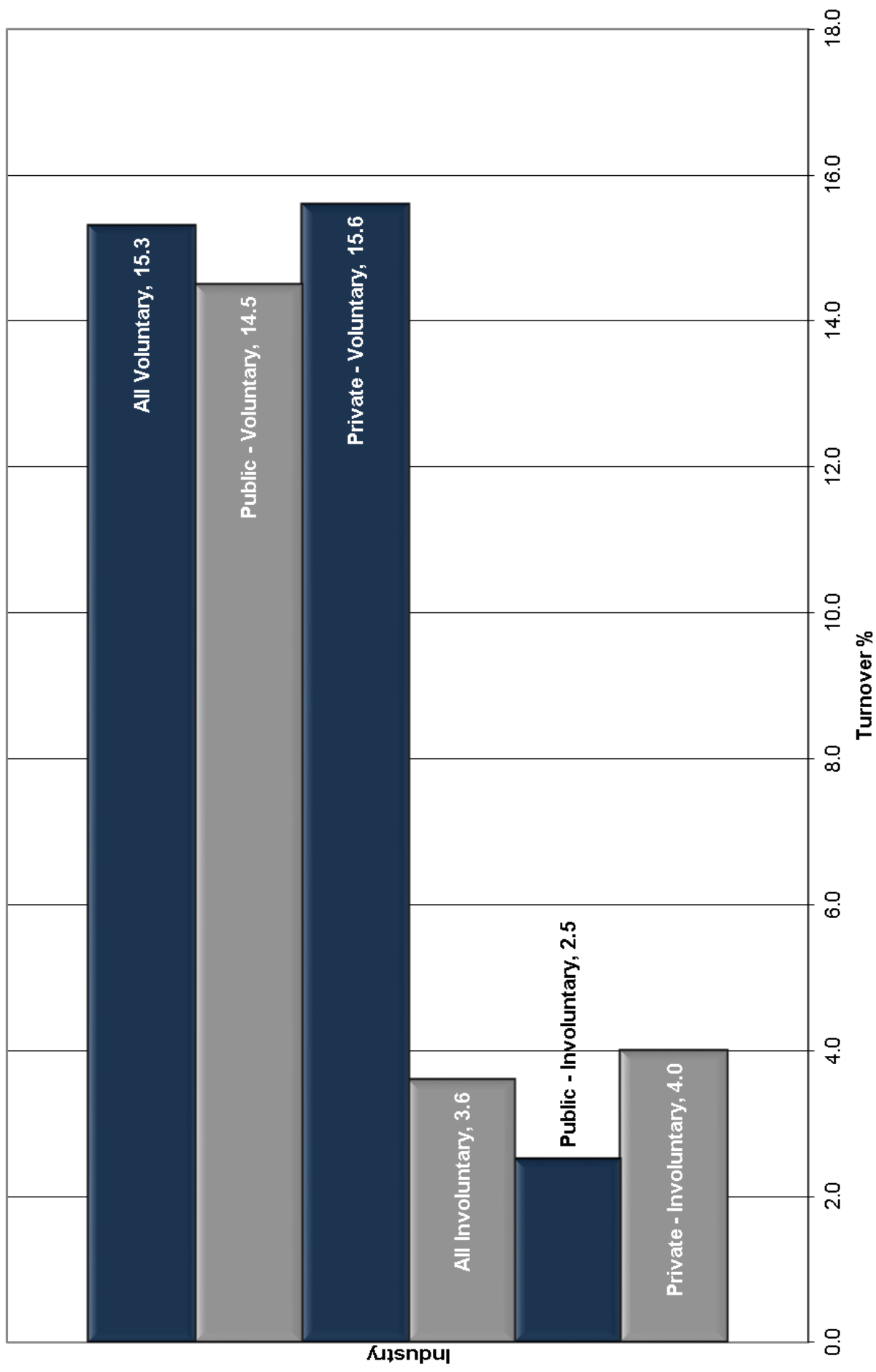
The next graph represents the rates of voluntary and involuntary turnover across the sampled organisations.

Involuntary turnover tends to be higher amongst private sector organisations, peaking at 5.8% in 2009 then remaining around 3.6-4.3%.

Involuntary turnover within public sector organisations is at its lowest since 2009.

Involuntary turnover represented 18.7% of all departures, and the rest (81.3%) recorded as voluntary departures.

VOLUNTARY VS INVOLUNTARY TURNOVER



8. Voluntary and Involuntary turnover by industry.

The following graphs depict voluntary and involuntary turnover according to industry.

As expected, rates of involuntary turnover varied greatly across industries – from 0.8% (Accounting firms) to 8.9% (Transport/Logistics).

Voluntary turnover also varied between industries: from 9.0% (Energy/electricity) to 38.3% (Fastfood, hospitality).

Fastfood, hospitality organisations have traditionally had higher rates of involuntary departures, 5.8% and 8% in 2014 and 2013 respectively. At 2.1%, Fastfood, hospitality organisations had one of the lowest involuntary turnover in 2015 and this has now increased to 3.5% in 2016.

Accounting firms typically have less than 1% involuntary turnover.

Involuntary turnover doubled in Engineering Consulting organisations, up from 4.5% in 2014 to 9.2% in 2015. This has decreased to 3.8% in 2016. Property/construction organisations also saw a major increase in involuntary turnover during this time, from 4.2% to 7.0%. This has also seen a decrease to 5.6% in 2016. Transport/Logistics, Agriculture and retail have all significantly increased involuntary turnover levels in 2016.

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

This data is only available to survey participants.
If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

This data is only available to survey participants.

If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

This data is only available to survey participants.
If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

This data is only available to survey participants.
If you wish to participate next year in order to receive the full report please contact penny@lawsonwilliams.co.nz

9. Statistical notes.

The main population for the survey is midsize and large organisations in New Zealand, identified according to public-record, as understood to have 65 staff or more. 1450 employers across all industries and regions of New Zealand were contacted in this category of which 203 participated, meaning a response rate of 14%, a high participation rate for a survey of a population of this size and sufficient to make the data very robust overall.

In addition, for the last three survey years, organisations with less than 65 staff have participated. Seventy-nine organisations of this size provided data. This represents a very small percentage of the total number of small employers in NZ. Employers with greater than 65 staff should not be concerned about data from small employers biasing results in the industry category information as staff size is only weakly and inconsistently correlated with rates of turnover – how many staff you have is a largely irrelevant predictor of turnover.

1450 slightly understates the actual number of employers with more than 65 staff due to the removal of individual franchisees under common parent company brands (e.g. individual quick-service restaurants and supermarkets will often have more than 65 staff). These franchise and similar organisations are contacted via their Head Office. In the Public sector, public schools have been removed and are not contacted and thus not part of the population.

Contact points within organisations is by way of job title, this being Human Resources and senior management personnel.

The survey method is via email and web-based questionnaire.

A specific limitation to the accuracy of the data in this particular survey is the availability of HRIS technology within all participant organisations that enables all participants to answer all questions without using estimates (i.e. where data was not known, the survey questionnaire asked participants to provide an estimate).

Generally accepted limits that apply to data accuracy in numerical surveys apply also to this survey.

Please note, where participating organisations did not provide data for a given question, it is not included in this report.

10. Industry categories.

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