New Zealand Staff Turnover Summary Survey Report 2018

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
IT, 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 11th 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 have introduced to the Survey reasons for turnover and the retention strategies being used by New Zealand businesses to minimise it.

90 Day trial period

The Employment relations amendment bill currently before government will reduce the conditions of the 90-day trial period to that introduced by the National Government in 2009. It will only be available to companies with less than 20 staff.

We continue to report on the use of this trial period by both companies and their employees.

Our Survey Partners

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

HUMAN RESOURCES INSTITUTE OF NEW ZEALAND
PARTNERING THE PROFESSION

Executive Summary

The average National Staff turnover rate for 2017 was 18.8%. This rate is the same as 2016 and remains the highest rate since 2008.

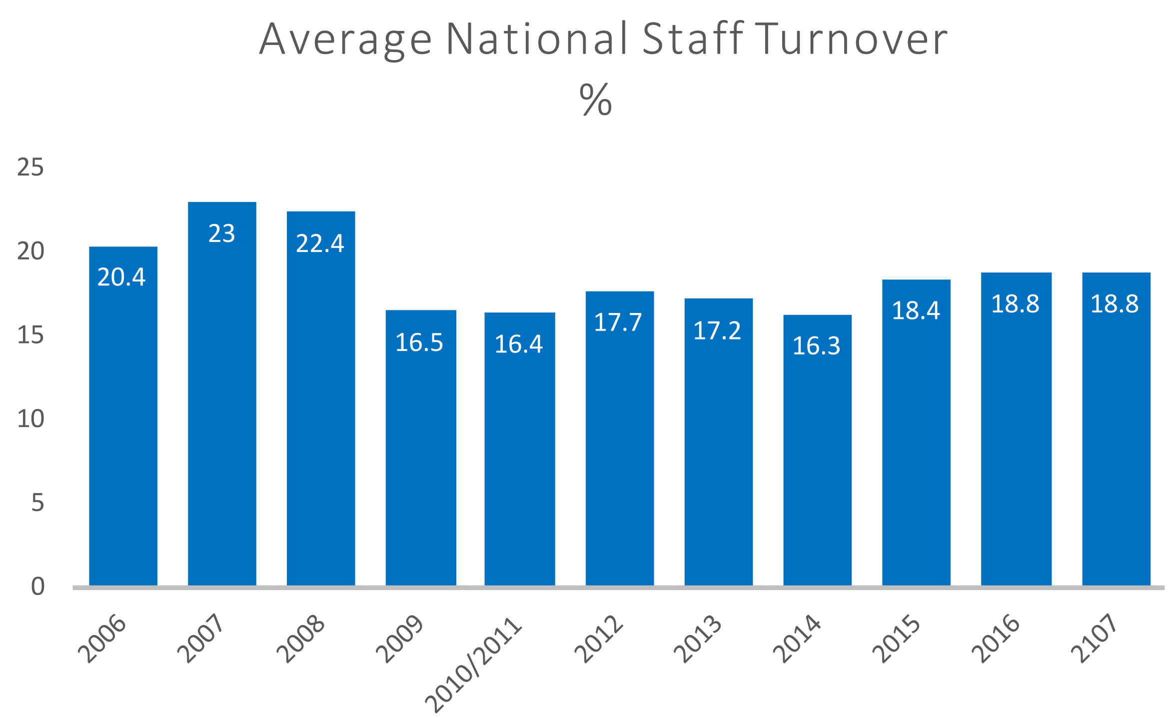
Staff Turnover in New Zealand appears to have plateaued in 2017.

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.

This is certainly the case in 2017 where we have seen a 10.5% increase in Voluntary turnover to 16.9% and a 27.8% decrease in Involuntary turnover to 2.6%.

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.

In 2016 and now 2017 this return to opposing directions of Involuntary and Voluntary turnover indicates greater consistency across the economy.



Voluntary vs Involuntary Turnover

In 2017 we have seen 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 has remained stable, these are significant movements in the underlying components of average turnover. Refer to the graphs on the following page.

The decrease in Involuntary turnover to 2.6% is the lowest rate seen since the inception of this survey in 2006.

At the peak of the economy prior to the 2008 global financial crisis we reached a low of 2.9% Involuntary turnover. With the 2017 rate as low as 2.6% we might expect therefore the level of Voluntary turnover to also be at levels like the pre GFC period. This however is not the case with Voluntary turnover 16% lower than in 2007.

What are the factors in the current market leading to less people voluntarily leaving their current employment in 2017 compared to 2007?

In our 2016 survey we discussed two factors impacting turnover.

Firstly, people are more inclined to leave jobs for higher salaries and these higher salaries have not been on offer.

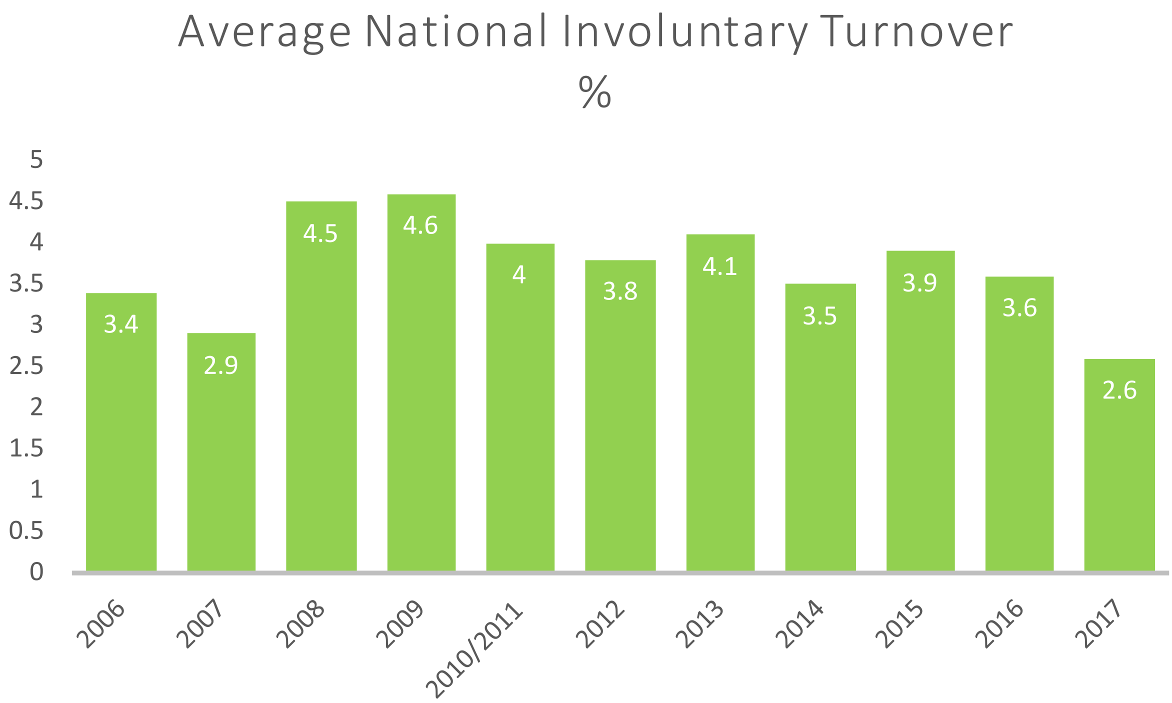
Inflation has remained at the levels of the 90's where it averaged around 2.4%. Wage inflation is directly proportional to CPI inflation and consequently we have seen little movement in salaries over the years following the GFC.

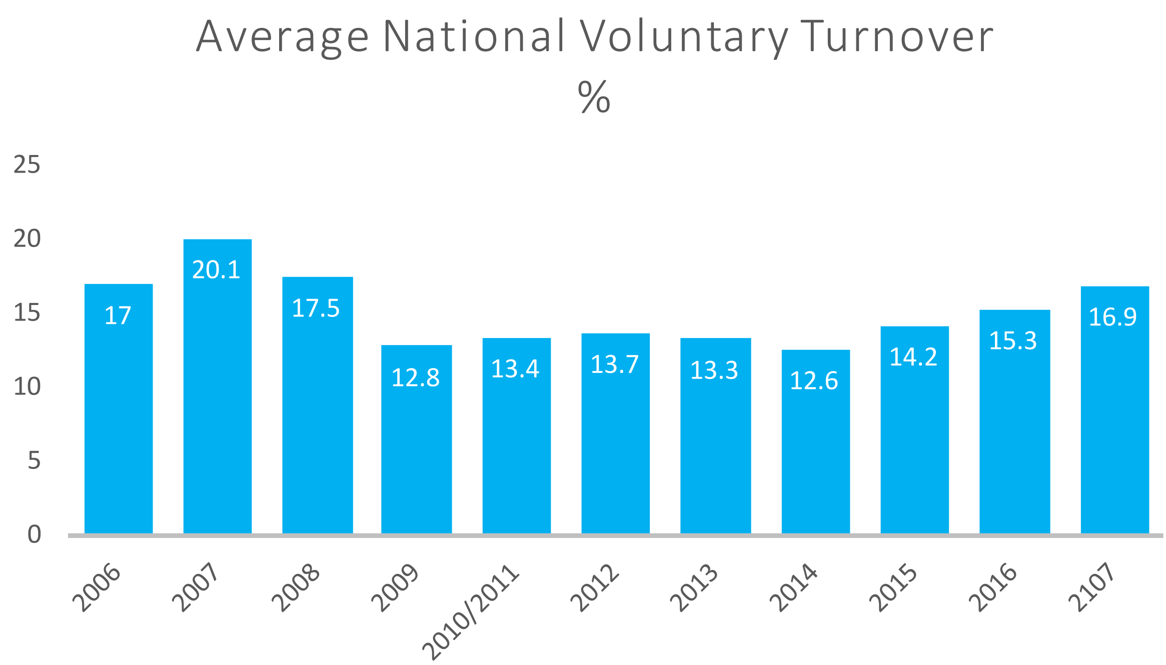
In 2017, the labour cost index which is a measure of annual wage inflation climbed by 1.9 per cent, however if the aged-care worker settlement was excluded, the index would have risen by just 1.6 per cent.

It has been very noticeable that the share of workers receiving no pay increase at all has been trending higher in the last few years, and is now at its highest since 2010, in the wake of the Global Financial Crisis.

We also considered the impact of high immigrant numbers in New Zealand over the last few years peaking in 2017 at over 70,000. This large number increased the level of competition for available jobs which decreases the number of people Voluntarily seeking new employment.

We believe that both factors have suppressed the level of Involuntary turnover over 2016 and 2017. Without them we surmise that Voluntary turnover could be at a level relative to the pre GFC period or greater.


Average National Involuntary Turnover
%
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
3.4
2.9
4.5
4.6
4
3.8
4.1
3.5
3.9
3.6
2.6
2006
2007
2008
2009
2010/2011
2012
2013
2014
2015
2016
2017


Average National Voluntary Turnover
%
25
20
15
10
5
0
17
20.1
17.5
12.8
13.4
13.7
13.3
12.6
14.2
15.3
16.9
2006
2007
2008
2009
2010/2011
2012
2013
2014
2015
2016
2107

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%. This year we report a further 11.5% increase to 28.4%.

This is an average of 1 in every 3.5 hires failing within the first year.

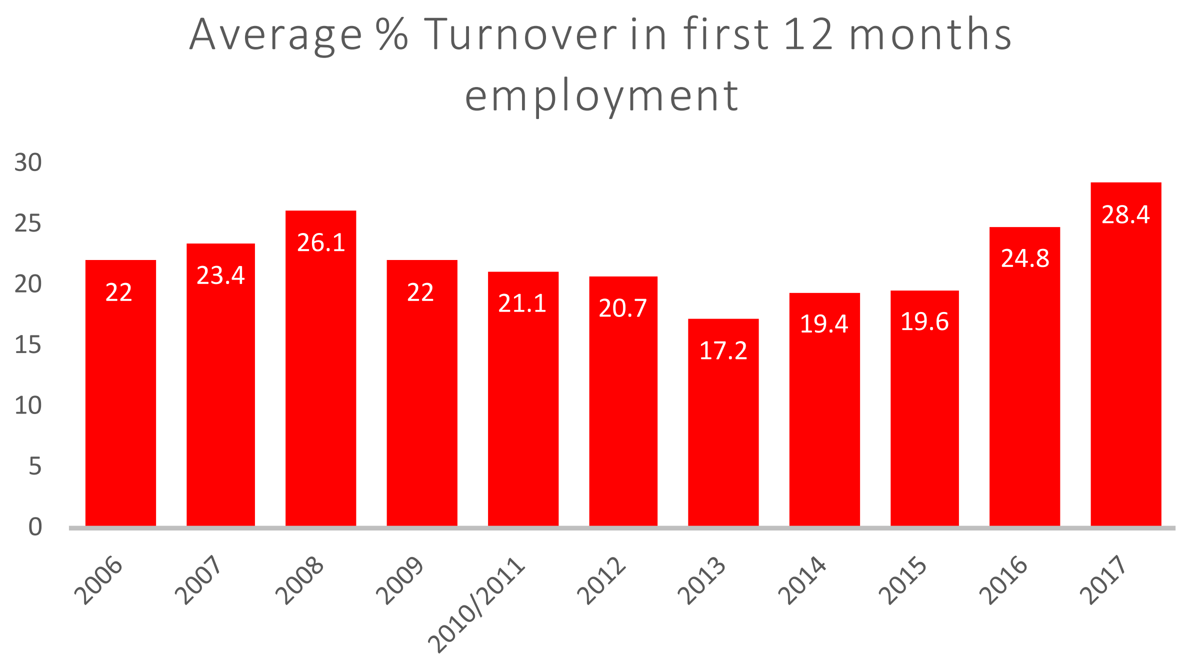
This is the highest level of first year tunover reported by this Survey and surprisingly passes the level recorded during the Global Financial Crisis in 2008.

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, 2017 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 18.8% 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 8.2% (Professional services) to 46.0% (Fastfood, hospitality). Previously in 2016 turnover across different industries ranged from 11.7% (Accounting firms) to 41.7% (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 2016 to 2017

In this survey we note some significant changes in percentage of staff turnover in specific industry sectors between 2016 and 2017:

Local Government, Engineering/tech products, ICT, Retail, Non-profit and Engineering consulting industries had only small changes in staff turnover, ranging from a 2% decrease to 4% increase.

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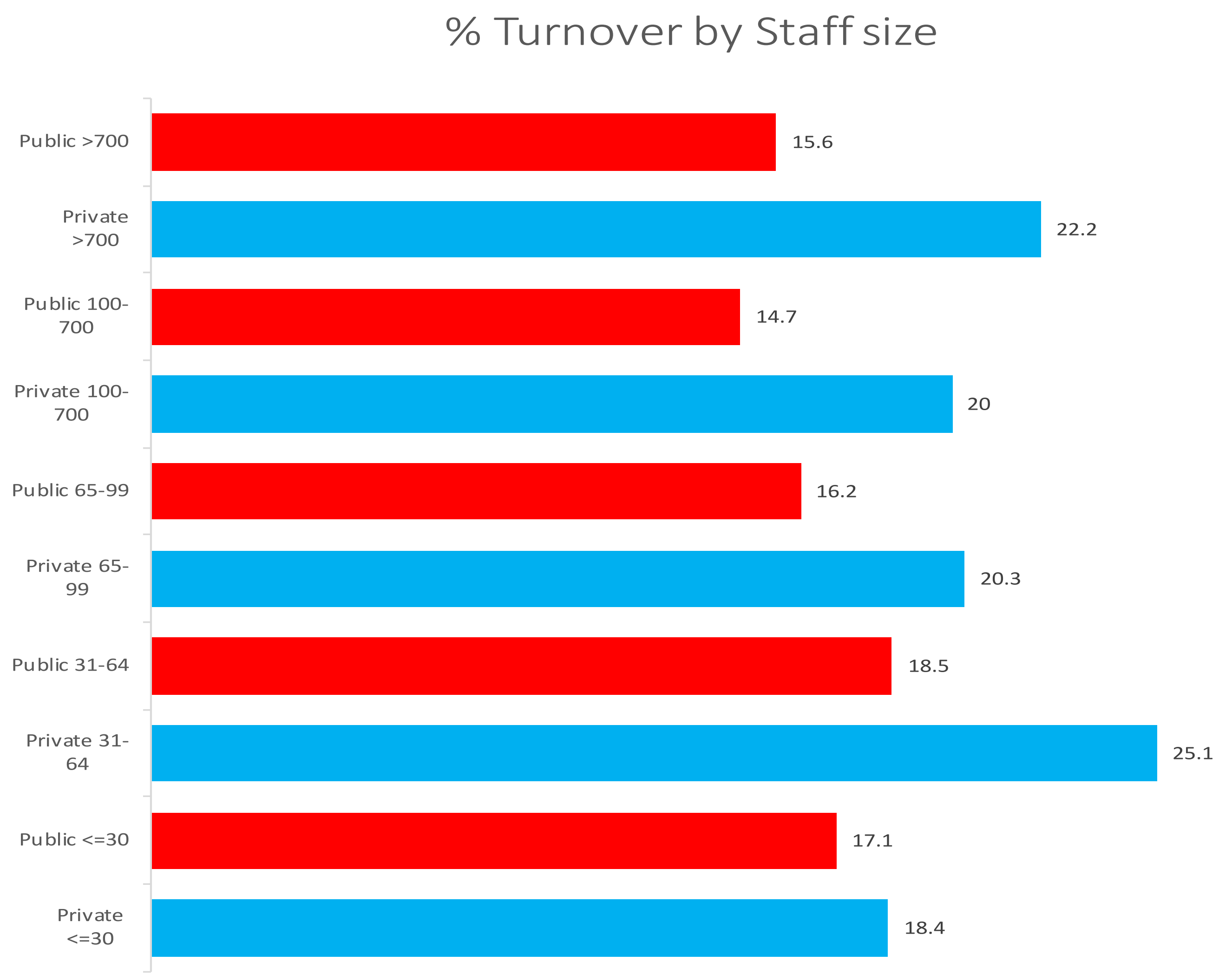
Turnover by Staff size

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. However, staff turnover within this group showed an increase of 26% between 2016 and 2017.

With the above exception, turnover in Public Sector organisations decreased between 2016 and 2017 – by 6% for public organisations with fewer than 30 staff; by 16% for 31-64 staff; by 24% for 65-99 staff; and by 16% for 100-700 staff.

Private sector employers with 100-700 staff remains stable from the previous year (19.5% in 2016). Small private organisations with fewer than 30 staff saw a decrease in staff turnover rates by 10%. Conversely, turnover increased for private employers with 31-64 staff (+23%); 65-99 staff (+29%); and 700+ staff (+12%).



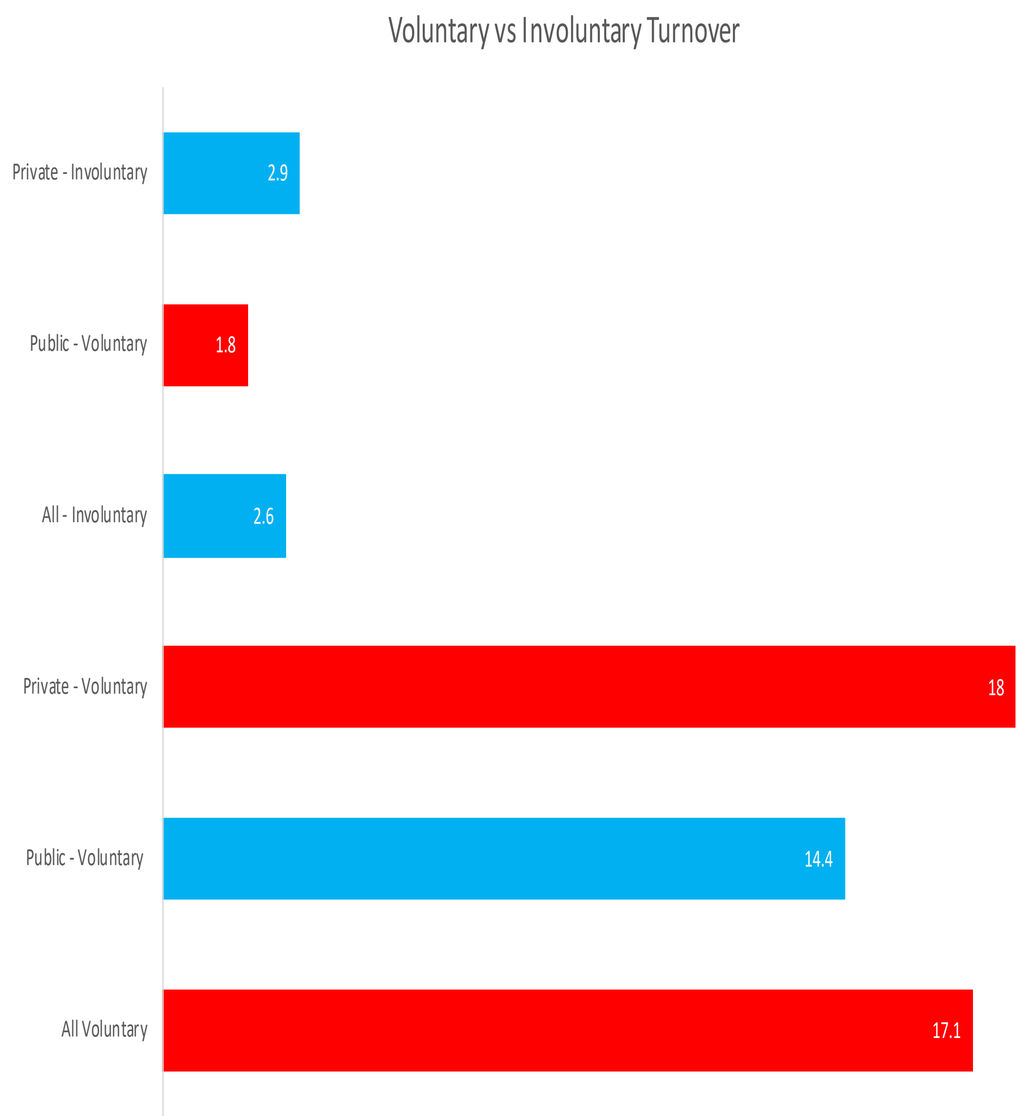
Voluntary and Involuntary Turnover by Type

This graph represents the rates of voluntary and involuntary turnover by organisation type.

Last year's involuntary turnover in both public and private organisations reached its lowest since 2009.

We also asked our respondents if their organisation offered transition/outplacement support for involuntary turnover situations.

Of those who had involuntary turnover in their organisations in the past year, the results were evenly split – half said they did; the other half did not.



Voluntary and Involuntary Turnover by Industry

As expected, rates of involuntary turnover varied greatly across industries – from 0.4% (Early childhood) to 7.2% (Engineering/tech products).

Voluntary turnover also varied between industries: from 8.8% (Crown entity) to 42.8% (Fastfood, hospitality).

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

Agriculture, ICT, Property/construction, and Transport/logistics industries all showed higher rates of involuntary turnover, consistent with what we saw in 2016.

Involuntary turnover in the Retail industry decreased markedly – from 6.1% in 2016 to 1.9% in 2017.

Voluntary turnover in Fastfood/hospitality and Retail industries have consistently been higher than other industries, and this year was no exception. In 2016 rates of voluntary turnover in these two industries were 38.8% and 28.3% 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.

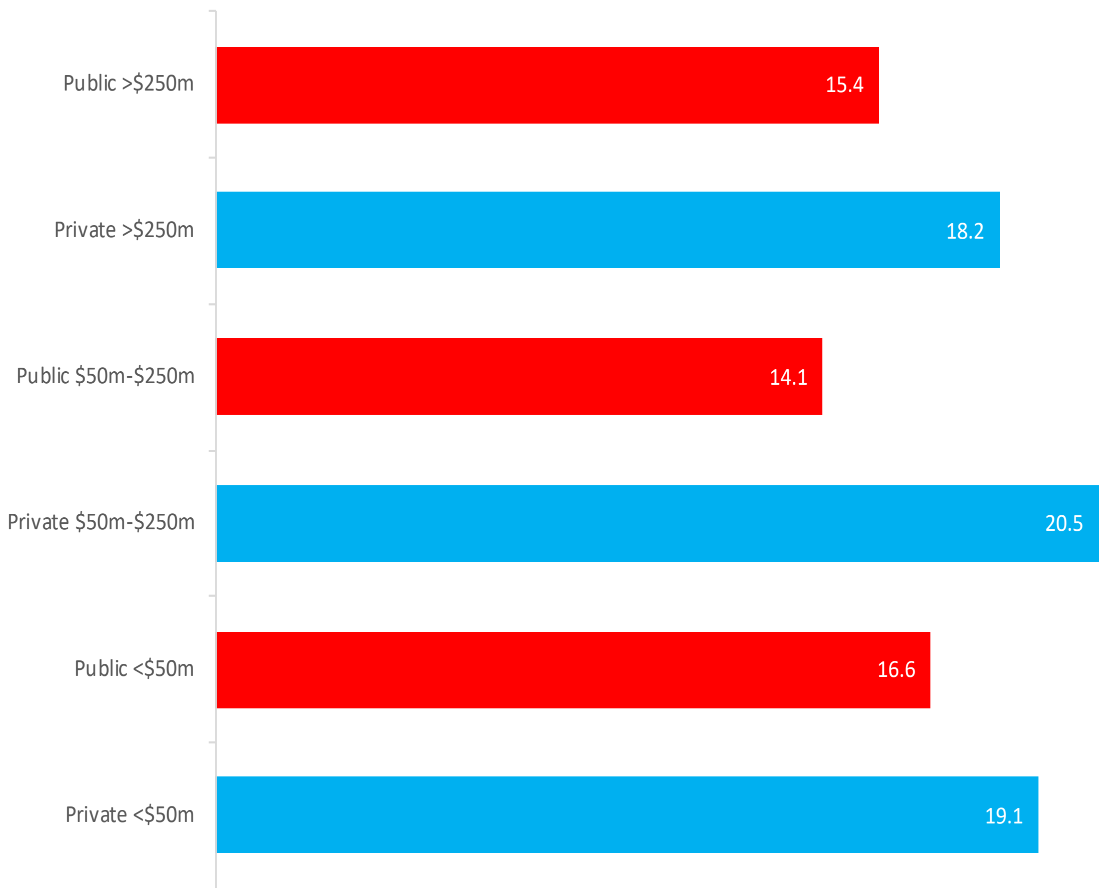
Staff turnover remains stable for private employers with revenue over $250 million, with just a 3% decrease in turnover from 18.7% in 2016.

Private sector organisations with $50 to $250 million revenue saw an increase in turnover by 17%.

Private sector organisations with less than $50 million saw a decrease in staff turnover by 9% from 2016.

Between 2016 and 2017, staff turnover increased by 21% within public sector organisations with greater than $250 million budget. Staff turnover decreased for public sector organisations with $50-$250m budget (-10%) and less than $50m budget (-9%).

% 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.

Between 2012 and 2016, organisations with the majority of staff based in Waikato have consistently shown the lowest rates of turnover, with the average turnover being 13.6%. However, there was a noticeable increase in staff turnover to 19.8% in 2017.

Between 2012 and 2016, turnover in Auckland has been higher than most other regions with an average of 18.8% (ranging from 16.5% in 2013 to 20.3% in 2016). Turnover in Auckland remains high in 2017 at 20.8%, indicating an active job market in this region.

At 19.8%, turnover in Christchurch in 2017 is the highest it has been since 2012, noticeably above average of 14.7% between 2012 to 2016.

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90 Day trial period

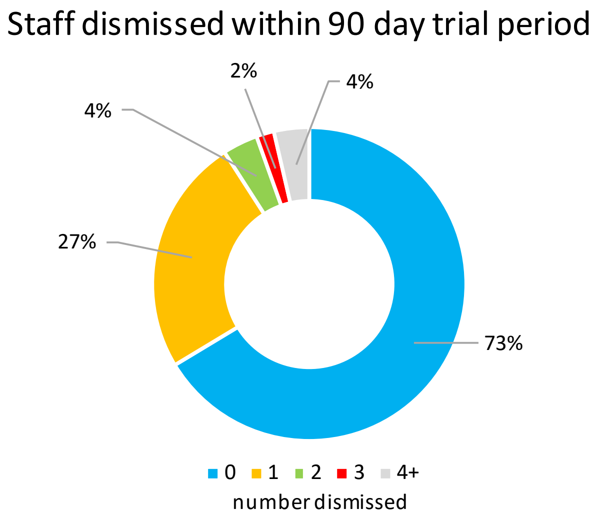
76% of respondents stated they had a trial period clause in their employment contracts for new staff, a slight increase from 68% in the previous year.

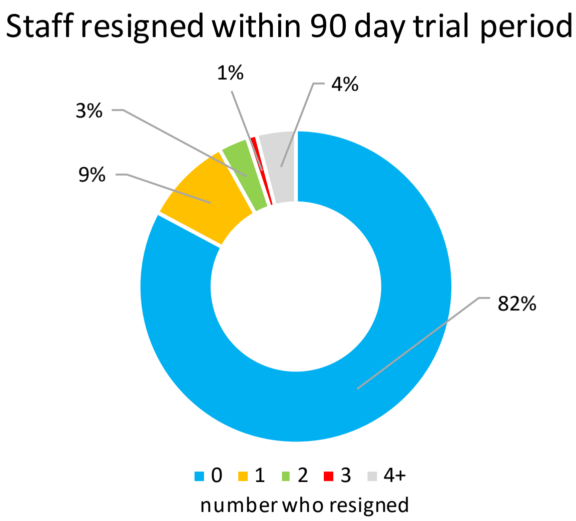
Of the organisations that had a trial clause for new staff, 73% reported they did not dismiss any new employee during this initial period.

In 2016 this figure was 54%, indicating fewer organisations now rely on the trial clause to address an unsatisfactory hiring decision.

A fifth (20%) reportedly terminated one or two new employees.

Most organisations (82%) experienced no staff resignations during the initial trial period. Those that did mostly experienced three or fewer staff resignations, with only 4% of our respondents reporting 4+ resignations.





Exit Interviews

74 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.

Reasons for leaving employment

Why do people leave their job? We asked organisations what were the reasons for their Voluntary turnover in 2017.

74 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, an increase in salary, Parental leave or lack of existing development/promotion opportunities as a 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 11%, quality of management is not a key reason for turnover.

Of note, 13% of our respondents stated that location/ commute time was seen as an increased reason for staff turnover.

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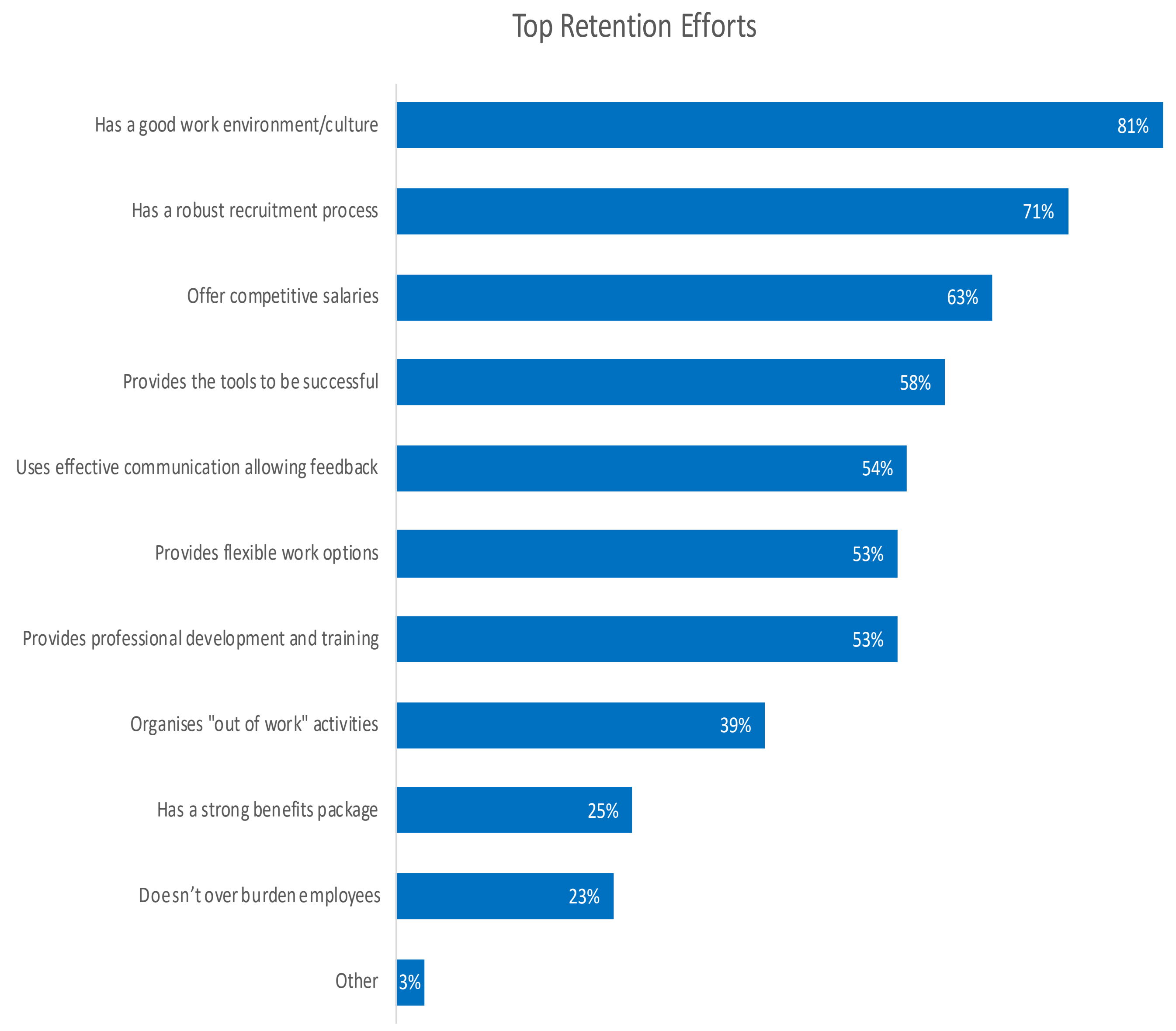
Retention Efforts

Employers were asked about their top 3 retention efforts. Most employers focused on staff retention right from the hiring process, ensuring their recruitment process identified the candidate who was likely to remain employed with them long term.

After hiring, building a good work environment and culture was clearly a strong priority for most organisations.

Many of our respondents had creative ideas for staff retention. These included providing staff birthday leave, thank you gifts, carpool, free parking, free fruit, extra week of annual leave, or personal funding, as well as an emphasis on recognising diversity and inclusion.



Contributing Organisations

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

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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. 1,693 employers across all industries and regions of New Zealand were contacted in this category of which 298 participated, meaning a response rate of 17.6%, a very 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 four survey years, organisations with fewer than 65 staff have participated. 120 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.

1,693 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 p articipant 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.

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