

THE 2010 NZ STAFF TURNOVER SURVEY RESULTS

RECESSION MASKS RECRUITMENT & RETENTION CHALLENGES

In early 2010 for the fourth year running, Online Executive Search Ltd carried out The New Zealand Staff Turnover Survey. The survey is undertaken in partnership with the Human Resources Institute of New Zealand (www.hrinz.org.nz). The population for this survey is all New Zealand mid-size & large employers, which is defined as all employers with 65 permanent staff or more. A total of 205 of NZ's medium- and large-sized organisations participated in this survey, meaning a response rate of 12.1%, producing statistically valid and robust data for a population of this size.

THE NATIONAL AVERAGE TURNOVER

The national average turnover for the year ending 31 December 2009 was found to be 16.5%.

Previous New Zealand Staff Turnover Survey results show average rates of staff turnover peaked during 2007, as shown below:

Year	Average staff turnover
2009	16.5%
2008	22.4%
2007	23.0%
2006	20.4%

Multiple factors have driven gradual increases in turnover during most of the past fifteen years. However as a result of the recession, data shows a substantial drop in turnover over a quarter (28.3%) since its peak of 23% in 2007. The 2008 calendar year figure of 22.4% included a sharp increase in involuntary turnover (i.e. redundancies).

THE INDUSTRY SECTOR YOU'RE IN COUNTS FOR EVERYTHING

Turnover varied greatly between different industries – from 6.3% to 38.9%. As a result, it is important when making comparisons to compare with other employers in your industry group.

In turn, a major spread within each industry is also noted in the 2009 calendar year data, the same finding as 2006, 2007 and 2008. For instance, turnover within one main industry sector ranged between 4% to over 55% which reinforces the value of comparing turnover within industry sectors that you recruit from.

THEY'RE STILL LEAVING IN DROVES IN THEIR FIRST YEAR OF EMPLOYMENT

For the year ending 31 December 2009, turnover in the first year of employment with the organisation is higher than turnover in subsequent years service. This is a similar finding to 2008, 2007 and 2006. It is the same in both the Private and Public Sectors.

At first this doesn't fit gutfeel - in a recession new employees should be more likely to want to stay with their new employer, so why did first year turnover stay ahead of subsequent years' turnover?

Possibly, faced with financial constraint and difficult markets, employers have been more stringent on applying probation periods for new employees; perhaps new employees are unproven so are more likely to be made redundant if headcount needs to be reduced; perhaps more onerous economic times have meant new employees have found their new jobs more demanding than they are used to. On the latter point, anecdotal evidence suggests that many employers have found that staff who were performing in a "adequate enough" manner in good times have become poor performers in tough times – the bar has been raised.

Furthermore, with volumes of CV's for most advertising vacancies being vast (anecdotally, the majority of job vacancies receive 100+ CV's and 200+ not uncommon), it has been easy for most vacancies to form a short-list of candidates with good 'technical' skills & work experience for the position. So in the job market of 2009, why the issue of keeping staff for the first 12 months employment? We suggest the contribution of recruitment to this is behavioural,

not candidate 'technical' skills & work experience - poor cultural fit, lack of coaching, induction & training causing difficulties for new employees to adapt to the new role, demotivated or unreliable new recruits etc.

This finding highlights a major improvement opportunity for organisations where first-year turnover is high or where first-year turnover is considered high compared with turnover beyond the first year.

A SHARP DROP IN VOLUNTARY DEPARTURES – HAVE EMPLOYEES SUDDENLY DEVELOPED MORE COMMITMENT?

A feature of the 2009 calendar year total turnover figure of 16.5% is the dramatic drop in voluntary turnover rates. Voluntary turnover has dropped from 17.5% in 2008 to 12.8% in this year's survey, again a reduction of over a quarter (26.9%).

Optimistically, some of this drop could be due to employees re-evaluating their priorities and deciding that loyalty, security and patience are better values. On the other hand, the vast volumes of replies to job advertisements, with the clear majority of candidates still being currently employed (especially for skilled labour positions), suggests changing jobs is still desired and the slow-down is driven by the inability to readily obtain the job one wants because of labour market competition.

Across the four years of this survey, we note the strong correlations of turnover with total economic performance (domestic economic performance & the housing market peaked in 2007, as did the rate of turnover), industry sector, remuneration level (i.e. skilled versus unskilled jobs, as shown by pay levels) and job family (type of job). We would therefore be extremely cautious about any suggestion that New Zealand employees en masse have found a new set of values.

Changing jobs is not about the alleged characteristics of Generation Y or Generation X. Seeking explanations about people's willingness to change jobs because of how old they are might sell a lot of books & seminars but seriously misses the point. Socrates and Shakespeare were often casting aspersions about the younger generation's behaviours. Instead, it is perhaps better to see changing jobs as a function of the labour market and the activity & interactions within an individual organisation.

WHO IS LEAVING? FOCUS NEEDS TO BE PLACED ON KEEPING THE BETTER PERFORMERS

In turn, having lower turnover due to the economic climate doesn't mean a given organisation is doing well on turnover performance. Indeed, who is leaving (e.g. high performers versus poor performers) becomes very important. Good performers significantly out-produce the rest. Voluntary staff turnover still has a substantial lost productivity cost associated with it of between 50% and 300% of the salary for a given job.

We suggest that through 2010 and 2011, the next 'big & important thing' for people-management and HR practices will be productivity-per-employee. In the Private sector, this will be driven by the need to return to reasonable profit-levels; however that employers will be cautious about quickly taking on more staff to do that – a 'more with the same' philosophy. In the Public sector, budgets are under pressure from escalated government debt levels but service delivery can't be cut – a 'same with less' philosophy.

Thus, who leaves the organisation will become much more important. Comparing performance management results with staff turnover results may become a widespread practice and retention of key talent a priority.

A LOOK TO THE FUTURE

National staff turnover levels are linked closely to the economy. In this respect, at the time of writing (July 2010) the jury is out. Optimistic economists are pointing to a sharp drop in unemployment from 7.3% to 6.0% as at 31 March, some positive economic growth, positive business hiring intentions, favourable terms of trade & record dairy prices. Pessimistic economists are talking about a 'Double-Dip' recession.

We estimate that aggregate turnover levels will rise slightly during 2010; NZ is fundamentally a skill-short labour market. However, as above, we suggest that the key issue for employers is who is it that's leaving – is it good & excellent performers or the average and not-so-good? Off a low base, the volume of job adverts are up around 20% (depending on the publication) from a year ago. And regardless of the economy, it's always the high performers who find new jobs the fastest & easiest.

If there are improvement opportunities to be had in recruitment & retention, having them implemented before the market turns would be a considerable advantage.

ABOUT THE AUTHORS



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Martin worked as a Recruitment Consultant and Regional Manager with profit-centre accountability in the executive recruitment industry for eight years before joining Telecom New Zealand. He held several senior Human Resources Manager roles over an eight-year period for the Telecom group, including General Manager Human Resources (Acting), Head of Organisational Development and Head of Remuneration & Benefits. He then established HR Equations Ltd, a strategic HR consulting firm, in 2001 and in 2006 he purchased a 50% share in Online Executive Search Ltd. He has a BA (Psychology & Marketing) from Auckland University.



Marcus Clark – Director

Marcus has 11 years experience in executive recruitment gained in large consultancies including 3 years with Sheffield. He established Online Executive Search Ltd 6 years ago. Prior to entering the recruitment industry, Marcus spent 10 years as the Managing Principal of a consultancy specialising in contract commercial management of agribusiness enterprises owned by offshore investors. Marcus has a BSc (Industrial & Organisational Psychology) from Canterbury University.



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Hawon has a Masters degree from Auckland University in Industrial, Work, and Organisational Psychology. Hawon manages the New Zealand Staff Turnover Survey and assists with Recruitment and Human Resources projects.