



**KELLOGG**

RURAL LEADERSHIP  
PROGRAMME



What is the true cost of transience to  
the New Zealand dairy industry?

Kellogg Rural Leadership Programme

Course 42

Brent Miller

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## Executive summary

This report investigates whether the dairy industry has an issue with labour transience and what it truly cost a business to lose and retrain a new employee. I needed to firstly find out If, when, where and how transience has become a problem in the dairy industry. Then what it truly cost a dairy farm to lose and replace an employee. Finally, I investigated the reasons people were leaving a job and was it preventable.

There were two parts to this research project 1) a literature review and 2) a survey of 23 dairy farmers to see what they thought about the cost of transience in the dairy industry.

### The key findings of the literature review were:

- New Zealand dairy farms have changed drastically throughout the last 29 years in size. They have increased in average area from 220ha to 372ha, herd size has over doubled from 170 cows to 440 cows, and production has increased from 250kgms/cow to 385kgms/cow. Resulting in more labour being required on farm.
- The dairy industry has similar transience to all other industries in New Zealand. This means that transience is a big issue for the whole of New Zealand not just the dairy industry.
- 21.1% of a dairy farms budget is from labour costs.
- The average dairy business has quintupled its farm debt in the last 28 years.
- Dairy farmers are working 11 hours/week longer on average than the country's 2.7 million people work force.
- It takes a lot of time and effort to replace an employee.
- Inducting an employee is costly and time consuming. It takes up to 2 years to fully induct an employee to the same as where the previous person employed was, depending on the level of experience of the position. Costs involved are not only the cost of off farm training such as ITO, but also the cost of time taken from other employees/manager/owner's day, to train/oversee the inductee until they are competent at the tasks at hand.
- It varies on how much it costs to lose an employee depending on experience lost. 30% - 200%. There is big difference in losing an assistant position to losing a second in charge or manager. A more senior role can more easily fill in for an assistant role as they already know the job. But an assistant cannot help with 2ic role, because they have not learnt the knowledge of things like farm walks, feed budgeting etc.
- Working on a baseline of the cost of transience. You are looking at least 30% of the persons annual salary cost to your business for one person's turnover.
- Not all the cost of transience is monetary. Working longer hours, the stress of filling the skill gap lost, loss of sleep worrying how to get through until a new team member can be found and trained. These do not cost the business directly monetarily, but they are very costly to the rest of a team, family and individual.
- 7 out of 10 reasons people leaving a job could have been prevented. They are:
  - **Career development** – this has been the number one category for 10 straight years. Employees who are satisfied with their development are likely to stay.
  - **Work-life balance** – this was up 23% since 2013. Flexibility of the job, long shifts, and suitability of hours
  - **Manager behaviour** – General behaviour and communication have each increased (gotten worse) in the last year.

- **Job characteristics** – this was the number one rising category of turnover, up 117% since 2013.
- **Well-being** – to promote work-life balance consider flexitime and telecommuting, assistance with childcare/eldercare, financial counselling, and flexible leave options.
- **Compensation and benefits** – many think compensation is the reason for turnover. Sometimes it is and sometimes it is not. Find out the real reasons for turnover in your organisation.
- **Work environment** – applicant selection assessments and interviewing must include person-environment and person-culture fit as company culture becomes increasingly important.
- Preventable reasons for turnover equate to 78% of our transience if we could solve this it would change our turnover rates from 24.5% down to 5.5%. This would be an astonishing change to our businesses.

#### **The key findings from the survey were:**

- 96% of dairy farmers surveyed agree transience is a cost and there is a problem.
- 70% surveyed believe it costs their business up to \$20,000 to replace a staff member. Reasons stated were from loss of productivity, induction, and training costs to get the new employee up to the same level, advertising costs and the loss of time, selection and interviewing of potential candidates.
- It takes a lot of time and effort to replace an employee.
- That the respondents thought most of the costs for employing a new employee was in induction and training costs.
- 76.5% of the respondents thought it takes at least a couple of months to induct a new employee.
- There was no clear trend for transience from respondents.
- 95% of the respondents indicated that they worked over 40 hours per week.
- The reasons for people leaving a job were Lack of support, long hours, pay not good enough and management not treating them well.
- There were three main themes for why people stayed on farm they were good culture, Good employer, progression, fair remuneration package.
- The results from the survey did not vary to much from the position held. Be it owner, manager, sharemilker, or employee.

#### **The main conclusions of this research project were:**

- Transience has become worse because the dynamics of dairy farms have changed drastically throughout the years, with increased farm size, resulting in the need for more labour on the farm.
- Dairy farm turnover rates on average are relatively the same as the national average.
- That transience is costing a considerable amount both in the way of money and stress, fatigue and over work to a dairy farm business.
- Three quarters of transience can be prevented. Which would result in considerable savings to a business turning over employees.

**Recommendations:**

Turning over employees is costing dairy farming business and most of the reasons they are leaving are preventable. To capture the benefits of retention each farm needs to understand why people are leaving their farming business. Each farm needs to analyse the environment they provide for their people. Is the farm inclusive, asking their people what they want in the workplace and driving it from their needs and wants?

**Next steps for the dairy farm employer:**

- Become clear why your people are leaving – remember that on an exit interview they may not give you a clear explanation.
- Become clear on why your people are staying – what are some strengths?
- Identify what you are doing to prevent people from leaving your business – ask yourself would you like the same working environment?
- Look at the history of employment on farm, is there a pattern? Could some turnovers have been prevented? Was this in your control to prevent?

**Next steps for industry:**

- Identify good employers in industry who have a high retention rate and showcase these.
- What are they actively doing to prevent turnover? Can strategies be created and adopted?
- Focus on the intangible as well as tangible drivers – people are human beings not doings.
- Commitment five is far reaching and will need engagement at all levels to become real. It will only be driven by those employers who see the benefit in looking deeper into their own behaviour and environment they provide on farm.

## Acknowledgements

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## 1.Introduction

The people in our business are our passion and what has become a driver for this project. Without our team the farming operation at all levels would not perform optimally and become the resilient business it is. People are the key to our farming success, our asset not cost. We try to provide an environment where they feel valued and can perform to the best of their ability, and that is reflected in business performance in all areas.

I am equity sharemilking on a large-scale dairy operation in Canterbury, with my wife Rebecca under Milk IQ LTD. I have been in the industry for over 20 years and have farmed small to large scale herds, corporate and family operations, and dairy conversions in different regions within New Zealand. We enjoy working with our people and have learnt so much from them over the years.

We need to face it – the need for people in our dairy farms is a necessity. The cows cannot milk themselves, and they cannot drive tractors, move irrigation, or cultivate a paddock. Even on our smaller dairy farms we need people to help us to keep our business going and to ensure we get some much-needed rest and relaxation.

People are the biggest asset in our business. To lose an employee is hard work! It means looking for a replacement person, induct them, train them up on all the intricacies of the business, let alone culture. It takes a lot of time and effort. All while trying to juggle the gaps of being a person down. We then play catch up, finding there is not enough hours in the day now because the farm must soak up one full time equivalent work. The math can never add up.

This results in loss of productivity, sleep, mistakes being made, frustration and everyone and everything losing to a point. It hits us in the bottom-line profit, and everywhere else – in places we cannot even quantify and establish.

How much is transience costing our businesses really? What is the real cost? Is it just money and how much of a problem is it in the dairy industry?

What is the true cost of transience to the dairy industry?

## 2.Aim and objectives

The aim of my study is to investigate the cost of staff turnover, or transience in the dairy industry. The question asked is “what is the true cost of transience in the dairy industry?” What is it costing to have an employee leave the business, to induct and train the new one that will replace them? I wanted to dig deeper into what the reasons are of transience are and discover the correlation between the cost to the business, the team, and to industry.

When thinking of transience, it is the impermanence or movement of something, and when this is applied to labour, it then becomes the movement of your staff from your team to another. In the definition of transience is: A person or thing that is transient especially a temporary guest, boarder, labour, or the like.

My objectives were to get a better understanding of where the dairy industry was with transience compared to other industries. How bad was transience really? What was it costing to lose an employee? What were the reasons that people were transient and was any of this preventable?



Using a literature review I wanted to understand how the dairy industry is going with transience, and is the movement of people on the Dairy industry's radar? Has transience always been a problem and if not, what has changed to make it into a problem?

With the survey I wanted to find out if transience was an issue, how dairy farmers viewed themselves with transience on their farm, what their ideas were on what it was costing them, the reasons they thought transience was happening and how they thought they could prevent it.

### 3.Method

The method I have used for this project was to conduct online survey and a literature review on transience, staff turnover and the New Zealand dairy industry in general.

In the Literature review I firstly looked solely at research in New Zealand but found that some of the information available was limited. Expanding to the rest of the world gave me a lot more data and research that could be used to find out what it was costing businesses to turnover staff, how much it was affecting a business, common themes and whether there could be something done to reduce transience.

For the online survey I used TYPEFORM to get an understanding where dairy farmers were with transience in their situation or business. The survey ran for 18 days in total and there was a total of **24 questions** of which 12 were quantitative questions, 9 qualitative and 3 statistical.

The survey received a 52% completion rate with 23 responses, of which 77% were employers and the rest employees. Respondents came from all over the country but the highest percentage from Canterbury. I also got a wide range of job titles respond from Casual employees to farm owners and General managers. From the respondents the number of full - time equivalents (FTE) ranged from 2 to 26 but averaged 5 FTE.

The statistical questions were a choice of the best description. Quantitative were a mixture of yes, no, choose a box or rating questions and the qualitative gave the participant the ability to write a few sentences to write a description for their answer.

Trying to target a broad audience, I reached out to Facebook pages, these were: Young Farmers, NZ Farming, Dairy Association, Dairy Woman's Network, and my fellow Kellogg cohort.

## 4.Literature review

### 4.1.The New Zealand Dairy Industry

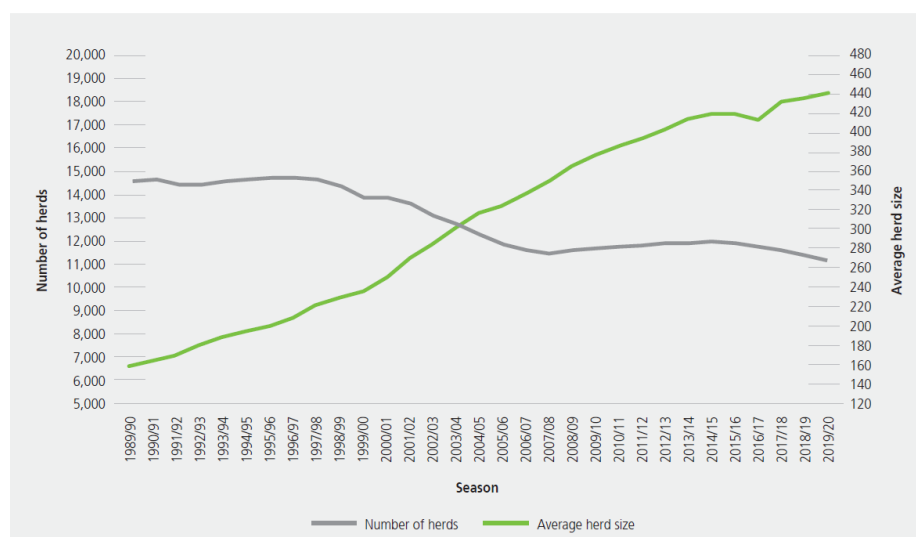
When looking at a snapshot of what happened in the timeline of the New Zealand Dairy Industry. A great change to the industry was the implementation of DIRA. The Dairy Industry Restructuring Act 2001 (DIRA) allowed the creation of Fonterra Co-operative Group Limited. The Act has provisions to promote the efficient operation of dairy markets in New Zealand by regulating the activities of Fonterra to ensure New Zealand markets for dairy goods and services are contestable. (MPI, 2020). Next the increase in demand of milk products in the Chinese market and between 2008 and 2013, imports of whole milk powder to China increased more than 6-fold to over 600,000 tonnes, with 91% imported from New Zealand. (Woods, n.d.)

With the increase in demand for milk products, we widened our dairy farming land and conversions began, creating the need for increased labour on farm. Around 7,000 migrants were granted visas to work on dairy farms in New Zealand between 2003 and 2011, with the number of temporary work permits issued for dairy-related employment quadrupling from around 500 in 2004 to nearly 2,000 in 2010. Many work permits issued after 2007 were to Filipino migrants, with the Philippines, along with South Africa, Fiji, Brazil, Chile, and India emerging as the major international sources of dairy workers. (Woods, n.d.)

The New Zealand dairy industry has changed drastically throughout the years and has had major changes in the number of cows milked and staff needed. In 1991/1992 season the total number of dairy farms was 14,500. They averaged about 170 cows and produced on average 250 milksolids per cow. (DairyNZ, New Zealand dairy statistics 2019/2020, 2020)

**Fig 1.**

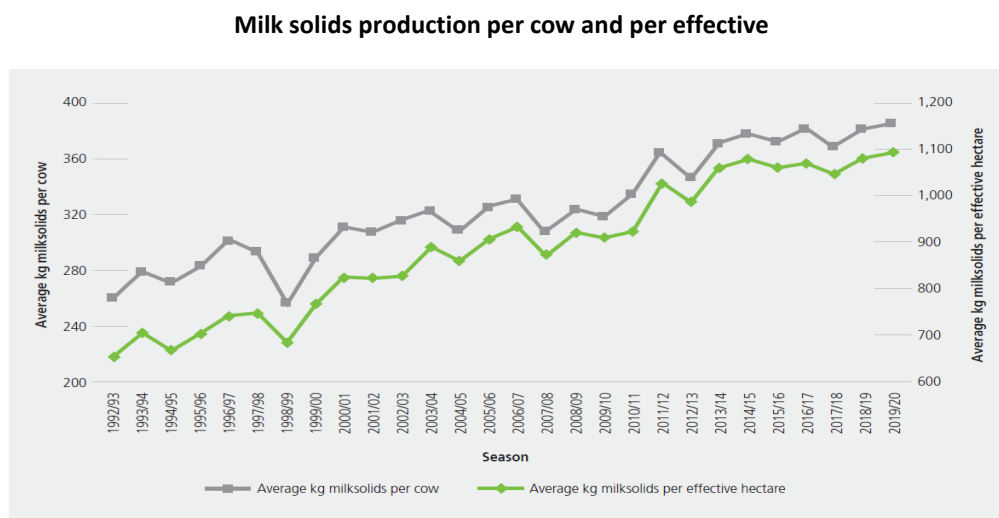
**Number of herds and average herd**



(DairyNZ, New Zealand dairy statistics 2019/2020, 2020)

Now fast forward to the 2019/2020 season there are 11,179 dairy herds, with an average herd size of 440 cows producing 385 milk solids per cow (DairyNZ, New Zealand dairy statistics 2019/2020, 2020)

**Fig 2.**



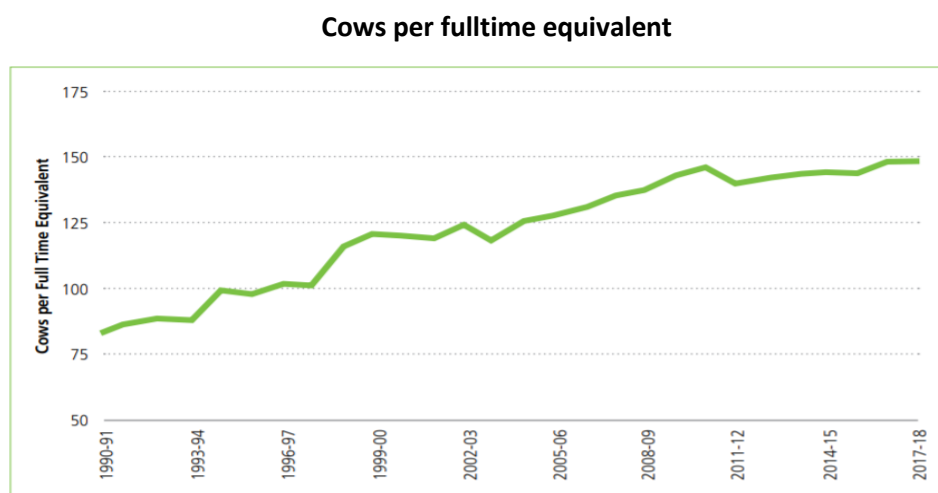
(DairyNZ, New Zealand dairy statistics 2019/2020, 2020)

That is a **21%** decrease in herds, a **60%** increase in herd size and a **54%** increase in milk solids per cow.

The result of increased herd size and milk solids per cow has meant the number of full time equivalent (FTE) labour units has increased from 83 cows to 148 per/FTE. Even though there has been an increase in the use of technology and labour-saving techniques. (DairyNZ, Dairy NZ economic survey 2017/2018 , 2019)

Full time equivalent (FTE) and headcount for the full-time equivalent metric, an employee is assigned an FTE value between 0 and 1 depending on the proportion of full-time hours (however defined by each department) worked. For example, an employee working full-time equals 1 FTE while an employee working 60% of full-time hours equals 0.6 of an FTE. The FTE values of all employees are added up to give the total number of FTE employees in an organisation. For the headcount metric, each employee is counted as one. (Te kawa Mataaho, 2021)

**Fig 3.**



(DairyNZ, Dairy NZ economic survey 2017/2018 , 2019)

This has changed the dynamics of how our dairy farms have operated in the last 29 years. It has gone from the owner/operator being able to run the whole business by themselves to the average dairy farm needing to employ at least 1 to 2 people to keep it operating.

#### 4.2. Industry Debt health check

The dairy sector directly adds \$10.2 billion dollars to the New Zealand economy. It employed 36,607 people in 2019 with a job growth of an average of 3% over the last 19 years. This was \$1.6 billion in wages paid in the 2018/2019 season. (DCANZ, 2020) Wages are one of the major costs to the dairy farm business. Without employing people on our dairy farms most could not operate because of scale; it is impossible to do it all yourself even with the technology that we have today.

Larger farm size with increased production has meant more debt has been needed for bigger infrastructure, increased land prices and more people. This has increased pressure on every operation to investigate where their business is spending its money and find ways to reduce unnecessary wastage this includes the cost of recruiting people.

The average dairy farm debt through the years has risen astronomically. In 1990/1991 season, farm debt was \$4.65kg per milk solid (Greig, 2010) Now in the 2018/19 season, average farm debt is now totalling \$24.92 kg milk solid (DairyNZ, DairyNZ economic survey 2018/2019, 2020) With the level of debt we have now, identifying the cost when someone leaves the business is necessary. What we can measure we can mitigate and change. Dairy farming could not exist without people. We rely on people to work and invest time into our business to enable our farms to operate and succeed. To lose an employee means disruption, stress, time lost and fatigue.

Most New Zealand businesses do not understand or know the true cost of staff turnover in their business. Despite not knowing the true cost of turnover, focus on employee retention is essential to minimise the level of unwanted staff turnover. (Williams L. , 2019) The Dairy Industry has identified this cost and wastage of people as a focus. They want the industry to thrive and see this as something we can help to affect change with direction.

#### 4.3. Industry Commitment to people in the Dairy Industry

The dairy industry has defined several commitment, strategies, and goals. In the Dairy Tomorrow Strategy, DairyNZ has stated where they would like the industry to be stronger:

Commitment 5: We will build great workplaces for New Zealand's most talented workforce.

We will achieve this commitment by building a strong culture that values people and creates vibrant teams. We will make it a priority that all our people are healthy, well and get home safe every day. We will make dairy farming an inspiring profession that offers great career options for our people. We will improve our on-farm workplaces through implementing a Workplace Action Plan committed to a work-life balance that improves business performance while rewarding the individual. We will work with other primary sectors and education institutions to build integrated pathways that bring people into dairy careers with the skills and training needed for tomorrow's food and farming sector. (Tomorrow, 2017)

#### Goals

5.1 By 2025, ensure all farm businesses have best employment practices and quality work environments operated by vibrant and proficient farm teams.

5.2 By 2020, implement people initiatives to inspire, attract, grow, and retain dairy talent.

5.3 Ensure everyone gets home safe and well every day.

5.4 By 2020, implement new programmes to support and integrate new entrants into the sector and our rural communities.

5.5 By 2020, implement programmes to build and sustain our governance and management skills-base through diversity and leadership. (Tomorrow, 2017)

#### 4.4. Five Pillars of Good People Management

The five pillars of good people management is one programme that has been developed with DairyNZ's Commitment 5: We will build great workplaces for New Zealand's most talented workforce, in mind. (Tomorrow, 2017)

The Sustainable Dairying: Workplace Action Plan is an industry action plan developed by DairyNZ and Federated Farmers to assist dairy farming businesses to adopt good workplace management practices.

The plan describes what a quality work environment in the dairy industry might look like and sets out the coordinated actions and commitments of the industry. It also provides practical advice and support to employers and employees. (DairyNZ, Workplace Action Plan, 2021)

The Workplace Action Plan is built on five pillars of good people management. Farms first need to create workplaces with firm foundations by complying with the law. However, if you want people to stay, grow and contribute then you need quality work environments which motivate and reward people fairly. You need to do more than the basics. Developing a plan to improve your farms performance in the five pillars of good people management is a great start. (DairyNZ, Workplace Action Plan, 2021)

**Fig 4.**



(DairyNZ, Workplace Action Plan, 2021)

#### 4.5. Employee turnover rates

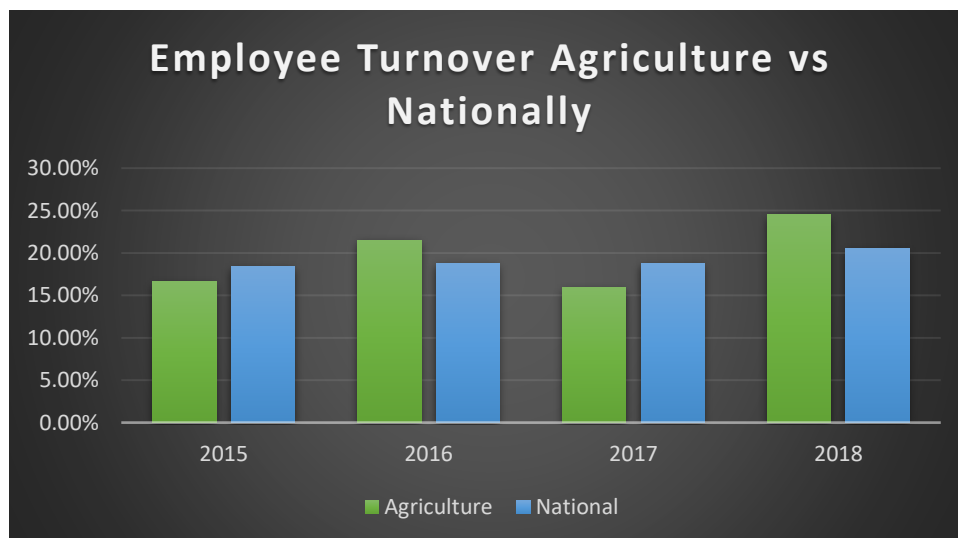
The New Zealand dairy industry is finding it difficult to fill all its vacancies. (Martin, 2020) There have been big shifts up and down through the past four years in agriculture and it has ranged in turn over volatility from around 16% to 24.5% in 2018. The national employee turnover has stayed stagnant until 2018. (Williams L. , 2019) (Williams L. , New Zealand Turnover survey report 2018, 2018) (Williams L. , New Zealand staff turnover report 2017, 2017) (Williams L. , New Zealand staff turnover report 2016, 2016)

When comparing the Dairy industry to the national average turn over the past four years it shows that the employee turnover rate is similar to the turnover rate of New Zealand in all other industries.

Employee turnover refers to the proportion of employees who leave an organisation over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers. The term is used broadly to cover all leavers, voluntary and involuntary, including those who resign, retire, or are made redundant, in which case it is describing overall, or 'crude', employee turnover. It is also possible to calculate more specific breakdowns of turnover data, such as redundancy-related turnover or resignation levels, with the latter particularly useful in assessing the effectiveness of people management practices. (Peters, 2020)

Statistics show that we lost about 8,969 (Williams L. , 2019) (DCANZ, 2020) people to staff turnover in 2019 in the dairy industry. Dividing that by the number of dairy herds that we have in New Zealand (11,179) (DairyNZ, New Zealand dairy statistics 2019/2020, 2020) 80% of our dairy farms have turned over one employee in the last year.

**Fig 5.**



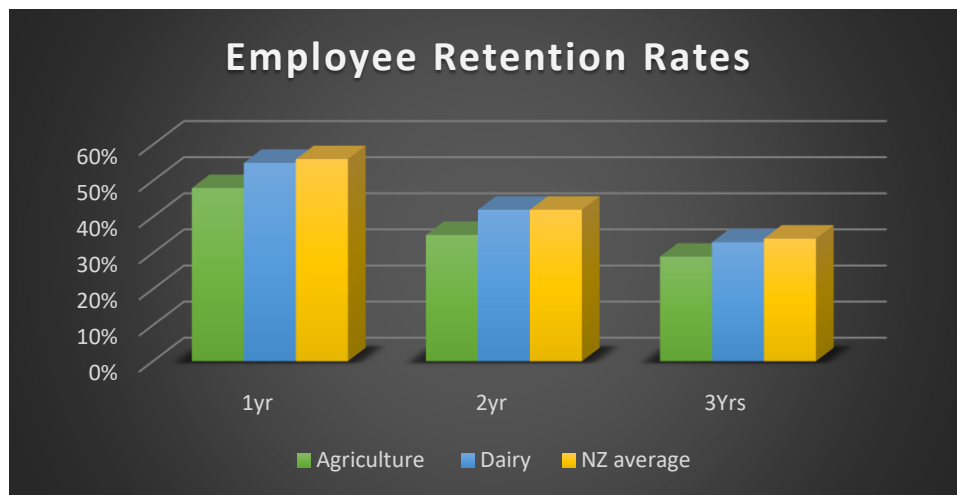
Source: Brent Miller

#### 4.6.Employee retention rates

Retention relates to the extent to which an employer retains its employees and may be measured as the proportion of employees with a specified length of service (typically one year or more) expressed as a percentage of overall workforce numbers. (Peters, 2020) After the 1<sup>st</sup> year of employment In New Zealand the national retention rate was 56%. The primary industries were 48% and Dairy farming at 55%. After 2 years of employment retention rates dropped nationally to 42%, Primary to 35% and Dairy to 42%. After 3 years retention rates dropped again nationally to 34%, Primary 29% and Dairy to 33%. (MPI M. f., 2019)

Again, this is showing that the dairy sector has similar results of retention as the rest of the nation on average in other industries. This is showing that we turned over 45% of our start up employees in their first season alone. This is an alarming rate.

Fig 6.



Source: Brent Miller

With similar employee retention rate, we need to ask ourselves, is this ok and how much does transience affect our business? Just because the dairy industry turnover rate and retention rates are like the rest of the country does it mean that we can afford to keep this rate?

#### 4.7. What is the cost of Transience?

The total costs of employee turnover for business are remarkably high, even by conservative estimates, taking a toll on company profits. (Institute.com, Retention report 2020 , 2020)

There is not an agreed-upon standard determining the cost of turnover. Some studies have calculated only direct cost to turnover by adding up what it cost to replace and train the new employee. Where others include indirect costs such as loss of knowledge, the time lag it takes to find a replacement and the time for the new employee to be become full inducted.

Turnover encompasses employees who are leaving their job, whether it be a voluntary decision made by the employee or involuntary based on a choice made by the company. Regardless of the type of turnover, when an employee leaves, the company incurs direct costs through financial expenses and indirect costs through decreased organizational performance and lost institutional knowledge. (Institute.com, Retention report 2017, 2017)

Turnover cost is based on four factors. These include:

1. Cost of Termination.
  2. Cost of replacement.
  3. Vacancy cost: Number of days job is open times the average value of job per day.
  4. Learning curve (productivity) Loss: revenue per employee per day times number of days it takes to get the new hire up to standard performance.
- (Institute.com, Retention report 2020 , 2020)

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 they are leaving.  
(Williams L. , 2019)

Costs will vary drastically also depending on the position that is to be filled. If an entry level person at operational level leaves a team, the rest of the team can pick up the workload to do their vacated job. This creates stress and pressure on the team. If a more senior role at strategic level decisions leaves, such as the second in charge, it becomes difficult or impossible for a less experienced employee to fill in, leaving a skill gap. This would usually mean that the manager will have to take on more workload and stretches themselves even further than normal.

It is also probably hard to show the true cost to the business as some costs will get absorbed into people being forced to pick up the residual work of the person leaving. This may not show up in the bottom line of the business’s financial accounts, but it is still a cost to the business. It will have a flow on effect with the employees/manager that are picking up the work having to forfeit and sacrifice time from somewhere else. Be it family time, leisure time or sleep. Extreme results will be burnout, depression, overwhelm, suicide or other employees leaving the business. Causing more stress and fatigue.

Turn over costs come from the effects to production, having to train an employee again, time taken to advertise, interview and selection of a new employee, decrease in efficiency of the business, recruitment agencies, advertisement cost, employing temporary staff to cover, inducting the new employee to the farm, termination cost of the employee i.e., paying out any annual leave not taken, and the purchase of new protective clothing e.g., new gumboots wet weather gear.

When calculating the turnover costs to the Dairy Farm business it is interesting to understand how the labour quotient fits into overall costs to the business, and what percentage range it falls into. This is also the percentage of cost or risk to the business. The higher the cost, the higher the risk and impact into other areas of the business.

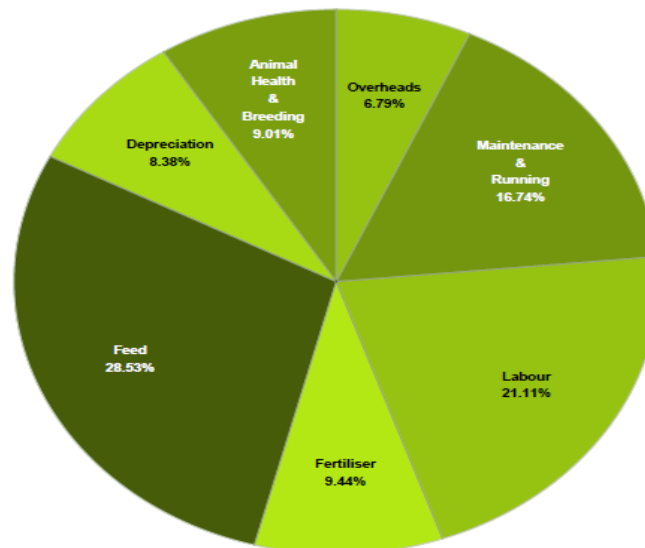


#### 4.8. Calculating the cost to the dairy farm business

When looking at dairy farm operation costs labour is consistently one of the highest costs to the business. Labour was the second highest operating expense for the dairy farms at 21.1 percent of total operating expenditure. (DairyNZ, DairyNZ economic survey 2018/2019, 2020)

**Fig 7.**

**Proportion of dairy operating expenditure**



(DairyNZ, DairyNZ economic survey 2018/2019, 2020)

There has been big variation of turnover costs reported throughout the world. With no one being able to agree on an exact figure that can be mainstreamed.

Surveys showed cost to companies ranged from \$4000 per employee (managment, 2016) up to 200% of the employee's salary (Advantage, 2015) to replace them. The Work Institute Recommends (conservatively) on 30% of an employee's salary to calculate what it is costing to turn over an employee. (Institute.com, Retention report 2020 , 2020)

Even if we looked at a 30% turnover cost of a Dairy employee on the median wage of \$52,700, (DCANZ, 2020). This would be a cost of \$15,810 to the business.

**Fig 8.**

**How to work out turnover cost?**

<b>How many people quit in your organisation</b>	<b>1</b>
<b>Average salary of person leaving</b>	<b>\$52,700</b>
<b>Multiplied by skill level %</b>	<b>30%</b>
<b>Annual Turnover cost/Baseline</b>	<b>\$15,810*</b>

(Institute.com, Retention report 2020 , 2020)

\*This is your baseline turnover cost.

This is a lot of money to lose out of your business and this is only at the low side of the cost scale. Imagine if you are losing a herd manager, second in charge or even manager, and the business had more than one turnover of staff a season.

#### 4.9.What are the reasons people are leaving?

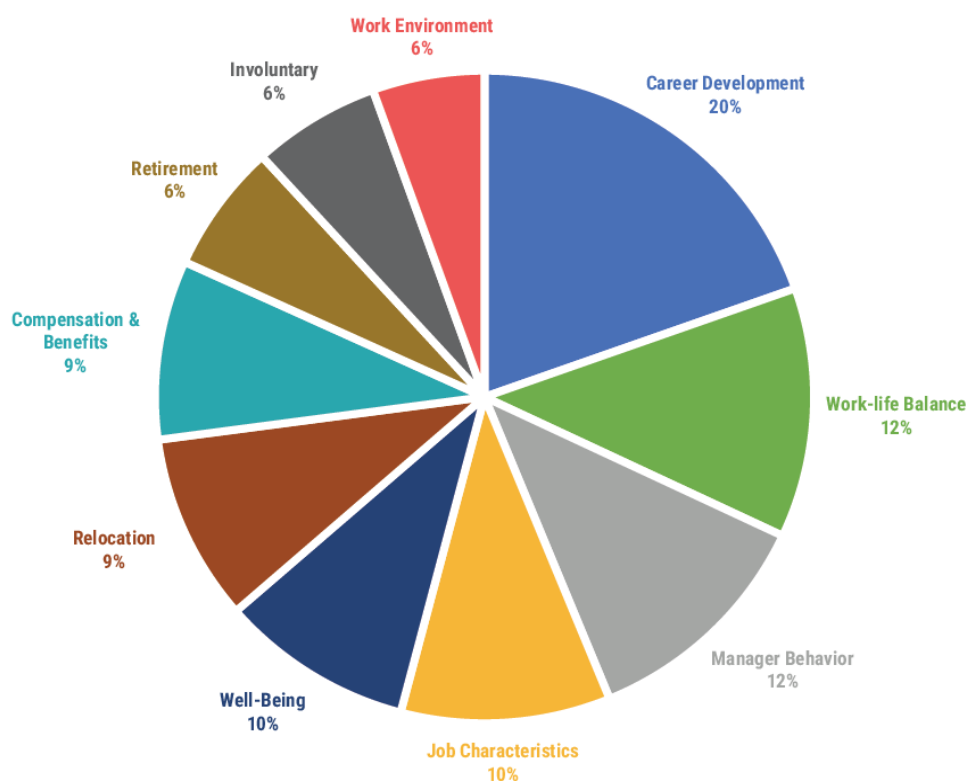
Dairy farms are all unique, like your fingerprint is to you. The next-door farm will not run the same as your farm let alone the farm in another district. They have different systems, culture, expectations, infrastructure, and challenges. Employee perceptions around 4 key drivers - Organisation, Manager, Team and Job -become the conditions that create a sense of engagement and commitment within the workforce and ultimately lead to outcomes of retention, performance, and well-being. (Institute.com, Retention report 2017, 2017)

There is no one size fits all. The challenge to be dynamic in skills, decision making at all levels, constantly look, learn, and find the ways to make the best of your business. The reasons for people leaving the business are varied, as a reflection of the difference in each business has.

The ten main turnover categories can all be identified as more preventable or less preventable. Out of the ten categories, seven can be labelled as preventable. These categories are the ones businesses can provide their employees scope and be strategic in trying to increase retention and keep turnover to a minimum.

Fig 9.

Categories of reasons for leaving in 2019.



(Institute.com, Retention report 2020 , 2020)

20% of employees said **Career development** was the reason they quit their job

Clarity around career development and the pathway ahead is needed on a dairy farm, so that people can identify what steps they need to take to advance themselves. When there is not a clear development pathway then people stop growing and look for alternative ways

to obtain this. Which may lead to a change of career, or type of work. Career development has been the number one category for the last ten years (Institute.com, Retention report 2020 , 2020)

#### 12% of employees said that **Work – life balance** was the reason they quit their job

Work-life balance is an area that needs addressing on dairy farms. Being able to be flexible on some of the hours worked. Figuring out ways to get the jobs done but still be able to do the things that we want to enjoy outside of work is difficult but not impossible. The number of hours that we can be working on farm need to be addressed. Is there another way to get the same result? Work life balance goes hand in hand with employee wellbeing.

#### 12% of employees said that **Manager behaviour** was the reason they quit their job

Negative manager behaviour is a reason that is not tolerable by your staff if you do not want transience. Employees will not put up with being treated poorly. Be it from lack of support, negative language, body language, intonation, undermining, blame, lack of trust, favouritism to other employees or unprofessionalism. Why would anyone want to work in these circumstances? The themes from the research done in this report say as organisations we must ensure that our managers are well trained in relationship skills and in conduct or they will continue to lose employees to transience.

#### 10% of employees said that **Job Characteristics** was the reason they quit their job

When employing people, having a clear idea of what you are expecting them to do on your operation will help alleviate the problem of an employee getting onto the job and finding out it is completely different to what they were expecting. This will always result in transience on the operation. Not having the resources available to do the job brings on added pressure to the team, frustration, and unnecessary increase of work hours for it will take longer to complete the job at hand without the correct tools at hand. Without proper training given, again added stress and overload will result which also joins in with the workload category. Not empowering your team to do the job when they are wanting to and capable of doing it is proven to be a sure-fire way of losing your employees.

#### 10% of employees said that **Well – being** was the reason they quit their job

Job Stress, work overload and lack of support all bring on stress and fatigue affecting the health and wellbeing of the employee resulting in the employee disengaging to the job at hand and looking further afield to a farm/organisation that will support them.

#### Compensation and benefits – 9%

Compensation is a reason for turnover, but even though people exchange their time, skills and experience for money, it's not always why a person will stay – especially if the environment they are in is poor. Yes, employees leave because they think the grass is greener on the other side but usually find out there is a reason that they are getting paid more for the same job. Knowing where your pay levels are with the rest of the country is easy to find out. Most employees are looking for the complete package in a job which

means that they are looking for a great environment to grow, work, learn and thrive not just the most money they can make in a year.

### Work environment – 6%

Poor work environment is not high on percentages of the reason employee's leave considering the other reasons above, but it is a people market out there now and employees are not putting up with poor work environments, substandard team culture or problematic co-workers. Why would you want to stay on a farm/operation that does not treat you well when their other options out there.

The work institute Retention report identified that the above seven categories for turnover are preventable. Interestingly most of the categories can be solved without money spent from the business. Below are some interesting insights from the work Institute retention report:

1. **Career development** – this has been the number one category for 10 straight years. Employees who are satisfied with their development are likely to stay.
2. **Work-life balance** – this was up 23% since 2013. Flexibility of the job, long shifts, and suitability of hours
3. **Manager behaviour** – General behaviour and communication have each increased (gotten worse) in the last year.
4. **Job characteristics** – this was the number one rising category of turnover, up 117% since 2013.
5. **Well-being** – to promote work-life balance consider flexitime and telecommuting, assistance with childcare/eldercare, financial counselling, and flexible leave options.
6. **Compensation and benefits** – the popular press leads many to think compensation is the reason for turnover. Sometimes it is and sometimes it is not. Find out the real reasons for turnover in your organisation.
7. **Work environment** – applicant selection assessments and interviewing must include person-environment and person-culture fit as company culture becomes increasingly important. (Institute.com, Retention report 2020 , 2020)

The **top 3** categories for leaving in 2019 were career development (20%), work- life balance 12%), and manager behaviour (12%) (Institute.com, Retention report 2020 , 2020)

78% of the reason's employees quit could have been **prevented** by the employer. (Institute.com, Retention report 2020 , 2020)

Retaining employees requires organisations to understand the real reasons for turnover, intent to turnover, and intent to stay within their workforce. Only then can organizations be confident in changes intended to increase retention. (Institute.com, Retention report 2020 , 2020)

Most of the reasons that people leave are preventable and yet we are losing employees to turnover more and more as the years are going on. Until we remedy this, we will continue to unnecessarily turnover people in our businesses causing added expense and undue stress. But the good news is that sorting out the preventable turnover categories could solve up to 78% of our transience issues on farm. To put this into numbers if we take our latest statistics for turnover in agriculture 24.5% (Williams L. , 2019) . This would mean our turnover would reduce from 24.5% to 5.5%. This is a massive reduction. Who could say no to this?

#### 4.10 How to keep your Employees

Employers need to find out what the employee wants in a job. With proper data, managers can predict employees' intentions to stay or to leave and can uncover what needs to change to encourage employees to stay. No data without action and no action without data (Institute.com, Retention report 2020 , 2020). This means employers need to communicate with their employees on a regular basis to get to know what is working and what is not on their farming operations. They are key to the workings of the business as they are on the ground floor or the coalface.

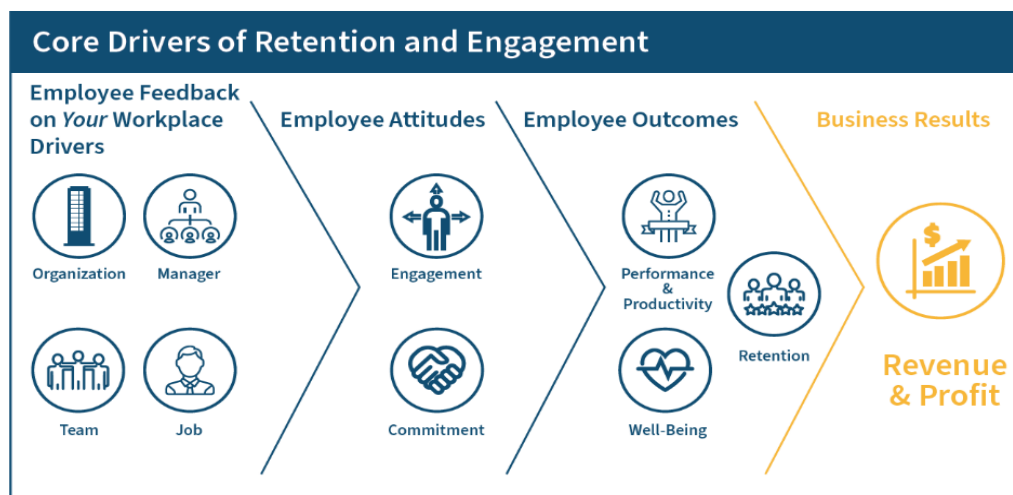
Employer/manager that are running an effective team are less likely to turnover staff. Employees who rate their employer as "fair or "poor" are 9.7 times more likely to look for a job within twelve months then those who rate their employer as 'excellent" (Institute.com, Retention report 2020 , 2020)

So, what are some of the recommendations being put forward to help employers/managers upskill and retain more of their employees:

- Coaching with emotional intelligence
- Conducting meaningful **stay** conversations
- Developing people
- Developing teams, including collaboration among peers and with supervisors
- Change management: understanding and communicating personal, group, and leadership practices at each stage of the change cycle.
- Communication, business writing and presentation skills
- Conducting effective meetings
- Finance for nonfinancial managers
- Negotiations
- Conflict management/dealing with difficult situations, including the importance of immediacy.
- Professional image/demeanour, courtesy, appropriate display of emotions
- Ethical behaviour

(Institute.com, Retention report 2020 , 2020)

Fig 10.



(Institute.com, Retention report 2020 , 2020)

When everyone in a business can work together then everyone in the business will win. Communication, trust, honesty, and engagement will result in commitment, performance, retention, and wellbeing. This comes from both sides of the equation. Both the employer and employee. The challenge is finding out the places that need improving and searching for ways of learning how to solve the improvements that need to be made. Do not be afraid to ask for help. Not asking is costing your business more than you can imagine.

## 5.The Survey

Conducting the online survey gave me a better understanding on where the dairy industry is at with what they think the cost true of staff transience is in their businesses. The aim was to get a wide range of respondent's employers and employees to see if both sides of the spectrum were thinking the same way about the cost of Staff turnover. Below are the questions that gave best information to answer the question proposed. (a full list of the questions asked are in the appendices section of this report).

### Q.5



Do you think transience in the dairy industry is an issue?



Nearly 96% of the respondents believed that there was a transience issue in the dairy industry. There was only 1 respondent that thought there was not a transience issue in the dairy industry.

### Q. 9 “Why do you think transience is an issue?”

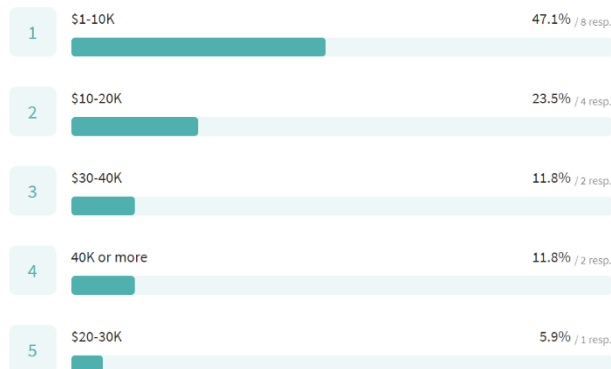
The common theme from this question was people wanting to progress and the position was not available where they currently work, Lack of support/training, poor work environment, long hours worked, lack of people management skills from senior management, and lack of acknowledgement from the employer.

### Q.7



17 out of 23 answered

How much does it cost your business to re-employ a staff member?



47.1% of the respondents chose \$1-10K as what they thought it was costing their business to re-employ a staff member into their team. With 70% of those surveyed believed it would cost their business up to \$20K.

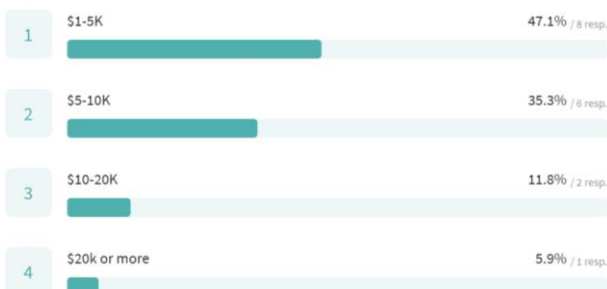
29% of the respondents thought it was costing over \$20K to re-employ.

These results showed that there was a range on how much farmers perceived it was costing Dairy farms to lose an employee.

### Q.8



How much do you think it is costing you to induct/train a new staff member?



82% of the respondents thought it was costing up to \$10 K in induction and training cost to get a new employee fully trained to where the leaving employee was.

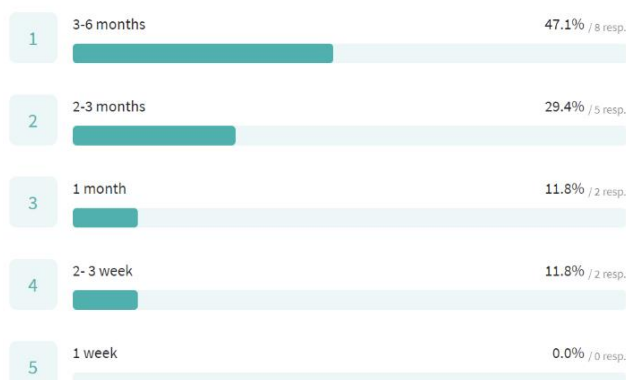
It was interesting that the people surveyed thought most of the cost of employing a new employee was an induction and training cost.

### Q.9



How long does it take you to induct a new staff member?

1



76.5% of the respondents thought that it took at least a couple of months to induct a new staff member to their team. With 47.1% indicating it would take at least 3 months to get a new employee up to speed.

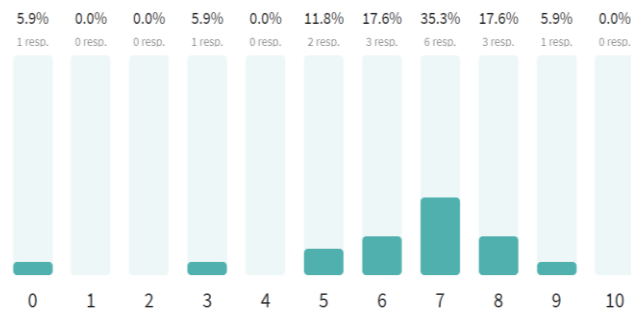
No one indicated that it would take a week or less to induct a new staff member.

### Q.10



How much time and effort does it take you to find another team member?

6.2 Average rating



Nearly all the respondents agreed that it was at least a 5 out of 10 rating for the time and effort - 10 being the most difficult, to find replacement team member.

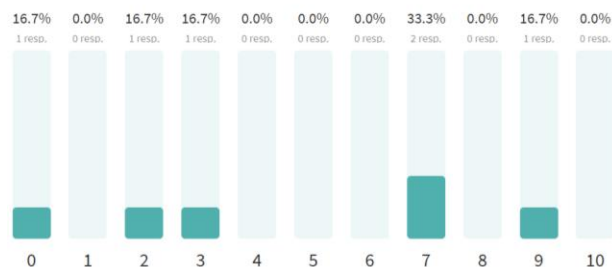
This indicated that most of the surveyed believed it took a considerable amount of time and effort to find a replacement.

### Q.12



What level of transience do you have on your farm?

4.7 Average rating



The level of transience on the farms surveyed was all over the place and there was not a clear trend of an average amount of transience from the group.

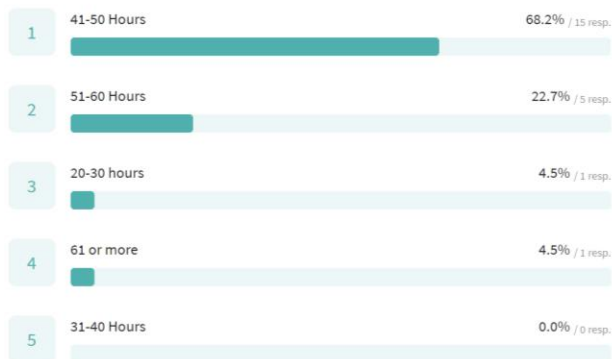
This was remarkably interesting to see that it can differ so much farm to farm.



## Q.2



What are the average hours worked on your farm?



95% of the respondents indicated that their team were working over 40 hours a week. Most people showed that they were working between 41-50 hours a week.

27.2% revealed that they were working over 50 hours a week throughout the season on their farms.

So nearly 30% of respondents surveyed are averaging long hours on their business. Could this be a contributing factor to the reason people are transient?

### Q.11 “In your opinion, what are the biggest factors that people leave a position on farm?”

They responded pressure on the team because of the lack of time to get jobs done, unsettling of the team, lost productivity.

The biggest reasons for people leaving a farm were: promotion/progression of a new job, lack of support on the job, the number of hours worked were too long, the salary was enough, and that management did not treat them well.

### Q.24 “In your opinion, what are some reasons people stay on a farm?”

The three themes that came through in this question were progression in the job a Good employer that takes care of their team, and a good culture of the team.

When asked their opinion what some of the reasons people stay on farms? The largest themes to come through were progression, team culture/supportive team to work with, a good employer that is supportive and acknowledges them/the team when the job is well done, and the last was a good fair remuneration package.

## 5.1.Conclusion

In conclusion it was found that the employee and the employer were mostly on the same page with what the effects of transience were to the dairy industry and themselves. It would have been good to have gotten a few more respondents to see if the themes continued with a bigger group. The results from the survey were keeping with the same theme as in the literature review with the reasons people seek to leave their job, that it costs a business considerably when a staff member leaves and that it takes a lot of time and effort to find and retrain them to the level of where the employee was that left. It is also worth noting that 95% the respondents indicated that their average work week was over 40 hours per week.

## 6.Key findings

### 6.1Literature review

- New Zealand dairy farms have changed drastically throughout the last 29 years in size. They have increased in average area from 220ha to 372ha,herd size has over doubled from 170 cows to 440 cows, and production has increased from 250kgms/cow to 385kgms/cow. Resulting in more labour being required on farm.
- The dairy industry has similar transience to the rest of New Zealand. This means that transience is a big issue for the whole of New Zealand not just the dairy industry.
- 21.1% of a dairy farms budget is from labour costs.
- The average dairy business has quintupled its farm debt in the last 28 years.
- Dairy farmers are working 11 hours/week longer on average than the country's 2.7 million people work force.
- It takes a lot of time and effort to replace an employee.
- Inducting an employee is costly and time consuming. It takes up to 2 years to fully induct an employee to the same as where the previous person employed was, depending on the level of experience of the position. Costs involved are not only the cost of off farm training such as ITO, but also the cost of time taken from other employees/manager/owner's day to train/oversee the inductee until they are competent at the tasks at hand.
- It varies on how much it costs to lose an employee depending on experience lost. 30% - 200%. There is big difference in losing an assistant position to losing a second in charge or manager. A more senior role can more easily fill in for an assistant role as they already know the job. But an assistant cannot help with 2ic role because they have not learnt the knowledge of things like farm walks, feed budgeting etc.
- Working on a baseline of the cost of transience. You are looking at a least 30% of the persons annual salary cost to your business for one person's turn over.
- Not all the cost of transience is monetary. Working longer hours, the stress of filling the skill gap lost, lost sleep worrying how to get through until a new team member can be found and trained, do not cost the business directly monetarily. But they are very costly to the rest of team, family and individual.
- 7 out of 10 reasons people leaving a job could have been prevented. They are:
  - **Career development** – this has been the number one category for 10 straight years. Employees who are satisfied with their development are likely to stay.
  - **Work-life balance** – this was up 23% since 2013. Flexibility of the job, long shifts, and suitability of hours
  - **Manager behaviour** – General behaviour and communication have each increased (gotten worse) in the last year.
  - **Job characteristics** – this was the number one rising category of turnover, up 117% since 2013.
  - **Well-being** – to promote work-life balance consider flexitime and telecommuting, assistance with childcare/eldercare, financial counselling, and flexible leave options.
  - **Compensation and benefits** – many think compensation is the reason for turnover. Sometimes it is and sometimes it is not. Find out the real reasons for turnover in your organisation.

- **Work environment** – applicant selection assessments and interviewing must include person-environment and person-culture fit as company culture becomes increasingly important.
- This equates to 78% of our transience if we could solve this it would change our turnover rates from 24.5% down to 5.5%. This would be an astonishing change to our businesses.

## 6.2.Survey

- 96% of dairy farmers surveyed agree transience is a cost and there is a problem.
- 70% surveyed believe it costs their business up to \$20,000 to replace a staff member. Reasons stated were from loss of productivity, induction, and training costs to get the new employee up to the same level, advertising costs and the loss of time the selection and interviewing of potential candidates.
- It takes a lot of time and effort to replace an employee.
- That the respondents thought most of the costs for employing a new employee was in induction and training costs.
- 76.5% of the respondents thought it takes at least a couple of months to induct a new employee.
- There was no clear trend for transience from respondents.
- 95% of the respondents indicated that they worked longer than 40 hours per week.
- The reasons for people leaving a job were Lack of support, long hours, pay not good enough and management not treating them well.
- The three main themes for why people stayed on farm were good culture, Good employer, progression, fair remuneration package.
- The results from the survey did not vary to much from the position held. Be it owner, manager, sharemilker, or employee.

## 7. Conclusions

Looking at the history of our dairy industry the dynamics both at the national level and on farm have changed drastically. The size of farms has increased in size and production meaning that more people are needed to operate the farm. This has meant that a lot of dairy farms have come across new challenges with needing to employ people. Previously they needed only themselves to operate their business.

The average dairy business has quintupled its farm debt in the last 28 years. This is putting pressure on dairy businesses to make sure that they are not losing money to unnecessary expenses.

The question asked was “What is the true cost of transience to the dairy industry”? Both the survey results and literature agree that losing an employee can cost the farming businesses bottom line as well as being a toll on the rest of your team and yourself. The range that it is costing is 30-200% of the leaving employee’s salary.

The costs are coming from loss of productivity, time, effort, cost of finding a replacement and the total cost of inducting and training the new employee to the level need to operate effectively in the business.

Our turnover rates in the dairy industry are similar to the rest of the national average of other industries. This is not just a dairy industry problem; it is happening in most industries. We are however losing close to half of people employed in the first year of employment and this is equating to nearly half of our transience rate per year.

21.1% of a dairy operations budget on average is labour costs and on average 80% of New Zealand dairy farms are losing one employee per year. The potential to prevent 78% (78% of turnover is preventable (Institute.com, Retention report 2020, 2020)) of our turnover by the employer would be a considerable saving to our farming businesses. This could drop our turnover from 24.5% down to 5.5% which is amazing.

The preventable key areas that employees are leaving from are:

- Career development
- Work- life balance
- Manager behaviour
- Job characteristics
- Well-being
- Compensation/benefits
- Work environment

Some non-preventable reasons for an employee leaving are difficult or impossible to avoid they are:

- Relocation
- Retirement
- Involuntary

In summary we are in control of the preventable reasons that employees leave our business and can affect the on-farm environment by focusing on improving the seven key areas above.

## 8. Next steps and recommendations

Turning over employees is costing dairy farming business and most of the reasons they are leaving are preventable. To capture the benefits of retention each farm needs to understand why people are leaving their farming business. Each farm needs to analyse the environment they provide for their people. Is the farm inclusive and asking their people what they want in the workplace and driving it from their needs and wants?

### 8.1. Next steps for the dairy farm employer:

- Become clear why your people are leaving – remember that on an exit interview they may not give you a clear explanation.
- Identify what you are doing to prevent people from leaving your business – ask yourself would you like the same working environment?
- Look at the history of employment on farm, is there a pattern? Could some turnovers have been prevented? Was this in your control to prevent?

### 8.2. Next steps for industry:

- Identify good employers in industry who have a high retention rate and showcase these.
- What are they actively doing to prevent turnover? Can strategies be created and adopted?
- Focus on the intangible as well as tangible drivers – people are human beings not doings.
- Commitment five is far reaching and will need engagement at all levels to become real. It will only be driven by those employers who see the benefit in looking deeper into their own behaviour and environment they provide on farm.

NB: There is stigma in the industry that to be vulnerable, and use soft skills is negative. This leads to inhuman behaviour that we are just a number and not a person. We need to move this to identifying that these skills are the very ones that will help us to retain our people. Soft skills are not easy skills to learn. They are probably the hardest to learn and use in your team of people. We all want to feel valued, accepted and belong. This is human, and necessary. Once we understand the golden rule “treat others as you would like to be treated” it will lead to this statement “treat others as they would like to be treated”.

NB2: Nearly all of the preventable categories will not cost the employer money, it is behavioural.

NB3: If you have not obtained the human resource skills because you have come up through the industry by cows and grass, - its ok. We do not know what we do not know, but it must come down to the environment you are providing your team. Ask for help and be open to change, you will not change it overnight, trust in the process – it will happen for you. Guess what! It will not cost you a bean.

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## Appendices

### Survey Questions:

1. My region is?
2. What is your position?
3. How long have you been in the dairy industry?
4. How many full time equivalents do you employ on your farm?
5. What are the average hours worked on your farm?
6. What is the size of your farm?
7. How many cows do you milk?
8. Do you think transience in the dairy industry is an issue?
9. Why do you think transience is an issue?
10. Why do you think transience is not an issue?
11. In your opinion what are the biggest factors that people leave a position or farm?
12. Are you an employer or employee?
13. In your experience what are the main impacts on the team and business when people leave?
14. What do you think it is costing your business to re employ a staff member?
15. How much do you think it is costing you to get the new staff member inducted/trained?
16. How long does it take you to induct a new staff member?
17. How much time and effort does it take you to find another team member?
18. Why do you think it takes this amount of time?
19. What are some reasons people are staying in your business?
20. What was the longest time you have stayed on a farm?
21. Why did you stay on this farm?
22. What level of transience do you have on your farm?
23. When a team member has left what was the effect?
24. In your opinion what are some reasons people stay on a farm?