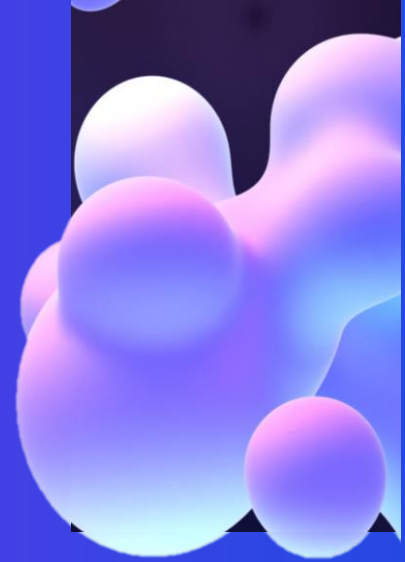


# Workforce Productivity – Sick Leave

KPMG People Services

June 2024



Effective sick leave management plays a critical role in an organisation's performance from a wellbeing, cost optimisation and productivity perspective. Monitoring and understanding absence can drive tangible benefits for both business and its employees and better equip organisations to address associated risks and opportunities.

## Proposed Changes to Sick Leave Legislation

The Minister of Internal Affairs and for Workplace Relations and Safety recently announced that targeted consultation on the proposed reform to the Holidays Act is expected to commence in September 2024.

One of the key changes proposed as part of the announcement is an adjustment to how sick leave entitlements are accrued, with a focus on a proportional entitlement based on an employee's contracted hours. This proposed change will impact part-time employees whose current entitlements are the same as full-time employees.

The Final Report of the Holidays Act Taskforce dated October 2019 included a number of recommendations for adjustment of the Holidays Act with respect to sick leave. The extent to which these recommendations will be picked up in the proposed draft legislation will be important to understand.

Clarification and simplification of obligations will be welcomed by employers but should be balanced by considerations of how changes might impact different employees in turn affecting engagement, productivity and the ability to perform a role.

Organisations are now able to register their interest to be part of the targeted consultation group. We encourage organisations to participate in this process to ensure robust consultation.

## Insights into Sick Leave

Analysis of close to 100,000 employees working across a number of large employers has provided some key insights into sick leave usage in New Zealand. The findings support the importance of understanding sick leave usage at an organisational level to manage workforces and to increase employee wellbeing and productivity.



**1.51%** of payroll cost is made up of sick leave



**47%** of employees maxed out their sick leave entitlements per year



**5.5 days** The average number of days of sick leave an employee took per year



**3.2 hours** average extra hours worked above contracted hours by employees who took sick leave



**1.4** The average number of sick leave days per instance (4 different instances per year) was 1.4 days.

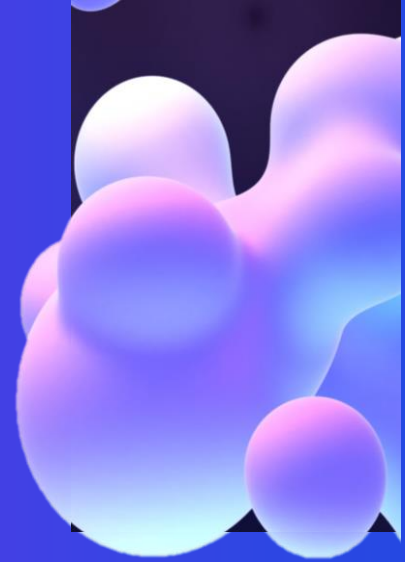


**3.5%** increased likelihood of taking sick leave for each additional hour worked in a week



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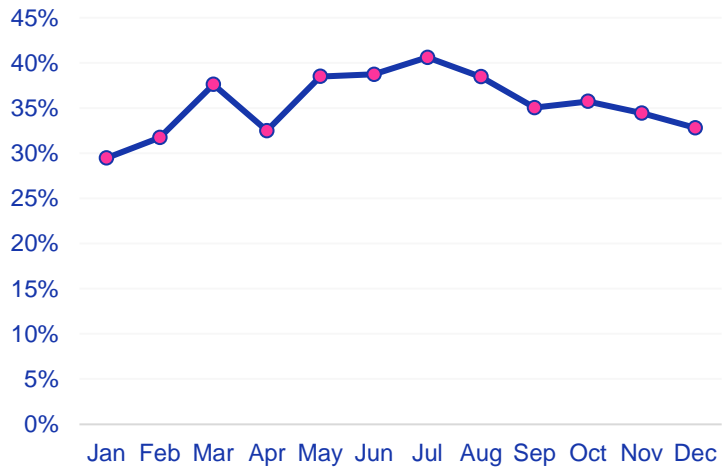
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## Sick Leave Seasonality

Sick leave usage is observed to increase during winter months and during periods where there are typically fewer holidays taken. This seasonality is likely to be evidenced across many organisations over the coming months.

An increase in employee absence can impact those employees who pick up the additional load in other's absence, which in turn can contribute to a cycle of sick leave recognised by the correlation of additional hours to the likelihood of taking sick leave.



## Broader Insights

- Based on the sample groups analysed, employees in the retail sector had the largest occurrence of sick leave with a large cohort of the workforce fully utilising their sick leave entitlements (~60%).
- There was also an uptrend of sick leave taken post Covid across most sectors (e.g. some sectors saw an increase of 20%).
- Tuesday was the most common day for absenteeism.
- Organisations with a larger proportion of its workforce on wages and shift based work are more likely to be impacted by sick leave, presenting greater challenges for managing shifts and staffing requirements.

## Key Takeaways for Employers

Developing a good understanding of sick leave trends is becoming more critical given its impact to employee wellbeing and productivity.

With the proposed updates to sick leave, it is a timely reminder for organisations to consider its drivers. In particular, what is being done at an organisational level to address leave usage, the effectiveness of different levers including strategic planning, flexible working arrangements and well-being initiatives and the effect on business KPIs.

Taking time to understand the adequacy of data you are currently capturing and what insights it provides is important in supporting a shift to strategic management of employee wellbeing and navigating through the challenges impacting productivity.

## Contact us



**Rebecca Armour**  
Partner,  
Advisory

D: +64 9 367 5926  
rarmour@kpmg.co.nz



**Muhsin Hilal**  
Director,  
Advisory

D: +64 9 363 3639  
muhsinhilal@kpmg.co.nz



**Jeff Yu**  
Associate Director,  
Advisory

D: +64 9 363 3462  
jeffyu@kpmg.co.nz

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