

Trial periods at a glance

WHAT IS A TRIAL PERIOD?

Since 1 April 2011, all employers have been able to make an offer of employment that includes a trial period of up to 90 days for new employees.¹ Trial periods must be agreed in writing and negotiated in good faith as part of the employment agreement.

An employee who is dismissed before the end of a trial period can't raise a personal grievance on the grounds of unjustified dismissal. They can raise a personal grievance on other grounds, such as discrimination or harassment, or unjustified action by the employer.

SUMMARY

In 2012:

- > 69,000 employers used trial periods for new staff
- > 131,100 employees started their current main job on a trial period

Trial periods are used by employers to check the skills and fit of new employees. They are seen by many employers as a way of reducing risks around hiring. However some employers choose not to use them.

There was a higher likelihood of starting on a trial period for employees who:

- > are recent migrants
- > have vocational or trade qualifications
- > work in the construction, wholesale trade, and retail trade and hospitality industries
- > are technicians and trade workers, sales workers, and managers.

ABOUT THE DATA

This summary uses information on employers from the 2012 National Survey of Employers (NSE) and recent qualitative interviews, and data on employees from the 2012 Survey of Working Life (SoWL). The NSE data focuses on employers who had hired new staff in the 12 months preceding the survey. The SoWL data focuses on employees who had started their current main job in the 12 months preceding the survey. Note that all survey estimates are subject to sampling error.

¹ From March 2009, employers with fewer than 20 staff could offer trial periods. This was expanded to cover all employers in 2011.

WHY DO WE HAVE TRIAL PERIODS?

A key objective of trial periods is to encourage employers to take on employees and provide opportunities for people who face disadvantage in the labour market, such as:

- > women
- > youth
- > Māori and Pacific peoples, and
- > migrants

HOW MANY PEOPLE START ON TRIAL PERIODS?

Over a third of employees (36 percent) who started their current main job in the preceding year began on a trial period. This equates to 131,100 people who had started their current job on a trial in 2012.

HOW MANY EMPLOYERS USE TRIAL PERIODS?

Over half (59 percent) of employers, or around 69,000 employers, that had taken on new staff in the past year had hired one or more new staff on a trial period.

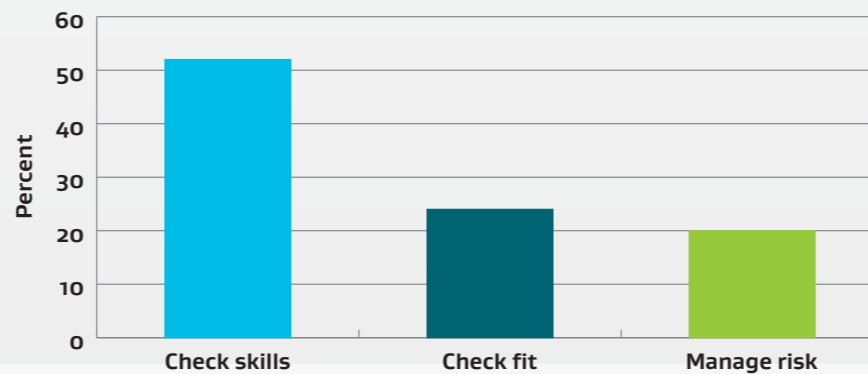
WHY DO FIRMS USE TRIAL PERIODS?

Firms use trial periods to reduce the risks around recruiting and the potential cost associated with dismissing an employee. Being able to use trial periods gives employers the confidence to take a chance on an applicant who may not fulfil all the criteria wanted by the employer.

Employers gave the following reasons for hiring their most recent employee on a trial period:

- > to check the employee's competence (52 percent of employers who had used trial periods)
- > to check the employee's fit with the workplace (24 percent)
- > as a safety net, to manage risk, or to avoid issues and costs associated with dismissal (20 percent).

Reasons for using trial periods



Source: 2012 National Survey of Employers

Almost a third (32 percent) of employers that had used trial periods said they would not have hired their most recent new staff member without using a trial period.

WHY DO SOME EMPLOYERS NOT USE TRIAL PERIODS?

Employers who had not used trial periods gave the following reasons:

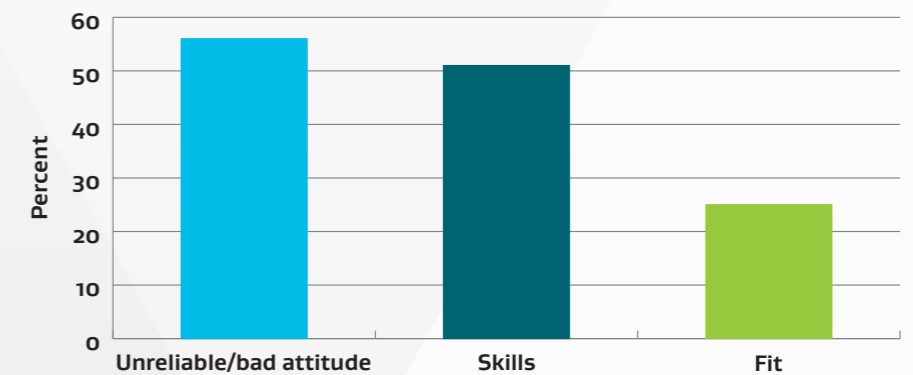
- > knowing the capabilities or skills of the employee (26 percent of employers who had not used trial periods)
- > existing practices for recruiting and dismissal are effective (19 percent)
- > not needed when hiring for a short-term only (15 percent)
- > not appropriate for the type of role being filled (11 percent)
- > not company policy/not in contract or part of collective agreement (9 percent).

WHAT ARE THE REASONS FOR DISMISSAL?

Just over a quarter (27 percent) of employers who had used trial periods said that they had dismissed at least one employee during or at the end of their trial. When asked about the person most recently dismissed while on a trial, employers said this was because:

- > the employee was unreliable or had a bad attitude (56 percent of employers who had dismissed someone on trial)
- > the employee did not have the necessary skills for the job (51 percent)
- > the employee did not get on with colleagues or did not fit in (26 percent).

Reasons for dismissal on a trial period



Source: 2012 National Survey of Employers

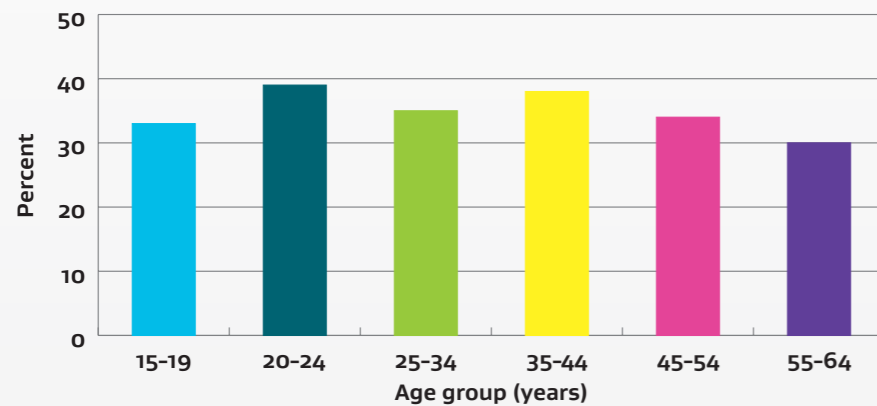
WHO STARTS ON A TRIAL PERIOD?

There was a higher likelihood of starting on a trial period for those:

- › born overseas and who had lived in NZ for less than 5 years
- › with vocational or trade qualifications or school qualifications
- › working in the construction, wholesale trade, and retail trade and hospitality industries
- › who were technicians and trade workers, sales workers, or managers
- › earning lower wages
- › on individual employment agreements.

There was little variation by gender.

Likelihood of starting on a trial period by age



Source: 2012 Survey of Working Life, Statistics New Zealand

■ By age

There was little variation by age, but the likelihood of being on a trial period generally declined with age. The somewhat lower than expected likelihood of starting on a trial period for those aged 15-19 years (34 percent) may be because young people are more likely to work in casual or temporary jobs, where employers see less need for using trial periods.

■ By ethnicity

Compared with European employees (34 percent), Māori were less likely to have started on a trial period (31 percent), whereas Pacific peoples (42 percent) and Asian (40 percent) employees were the more likely to have done so.

■ By country of birth

Recent migrants had the highest likelihood of starting on a trial period (51 percent). This was followed by those who had been in the country for 5 to 10 years (41 percent). In comparison, around a third (34 percent) of New Zealand born employees started on a trial period.

■ By qualification

People with vocational or trade qualifications (41 percent), NCEA level 2 (39 percent) or NCEA level 1 (38 percent) were most likely to have started on a trial period, while those with university qualifications were the least likely to have done so (26 percent).

■ By industry

By industry, employees working in construction (49 percent), wholesale trade (49 percent), and retail & hospitality (42 percent) were most likely to have started their current job on a trial period. Employees in the education and training sector were the least likely to have started on a trial period (14 percent).

■ By Occupation

By occupation, technicians and trades workers (46 percent), sales workers (44 percent), and managers (43 percent) were most likely to have started on a trial period. Professionals were the least likely occupational group to have started on a trial period (22 percent).

This finding is consistent with previous research that found most firms use trial periods for entry-level positions, but a small number also use trial periods for management roles.

■ By earnings

People on lower wages were generally more likely to have started on a trial period. This likely reflects the sorts of roles that trial periods are used for.

■ By employment arrangement

People working full-time were more likely to have started on a trial period (40 percent). This may reflect the fact that part-time jobs are more likely to be temporary or casual.

■ By employment agreement

People on individual employment agreements were much more likely to have started on a trial period (41 percent) than those on collective agreements (24 percent). This may be due to certain collectives having provisions that would prevent employers from offering trial periods, or that contain existing probation and performance management systems.