2013 Trends in Global Employee Engagement
Report Highlights
Executive Summary

The global recession has certainly taken its toll on employees. Pay freezes, benefit cuts and layoffs are still at the forefront of many employees' thinking. Additionally, the continued high rates of unemployment, lack of hiring, and extended hiring cycles for open positions (an average of 23 business days today compared to a low of 15 in mid-2009) create further stress and uncertainty for employees, making it more difficult to achieve or maintain healthy levels of engagement.

As markets around the world continue to display uneven growth patterns following the global recession, predictions for 2013 are marginally optimistic but varied by region. The International Monetary Fund (IMF) predicts stronger global growth in 2013, driven by growth (albeit slow growth) in China, India and Brazil, and greater confidence in U.S. growth following the recent election. The Euro Zone predicts continued variability, with minimal expansion in Germany and France, while countries such as Italy and Spain continue to resolve their country-specific challenges from the global economic crisis.

Against this backdrop, engaging the right employees in the right behaviors remains the critical ingredient of how companies manage the diverse economic conditions facing their organizations today. In our last report, we asked employers to consider an atypical question in solving the engagement equation—not “what should we do to engage employees?” but “what do employees need in order to be engaged?” In this incredible time of competing pressures—demand for profitable growth, financial market volatility, political uncertainty, global shifts in workforce demographics, sea changes in the countries driving economic expansion and a rapidly shifting regulatory environment—a finer point must be put on that core engagement question. Leaders must ask themselves not only “what do employees need in order to be engaged?” but also “what behaviors are we asking them to engage in?”

The ability of companies to find, understand, and manage talent hinges upon getting a powerful, differentiated and engaging employment contract right. The demands outlined above are putting pressure on this contract. Companies require steadfast motivation and productivity in this constrained environment. At the same time, dynamic employee trends are changing the nature of what employees demand in exchange for their discretionary effort. Striving to maintain a higher level of employee engagement not only contributes toward short-term survival during economic volatility, but also is a key factor for longer-term business performance and better positioning when market conditions become favorable. The companies that get engagement right can enjoy a surplus of competitive advantage in talent strategy and business results that is hard for others to replicate. If one believes that talent is one of the last sources of competitive advantage—and that motivated and productive employees are the make-or-break ingredient to successfully navigating the business pressures outlined above—employee engagement should be a top business imperative for all business leaders.

3 Ibid.
Key Findings

- **Engagement levels are on the rise globally but shifting across regions.** Although the economic impact of the recession continues to rebound in some areas and recess further in others, engagement levels rose slightly to 60% in 2012, up 2 percentage points from 58% in 2011. We see the largest engagement increase in Europe (improving 5 percentage points) and Latin America (improving 3 percentage points). North America’s engagement decreased slightly by 1 percentage point—particularly in the U.S., where engagement dropped 3 percentage points—and Asia Pacific remained the same.

- **Worldwide, 4 out of 10 employees are still not engaged.** While 60% of employees globally are considered engaged, 40% of employees are passive or actively disengaged—a continuing theme from 2011. While engagement levels are relatively stable and many employees are advocates for their employers, 2013 will likely be a challenging year as other engagement indicators regarding employees’ desire to stay with an organization and go above and beyond are less positive.

- **Employee engagement is a leading indicator of company growth—but lags economic forces.** The economic recession of 2009 put significant downward pressure on corporate spending on talent—and engagement took a significant hit in the following year. The global economy has shown signs of growth in the years since, however, and engagement has been on the rise as well. Analysis of employee engagement and company performance data concludes companies that managed higher employee engagement relative to their peers throughout the economic downturn are now seeing dramatic, positive impacts to their revenue growth.

- **The work experience is improving more than deteriorating.** Overall trends from 2011 to 2012 reveal more aspects of the work experience are improving, and to a greater extent than any decreasing areas. The highest area increased 7 percentage points, whereas the worst deterioration went down 3 percentage points. These changes to the general work experience varied by region around the globe.

- **Many employers across the globe raised the bar and made investments in the top engagement drivers.** In addition to seeing perceptions of the work experience increase in general, we specifically saw improvements in all but one of the top employee engagement drivers. These engagement driver increases indicate many employers focused resources in the areas that are most important and have the greatest opportunity for engagement improvement. The uptick we see in employee engagement is likely evidence of this focus.

- **Pay is one of the top drivers of engagement.** Usually described as a “hygiene” factor of little consequence to employee engagement, pay moved up in engagement driver ranking from #6 in 2011 to #3 in 2012. In addition, positive perception scores of pay improved 2 percentage points from 2011. This finding has many implications for total rewards strategies in an ever-changing economic and talent landscape.

- **Engagement drivers are not universal.** Operating in the multicultural, multigenerational and cross-geographical world represents new challenges for leaders trying to drive high levels of employee engagement. Organizations that invest in understanding and managing the key drivers of engagement across their multiple constituencies will drive performance in efficient, effective ways.

This research report provides insight into global employee engagement trends over the last few years. Employees are a critical component to every organization, and their engagement serves as a barometer of organizational health. By examining employee engagement, employers can create an engagement strategy to address employee motivation, behavior, productivity and subsequent business results. This report concludes with suggested actions leaders and managers can take to improve engagement levels and become better positioned for future success.
Aon Hewitt’s Engagement Model

Aon Hewitt defines engagement as the psychological and behavioral outcomes that lead to better employee performance. The Aon Hewitt model examines both the individual’s engagement outcomes and the potential engagement drivers that are part of the organizational work experience. This employee engagement model has been tested, evolved and validated by over 15 years of research on millions of employees across a variety of companies and industries, and throughout Asia Pacific, Europe, Latin America and North America. The model is further supported by years of research in the area of organizational psychology.

Engagement Drivers

Engagement Outcomes

We define engagement through three attributes that include the extent to which employees:

Say—speak positively about the organization to co-workers, potential employees and customers

Stay—have an intense sense of belonging and desire to be a part of the organization

Strive—are motivated and exert effort toward success in their job and for the company
We believe employees need all three of these elements to be fully engaged. For example, it is difficult to say employees are fully engaged if they strive to go above and beyond but do not really wish to stay with the organization—or worse, if employees want to stay with an organization but make no effort to go above and beyond. The behaviors engaged employees demonstrate lead to positive outcomes in key business drivers like customer satisfaction, operational efficiency and revenue growth. A recent meta-analysis of 58 independent studies found compelling and overwhelming evidence that employee attitudes and behaviors have strong correlations with customer satisfaction and indirect relationships with financial performance.\(^4\)

Aon Hewitt’s Engagement Model also covers “Engagement Drivers.” These are the areas over which management has a great deal of control—the action areas. Our extensive research formed the six major categories of the work experience that include the work people do, the people they work with, opportunities, total rewards, company practices and general quality of life.

The Aon Hewitt Engagement Model is the basis of the analysis in this report. Our analysis describes the baseline levels of employee engagement and the employment experience, what has changed and what drivers engage the current workforce. By identifying these drivers, employers can understand how to meet the needs of their employees and focus on the specific areas of improvement that have the largest impact on engagement and business results.

Trends in Global Employee Engagement

The economic recession that began in 2008 still looms over businesses across the globe. The complex landscape of human capital challenges mixed with financial constraints forced organizations to make tough decisions on where to invest their people, time and resources. These management decisions have impacted employee engagement levels and perceptions globally.

The chart that follows shows overall trends in engagement scores, globally and by region. In 2012, the global engagement score was 60%, up 2 percentage points from 58% in 2011. While on the surface this looks like a modest improvement across the board, a look below the surface reveals that engagement levels fluctuate—sometimes substantially—around the world. Based on a five-year longitudinal analysis, we see these engagement levels range globally from 72% and above for companies in the top quartile to 46% and below for companies in the bottom quartile (see the Appendix on page 26 for the “Global Engagement Meter”).

Engagement level by region varies. Continued improvements in engagement scores in Europe were the strongest among all four regions (up 5 percentage points, from 52% to 57%), followed by Latin America (up 3 percentage points, from 71% to 74%), contributing to the overall upward movement of global engagement. North America declined 1% (with the U.S. declining 3% between 2011 and 2012) and Asia Pacific experienced no change.

Global Trends in Employee Engagement Scores