Employee engagement is on the rise, but volatility abounds
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Executive Summary

Employee Engagement Is on the Rise—
but Volatility Abounds

Around the world, the critical business metric of employee engagement is improving. Despite a tight labor market in the United States, economic uncertainty in Europe, and business challenges in other parts of the world, Aon Hewitt’s Global Employee Engagement Index rose from 62% to 65%. This is good news for CEOs, heads of Human Resources, and managers everywhere. However, a deeper look at Aon Hewitt’s study of Global Employee Engagement shows significant country volatility that is a sign that not every executive is able to celebrate.

Global Trends in Employee Engagement

Employee engagement has risen six points globally in the last four years. Half of that increase occurred in the last year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Engagement Score</th>
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<tbody>
<tr>
<td>2011</td>
<td>59%</td>
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<td>2012</td>
<td>58%</td>
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<td>2013</td>
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<td>2014</td>
<td>62%</td>
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<td>2015</td>
<td>65%</td>
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Employee Engagement Defined

The concept of employee engagement is often confused with satisfaction or happiness, however, the true definition is deeper in meaning. Employee engagement is defined as “the level of an employee’s psychological investment in their organization.” Research has shown that only about 50% of employees self-report that they know what employee engagement is. However, getting all employees to understand what engagement is and what each person’s responsibility is in owning their engagement is a critical first step for an organization to create a culture of engagement.

The Global Employee Engagement Study measures employee engagement with a Say, Stay, Strive model. Employees are asked:

- If they “Say” positive things about their organization and act as advocates
- If they intend to “Stay” at their organization for a long time
- If they “Strive” to give their best efforts to help the organization succeed

About the Study

Every year, Aon Hewitt measures employee engagement for more than 1,000 organizations around the globe. This study has been conducted using data from more than three million employee responses in 2014 and more than four million responses in 2015. The responses come from organizations with fewer than 100 employees to the most complex organizations with hundreds of thousands of employees. More than 60 industries are represented in the study.
The Aon Hewitt Engagement Model

Based on an employee’s responses to a series of items in this model, it can be determined how engaged or disengaged someone is. This report summarizes how employee engagement has trended in the last year using survey responses from more than four million employees around the world.

In addition to employee engagement, this study also measures 15 dimensions critical to having an effective workplace. These dimensions are Employee Value Proposition (EVP), Reputation, Career Opportunities, Collaboration, Diversity & Inclusion, Empowerment/Autonomy, Enabling Infrastructure, Learning & Development, Manager, Performance Management, Rewards & Recognition, Senior Leadership, Talent & Staffing, Work Fulfillment, and Work Life Balance.

The Aon Hewitt Engagement Model
Key Findings

Global Engagement Trends

**Global**
- 2015 Engagement: 65% (+3pts)
- Top Engagement Drivers:
  - Enabling Infrastructure: +1
  - EVP: +3
  - Rewards & Recognition: +5
  - Career Opportunities: +4
  - Learning & Development: +4
- Largest Positive Dimension Increases:
  - Rewards & Recognition: +5
  - Work Life Balance: +4
  - Performance Management: +4
  - Learning & Development: +4
  - Career Opportunities: +4

**North America**
- 2015 Engagement: 65% (+1pt)
- Top Engagement Drivers:
  - EVP: +5
  - Talent & Staffing: +3
  - Enabling Infrastructure: +0
  - Career Opportunities: +5
  - Performance Management: +9
- Largest Positive Dimension Increases:
  - Performance Management: +9
  - Work Life Balance: +5
  - Work Fulfillment: +5
  - Career Opportunities: +5
  - EVP: +5

**Latin America**
- 2015 Engagement: 72% (+1pt)
- Top Engagement Drivers:
  - Career Opportunities: +4
  - Senior Leadership: +3
  - Rewards & Recognition: +4
  - EVP: +2
  - Learning & Development: +9
- Largest Positive Dimension Increases:
  - Empowerment/Autonomy: +7
  - Performance Management: +7
  - Learning & Development: +6
  - Work Fulfillment: +5
  - Manager: +5
### Africa

**2015 Engagement**

| 59% | ↓ -3pts |

<table>
<thead>
<tr>
<th><strong>Top Engagement Drivers</strong></th>
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<tbody>
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<td>Career Opportunities</td>
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<td>Senior Leadership</td>
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<td>EVP</td>
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<td>Performance Management</td>
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<td>Rewards &amp; Recognition</td>
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<th><strong>Largest Positive Dimension Increases</strong></th>
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<tr>
<td>Rewards &amp; Recognition</td>
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<tr>
<td>Empowerment/ Autonomy</td>
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<td>Work Life Balance</td>
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### Europe

**2015 Engagement**

| 60% | ↑ +2pts |

<table>
<thead>
<tr>
<th><strong>Top Engagement Drivers</strong></th>
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<tbody>
<tr>
<td>EVP</td>
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<tr>
<td>Senior Leadership</td>
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<td>Career Opportunities</td>
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<td>Talent &amp; Staffing</td>
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<th><strong>Largest Positive Dimension Increases</strong></th>
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<td>Learning &amp; Development</td>
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<tr>
<td>Performance Management</td>
</tr>
<tr>
<td>Career Opportunities</td>
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<tr>
<td>Empowerment/ Autonomy</td>
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<tr>
<td>EVP</td>
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### Asia Pacific

**2015 Engagement**

| 65% | ↑ +5pts |

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<thead>
<tr>
<th><strong>Top Engagement Drivers</strong></th>
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<tbody>
<tr>
<td>Enabling Infrastructure</td>
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<tr>
<td>Rewards &amp; Recognition</td>
</tr>
<tr>
<td>Learning &amp; Development</td>
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<tr>
<td>Career Opportunities</td>
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<tr>
<td>EVP</td>
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<table>
<thead>
<tr>
<th><strong>Largest Positive Dimension Increases</strong></th>
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<tbody>
<tr>
<td>Rewards &amp; Recognition</td>
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<tr>
<td>Work Life Balance</td>
</tr>
<tr>
<td>Reputation</td>
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<tr>
<td>Learning &amp; Development</td>
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<tr>
<td>Career Opportunities</td>
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Global Employee Engagement

Across the globe, employee engagement is trending up. A quarter of all employees fall into the “Highly Engaged” category and another 40% are categorized as “Moderately Engaged” giving a total worldwide engagement score of 65%. That compares to 62% from a year ago when 22% of employees surveyed were “Highly Engaged” and 40% were “Moderately Engaged.”

The three elements of the engagement index all improved. The “Say” portion improved two percentage points to 69% favorable. “Stay” also went up two percentage points to 60% favorable. The “Strive” portion rose the most from 61% to 64% favorable.

Four of the five regions surveyed are trending favorably. Asia Pacific has the biggest improvement with a five point improvement (from 60% to 65%). Europe has a modest two point improvement (from 58% to 60%) while both North America (from 64% to 65%) and Latin America (from 71% to 72%) have one point gains. Africa is the only region to decline, falling three points from 62% to 59%.

“The overall engagement trend at the global level hides a lot of the complexity driven by economic, business, social and talent differences around the world. We are seeing low to moderate growth in some of the world’s more mature markets like the US and parts of Europe, significant economic slow-down in the once promising BRIC nations and the promise of some African nations seems to be clouded by uncertainty and risk.”

— Ken Oehler, Aon Hewitt’s Global Engagement Practice Leader

Engagement Profiles – 2014 vs. 2015

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Actively Disengaged</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Passive</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Moderately Engaged</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Highly Engaged</td>
<td>22%</td>
<td>25%</td>
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Asia Rising

“...The improvement in employee engagement across Asia is a tremendous sign. Asian organizations need to have a highly engaged and productive workforce to tap into the growth opportunities that exist. With a projected regional growth rate of 5% a year through 2020, organizations need employees who are strong brand advocates, committed to the organization, and willing to exert maximum effort.”

– Stephen Hickey, Executive Sponsor of Employee Engagement for Aon Hewitt, Asia Pacific, Middle East & Africa

Anchored by two massive economies in China and India, employee engagement over the last year has risen the most in this region. Employees are more likely to Say, Stay, and Strive. The “Say” dimension rose by three points, “Stay” rose by three points, and, most remarkably, the “Strive” dimension rose by five points. That means that companies in the region will have an easier time attracting, retaining, and getting best efforts from employees.

That isn’t the only good news. Of the 15 different workplace dimensions tracked in the study, the region did not have a single dimension that trended negatively. The dimensions with the greatest improvement are Rewards & Recognition and Work Life Balance which both have six point improvements to 57% and 69% favorable, respectively. Another critical dimension with positive movement is the perceptions of Senior Leadership which went from 60% to 64% favorable.
Flying High in Latin America?

Over the last five years this study has been conducted, no region has approached the levels of employee engagement that Latin America has. On the surface that may indicate that everything in the region is superior. However, taking into account that employees in different regions around the world respond differently to surveys, a more critical indication is movement over time. In 2011, 72% of employees in Latin America were engaged. That figure remains the same through 2015. The other regions all showed improvement over that timeframe.

Despite stagnant engagement, Latin America saw some of the most impressive improvements at a dimension level. Nine of the 15 dimensions measured had improvements of three points or more. The biggest positive movements fall under the Performance Management and Empowerment/Autonomy dimensions which both rose by seven points. The Learning & Development dimension also had a significant gain of six points.

“The Latin American regional economy slowed considerably in 2015 impacted mostly by market and political instability in Brazil. The same number of jobs that were created in 10 years disappeared in just one. Foreign investment will remain frozen until the impeachment is solved. Mexico, Latin America’s second largest economy, is still projected to grow just above 2% but deceleration from ties to the US industrial sector will likely have negative impact on the job market and the employee experience.”

– Max Maggio, Chief Commercial Officer, Aon Latin America
Employee engagement did rise by one point from 64% to 65% in the last year in North America, however, the real story is the contrast between the United States and Canada. Across the 15 dimensions measured, Canada only had improvement on one of them and that improvement was a one point gain on the Work Fulfillment dimension. In the United States, 12 of the 15 dimensions improved with five of them improving by five points or more. The largest improvement – in the Performance Management dimension – was 10 points.

“Low growth and high unemployment in Western Canada and Newfoundland and Labrador due to depressed oil and commodity prices are driving higher engagement in these regions for those who still have jobs as employee expectations are brought into line with reality,” says Neil Crawford, Partner and Leader of Aon Hewitt’s Canadian Talent Practice. “At the same time, lower oil costs and a lower Canadian dollar are fueling modest growth in Central Canada tightening labor markets and putting pressure on employee expectations. The net effect is very little year over year change in overall perceptions of the work environment.”

From a trend perspective, engagement in North America has seen only modest improvement. In 2011, 63% of the region’s workforce was categorized as engaged. It dipped to 60% a year later and has steadily risen to the current level.

Considering that unemployment levels in the United States have dropped from over 9% at the beginning of 2011 to 4.9% as of February 2016, a slight improvement in employee engagement is an unexpected benefit in a very tight labor market.

“With the recovery and most cost-cutting efforts behind them, companies are realizing that the way forward to drive productivity and profitability is to re-think the way they lead and manage their people to create a more engaging work experience.”

– Teryluz Andreu, Aon’s U.S. Engagement Leader

Employee Engagement: North America vs. The World

<table>
<thead>
<tr>
<th>Year</th>
<th>Global</th>
<th>North America</th>
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<tbody>
<tr>
<td>2011</td>
<td>63%</td>
<td>60%</td>
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<tr>
<td>2012</td>
<td>59%</td>
<td>58%</td>
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<td>2014</td>
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<td>62%</td>
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<tr>
<td>2015</td>
<td>65%</td>
<td>65%</td>
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Uncertainty in Europe

No other region has seen engagement improve as much as Europe has in the last five years. In 2011, 52% of employees in Europe were engaged. That figure has risen to 60% in 2015. These improvements are overwhelmingly positive given the challenges Europe has faced in recent years. Mass immigration, high unemployment in many countries, and even challenges to the viability of the European Union have all posed uncertainty in the region and yet engagement has steadily risen.

None of the other 15 dimensions measured improved as dramatically in the last year as seen in the other regions. In fact, only the four point improvement for “Learning & Development” had an increase of more than three points. Engagement in Western Europe improved the most – from 52% to 56%. Both Northern Europe and Southern Europe saw engagement increase by three points to 55% and 66%, respectively. Only Eastern Europe, with a three point drop to 62% of employees, had negative movement.

“Eastern Europe is under the negative influence caused by the sanctions put on Russia. The turbulence in Russia is directly impacting economies among all its neighboring countries. Employees in these countries are feeling it too.”

– Edward Stanoch, European Talent Practice Market Leader at Aon

Eastern Europe saw the other dimensions from the study decline as well. While the other parts of the region have between one and three dimensions that declined, 13 of the 15 dimensions fell for Eastern European employees. EVP, Reputation, Diversity & Inclusion, Enabling Infrastructure, Performance Management, and Senior Leadership all fell five points with Rewards & Recognition falling six points.
Africa: A Bump in the Road or Trouble Ahead

Like Europe, engagement in Africa has improved impressively since 2011. In that year, 52% of employees in Africa were engaged. In 2014, that number rose to 62%, but in 2015 it fell three points, to 59%. The question is whether that negative movement is a sign of things to come or just an adjustment.

Across the 15 dimensions measured, 10 decreased. Most of the declines are only two or three point drops, however, two of the dimensions – Talent & Staffing and Enabling Infrastructure – fell by double digits. Talent & Staffing fell by 15 points and Enabling Infrastructure dropped by 11 points.

“South Africa is faring well, but other countries in the region are suffering. Some countries in Sub-Saharan Africa, for example, are having challenges because of falling commodities prices. Then you have countries in the region where the sheer political volatility impedes the basic infrastructure development necessary to conduct business. Both of these factors are influencing the work environment in Africa.”

– Neil Shastri, Leader, Global Insights and Innovation at Aon Hewitt
A Time of Volatility

While global employee engagement has improved in the last year, digging deeper exposes a different story. At the country level and even at the individual level, there is a great deal of engagement mobility.

Three countries, Venezuela, Colombia, and China, had overall engagement scores improve by a whopping eight points. The Philippines had a 13 point improvement, from 62% to 75%. The economies and workforce sizes of Venezuela, Colombia, and the Philippines are small on the global scale, which makes China’s improvement that much more remarkable. China has the world’s second largest economy and largest workforce. To see such a large increase in engagement is surprising.

There are a number of reasons why China has experienced a positive movement. “More and more companies in China are focusing on overall employee experience rather than just pay and benefits. This is reflected in the continuous investments and improvements in HR practices that lead to a more positive work experience. The slowing of China’s growth has also meant less aggressive hiring. Employees prefer to stay at their organization longer.” says Audrey Widjaja, Aon’s Talent Practice Leader in Greater China.

“Employees in various markets can have vastly different employment experiences. For leaders of multinationals operating in these major world markets, this volatility presents significant challenges about where and how to invest in talent and how to best engage employees in the behaviors that will drive much needed growth.”

– Ken Oehler, Aon Hewitt’s Global Engagement Practice Leader

Markets by Engagement Score Values and Changes
Four countries had engagement fall by six points or more. Indonesia, despite impressive GDP growth over the last five years, experienced a drop in engagement by eight points, while Russia, Morocco, and Egypt each posted six point drops.

Perhaps the most remarkable finding of the study is the mobility of individual engagement. For the employees involved in both the 2014 and 2015 surveys, 46% moved at least one category among the four categories (Actively Disengaged, Passive, Moderately Engaged, and Highly Engaged). Surprisingly, net engagement for these employees dropped by three points while 14% moved from the Moderately Engaged/Highly Engaged Categories to the Actively Disengaged/Passive categories. On the other side, 11% moved from Actively Disengaged/Passive to Moderately Engaged/Highly Engaged.

### Individual Engagement Mobility from Year to Year

*Nearly half of all employees who took the survey in both 2014 and 2015 had their engagement level change. Engagement is not a static position.*
Improving Engagement in a Time of Volatility

Big engagement swings by a number of countries and the lack of stability at the individual employee level are just a couple of examples of the volatility, uncertainty, complexity, and ambiguity that businesses face on a daily basis. There are geopolitical, currency, labor access, energy, competitive, and many other uncertainties that can disrupt an organization on its way to achieving its goals.

Most of these challenges cannot be managed from the corner office, but what can be managed and enhanced is the effectiveness of the individual company’s workforce.

One thing is certain if organizations, especially the largest and most complex, are going to succeed in a time of volatility. Executives and managers are going to have to understand and optimize the employee experience like never before. That is one of the reasons behind a movement called “continuous listening.”

The idea behind “continuous listening” is to gather feedback and take action across the entire employee lifecycle. Often it starts by understanding the onboarding process during a new employee’s first days. It continues with frequently documented performance conversations. Annual engagement surveys are being replaced or augmented with quarterly or monthly pulse surveys. At the end of employment, exit surveys are conducted to understand why someone is leaving and their willingness to be recruited by the organization again in the future. Some organizations even choose to solicit feedback from candidates about the recruitment process regardless of whether or not the candidate gets a job offer.

To start a “continuous listening” strategy, an organization should begin with a single solution. That could be introducing an onboarding survey or moving from an annual engagement survey to quarterly pulse surveying. Leaders will need to listen to what employees are saying about the organization and begin acting on the messages by making improvements and having clarification conversations with employees. As following up becomes easier, adding another solution to gather feedback or consider listening more frequently is recommended. By creating the muscle memory to listen and act, the ability of leaders to hear more and more will evolve into the execution of the organization’s desired version of “continuous listening.”
Final Thoughts

The improvement in global employee engagement is welcome news for leaders looking to execute their organizational game plan. The reality, however, is the speed of business is only increasing, the interconnectedness of countries and economies only makes doing business more complex, and volatility outside the walls of the average organization will have greater influence on how goals will be met.

These are worries outside an executive’s control. What can be controlled and influenced with appropriate effort is how employees show up for work and how effectively they are enabled to get their work done. That is one of the main reasons why many organizations that value their employees as their most important asset are creating “continuous listening” strategies so they have a full understanding of the employee experience from hire to exit.
About Aon Hewitt’s Employee Engagement Practice

Aon Hewitt’s Employee Engagement Practice offers an unmatched combination of global consulting and benchmarks, integrated HR measurement technology, and tools that include assessments, selection and talent analytics. With millions of employee survey responses, this report contains only a very high level set of information about global engagement and the employee experience. To learn more about how Aon Hewitt can help accelerate your employees to the extraordinary, talk with one of our experts by reaching out to:

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About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is a global leader in human resource solutions, with over 35,000 professionals in 90 countries serving more than 20,000 clients worldwide across 100+ solutions. For more information on Aon Hewitt, please visit www.aonhewitt.com.
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Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 72,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions. For further information on our capabilities and to learn how we empower results for clients, please visit: http://aon.mediaroom.com.

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