

2014

Global Workforce Study

At a Glance

Overview

The 2014 Global Workforce Study provides a detailed view into the attitudes and concerns of workers around the globe. This year's study includes over 32,000 participants and is part of a larger research initiative designed to capture both employee and employer perspectives on the emerging trends and issues shaping the global workplace. This approach enables us to integrate insights from our 2014 employer research into the discussion of findings from our employee study, resulting in a richer, more nuanced picture of today's complex workplace challenges.

Labor activity has picked up since the last Global Workforce Study in 2012. With nearly half (48%) of employers in the 2014 Global Talent Management and Rewards Study reporting an increase in hiring compared to last year and more than one-third (35%) indicating that turnover rose during the same period, it is critical to develop a clear perspective on what it takes to attract, retain and engage workers.

There's No Escaping the Fundamentals

Employee responses reflect a more fluid labor market as well, with just over a quarter (26%) saying they are likely to leave their employer within the next two years. Our findings highlight the attraction and retention challenges facing employers. Fewer than half of employees think their organization does a good job of hiring (46%) and retaining (42%) highly qualified employees.

What does it take to get and keep talent in 2014? The fundamentals — base pay, job security and career advancement opportunities — matter most to employees globally when deciding to join or leave an organization (Figure 1). Employers generally understand these priorities. The attraction drivers

cited by employees and employers are largely the same, although job security ranks higher among employees' key reasons to join a company, and an organization's mission/vision/values does not appear on the employee list.



The last driver highlights a distinct difference between employer and employee views. Employees cite paid vacation time as a key attraction driver, reflecting the importance they place on work/life balance and the need to unplug from today's 24/7, always-on workplace. Paid vacation time is noticeably absent from the employers' view of key attraction drivers.

Figure 1. Top attraction drivers — Employer versus employee view

	Employer view — Talent Management and Rewards Study	Employee view — Global Workforce Study
1	Career advancement opportunities	Base pay/Salary
2	Base pay/Salary	Job security
3	Challenging work	Career advancement opportunities
4	Organization's reputation as good employer	Learning and development opportunities
5	Organization's mission/vision/values	Challenging work
6	Learning and development opportunities	Organization's reputation as good employer
7	Job security	Vacation/Paid time off

In assessing key retention drivers, workers and employers alike agree on the importance of base pay and opportunities to advance (Figure 2). However, a disconnect between employee and employer views on retention emerges in a number of other areas. Three key drivers cited by employees don't even appear on the employers' list of factors influencing retention.

- **Trust/confidence in senior leadership.** For employees to remain with an organization, they must have confidence in the ability of their top leaders to motivate and guide them in today's dynamic business environment. Yet organizations underestimate the role of senior leaders in helping to retain employees. From their perspective, a worker's relationship with their supervisor is more critical to retention.
- **Job security.** This issue remains top of mind for employees and plays a critical role not only in attracting employees but also in retaining them.
- **Length of commute.** As employees strive to improve their work/life balance, the length of their commute becomes a key consideration in deciding whether to remain with their current employer.

By underestimating the value employees place on these three issues, organizations risk losing key talent.

Contrary to popular assumption, our survey also reveals that demographics do not have a strong impact on drivers of attraction and retention. Five of the seven top drivers of attraction are the same for all age groups, six out of seven for retention (see sidebar).

Figure 2. Top retention drivers — Employer versus employee view

	Employer view — Talent Management and Rewards Study	Employee view — Global Workforce Study
1	Base pay/Salary	Base pay/Salary
2	Career advancement opportunities	Career advancement opportunities
3	Relationship with supervisor/manager	Trust/Confidence in senior leadership
4	Manage/Limit work-related stress	Job security
5	Learning and development opportunities	Length of commute
6	Short-term incentives	Relationship with supervisor/manager
7	Challenging work	Manage/Limit work-related stress

Demographic Myths Busted

Regardless of employee age, base pay is the most frequently cited reason to join or leave an organization. Job security is the second-most frequently selected driver of attraction across all key age groups, including those under 30, and it is a key retention driver among all employees over 40. Career advancement opportunities ranks among the top five drivers of employee attraction across all age groups and among the top three drivers of retention regardless of age. In deciding whether to remain with their current employer, employees in all age groups place a premium on having trust and confidence in senior leadership.

Top attraction and retention drivers by age

	< 30	30 – 39	40 – 49	50+
1	Base pay/Salary	Base pay/Salary	Base pay/Salary	Base pay/Salary
2	Job security	Job security	Job security	Job security
3	Career advancement opportunities	Career advancement opportunities	Career advancement opportunities	Trust/Confidence in senior leadership
4	Length of commute	Trust/Confidence in senior leadership	Trust/Confidence in senior leadership	Challenging work
5	Learning and development opportunities	Learning and development opportunities	Organization's reputation as good employer	Career advancement opportunities
6	Manage/Limit work-related stress	Relationship with supervisor/manager	Job security	Job security
7	Organization's reputation as good employer	Challenging work	Challenging work	Career advancement opportunities
8	Trust/Confidence in senior leadership	Length of commute	Relationship with supervisor/manager	Relationship with supervisor/manager

Attraction driver

Retention driver

Engagement in Jeopardy — Leaders Wanted

Towers Watson research has shown that there are three measurable elements essential to sustainable engagement:

- *Traditional engagement* — employees’ willingness to expend discretionary effort on their job
- *Enablement* — having the tools, resources and support (typically through direct-line supervisors) to do their job effectively
- *Energy* — having a work environment that actively supports physical, emotional and interpersonal well-being

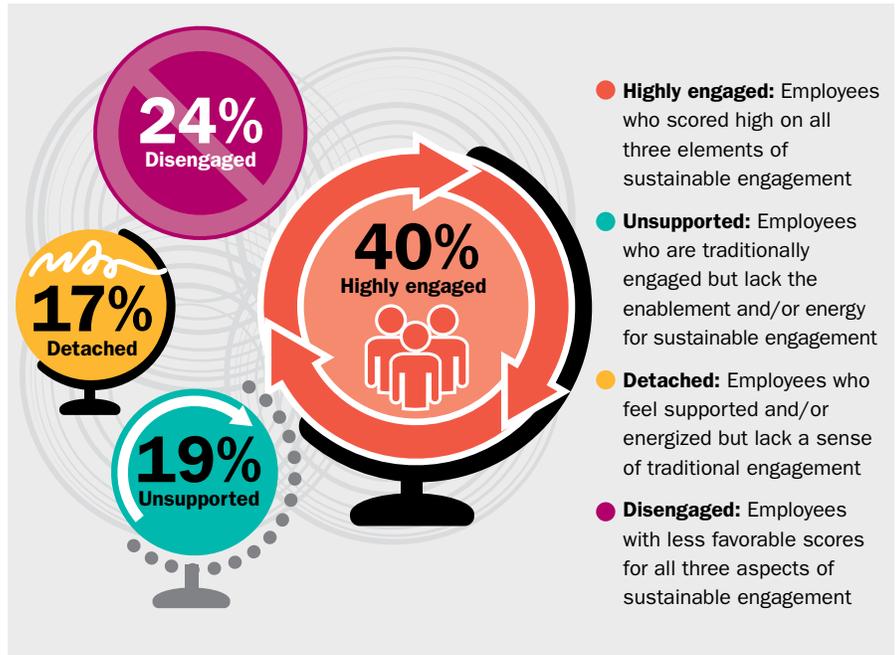
Based on employee responses to questions pertaining to each element, we have identified four distinct engagement segments globally (Figure 3).

Four in 10 employees are highly engaged, so there is room for improvement. Our findings show that close to a quarter (24%) are disengaged, and another 36% can be described as either unsupported or detached. A full 60% of employees lack the elements required to be highly engaged.

Given the low levels of highly engaged workers, it is essential for companies to understand the factors that drive sustainable engagement. First among these is leadership, long recognized as essential to traditional engagement. In today’s global workplace, leadership is a driver of not only sustainable engagement overall, as revealed in our 2012 research, but also all the components of sustainable engagement (Figure 4).

Effective leaders and managers influence sustainable engagement. In organizations where employees perceive their managers (but not their leaders) to be effective, 23% of workers are highly engaged. And in organizations where leaders (but not managers) are perceived as effective, 35% of employees are highly engaged.

Figure 3. Global engagement segments



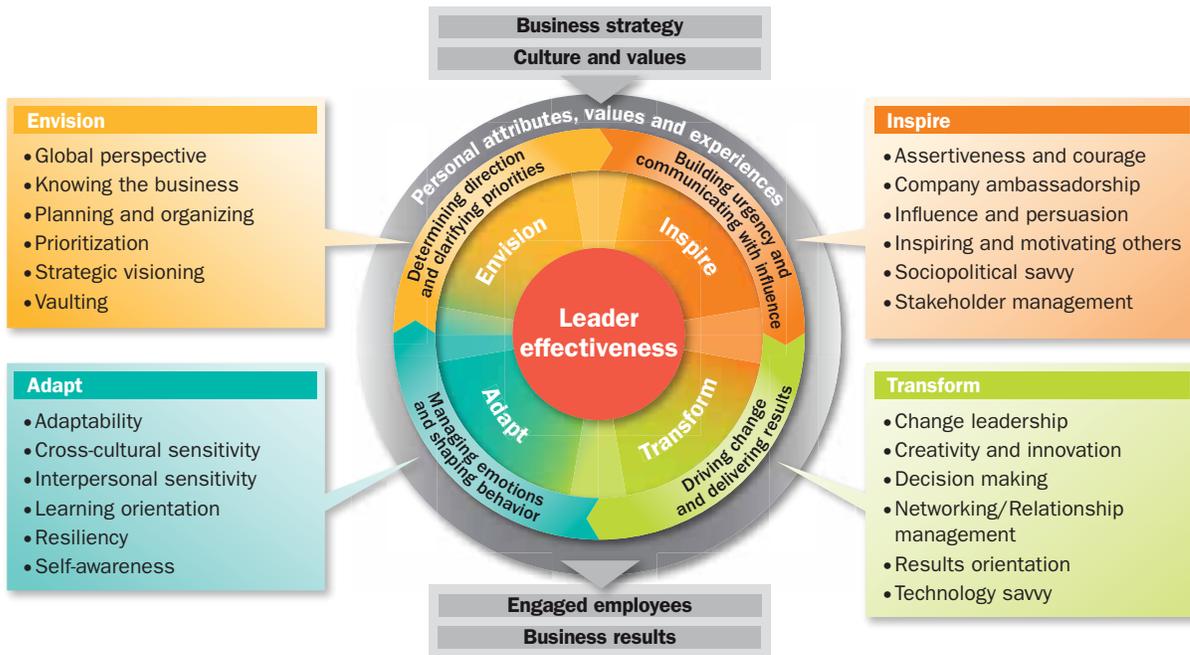
“In today’s global workplace, leadership is a driver of not only sustainable engagement overall, as revealed in our 2012 research, but also all the components of sustainable engagement.”

When neither managers nor leaders are perceived as effective, only 8% of employees are highly engaged. Not unexpectedly, in companies where both leaders and managers are perceived by employees as effective, 72% of employees are highly engaged. Companies with effective leaders as well as managers can expect to have more highly engaged employees.

Figure 4. Global top drivers of sustainable engagement

	 Sustainable engagement	 Engagement	 Energy	 Enablement
1	Leadership	Leadership	Leadership	Leadership
2	Goals and objectives	Image	Goals and objectives	Workload and work/life balance
3	Workload and work/life balance	Goals and objectives	Workload and work/life balance	Empowerment
4	Image	Workload and work/life balance	Supervision	Goals and objectives
5	Empowerment	Communications	Image	Supervision

Figure 5. Towers Watson leadership effectiveness model



What Do Effective Leaders Do Differently?

Only 48% of employees report that their top management is doing a good job of providing effective leadership. The Towers Watson leadership effectiveness model provides a framework that helps us clarify the performance components of effective leaders (Figure 5). First, effective leaders are committed to an organization’s strategic priorities and model its values and culture. They also perform across four key dimensions and associated competencies: *envisioning* the future, *inspiring* others to follow, *transforming* the organization to achieve the vision, and *adapting* to changing internal and external conditions. These dimensions are helpful in analyzing employee views on senior leadership and drivers of leadership effectiveness captured in our study.

From the employee perspective, the ability to inspire and motivate employees is the most important driver of leadership effectiveness (Figure 6). Yet only slightly more than half (55%) of employees say their leaders inspire them. Similarly, employees value a leader’s ability to adapt, which may involve responding to new situations, different social and cultural contexts as well as growth opportunities. There is some room for improvement here, too. For example, only 51% of employees report that their senior leaders are very flexible in their approach to new situations. Also key to effective leadership is envisioning, which includes clearly communicating future plans and demonstrating

an understanding of key success factors. Slightly over 60% of employees indicate that their leaders perform effectively on these aspects of envisioning.

A leadership model incorporating these performance dimensions and helping leaders develop these competencies can improve the effectiveness of leaders and as a result, increase retention rates and levels of sustainable engagement.

Figure 6. Key drivers of leadership effectiveness



What Does an Effective Manager Look Like?

Our findings reinforce the value of effective managers, revealing that supervision is a key driver of the energy and enablement required to reach the highest levels of sustainable engagement. Moreover, 30% of employees report a lack of supervisor support (i.e., a lack of recognition and feedback, and managers not living up to their word) as a cause of work-related stress.

From the employee perspective, the principal driver of manager effectiveness is consistency between words and actions — the ability to walk the talk (*Figure 7*).

In addition, an effective manager removes obstacles to success, differentiates between high and low performers, and at the same time, treats all workers with respect and clearly communicates goals. While 70% of employees report that their immediate manager treats them with respect, there is some room for improvement in the other areas that drive manager effectiveness. Slightly more than half of employees say their immediate supervisor acts in a manner consistent with these key drivers.

Managers play a particularly important role when leadership from the top of the organization is lacking. In fact, the aspects of manager behavior driving overall effectiveness change when senior leaders are viewed as not effective. Specifically, it becomes critical for a manager to encourage new ideas and new ways of working, suggesting that the supervisor becomes responsible for promoting innovation in the absence of effective senior leadership.

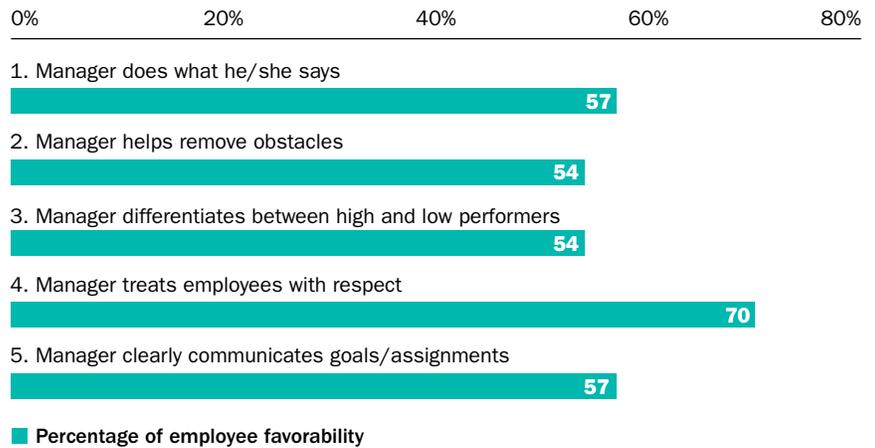
To improve manager performance and drive sustainable engagement, organizations can start by defining competencies for their managers based on the drivers of manager effectiveness revealed in our study.

Expecting a Consumer-Like Experience

After decades of emphasizing employees' responsibility to know the customers' needs and meet them, many employees are starting to expect the same from their employer. Seventy percent of employees agree that their organization should understand employees to the same degree that employees are expected to understand customers. However, fewer than half (43%) report having an employer that understands them in this way.

“Managers play a particularly important role when leadership from the top of the organization is lacking.”

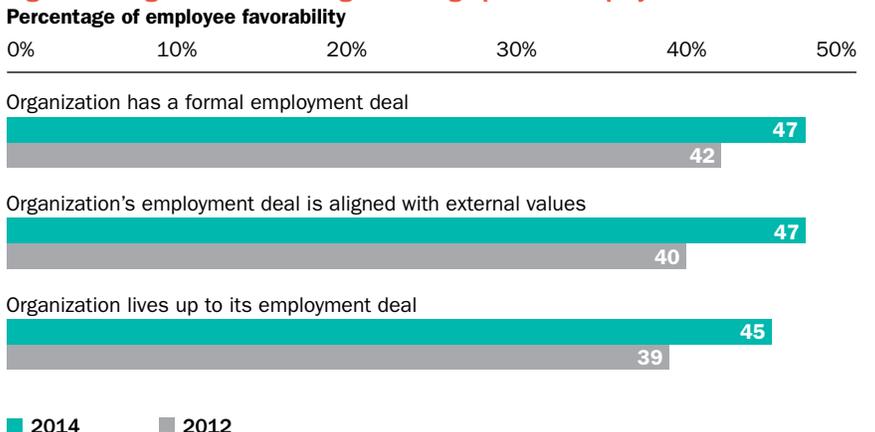
Figure 7. Key drivers of manager effectiveness



An organization's employment deal is the foundation of the experience it offers to employees. The employment deal defines the give and the get between the organization and its employees. Employee responses indicate that organizations have made modest progress in several areas related to the employment deal since our last survey (*Figure 8*), but there is still much room for improvement.

Employees who feel their organization is effective in these areas are significantly more likely to be highly engaged than those who do not.

Figure 8. Progress in formalizing and living up to the employment deal



Key Takeaways From the 2014 Global Workforce Study

- *Base salary, opportunities for career advancement and job security* are fundamental to attracting and retaining all employees. Therefore, it is essential to be competitive in these areas. Even though companies cannot guarantee job security, they can focus on creating a stable work environment through communication of business strategy, goals and results as well as effective leaders and managers, and clear expectations.
- Given that employees cite paid vacation time as a key attraction driver and length of commute as a key retention driver, employers should seek to provide their workforce with competitive *work/life balance programs*.
- It is critical for employers to prioritize the *development of senior leaders* whom employees can trust to lead them to success in order to motivate workers to remain with their organization. They can start by developing a leadership model that incorporates performance components aligned with their strategic priorities, values and culture.
- To improve *manager effectiveness*, companies should focus on the competencies that employees value in their managers: being consistent in words and actions, helping remove obstacles, and differentiating between high and low performers.
- Employers looking to increase engagement levels can start by offering employees a *consumer-like experience*.

Participating markets for the study

Australia
Belgium
Brazil
Canada
China
France
Germany
Hong Kong
India
Indonesia
Ireland
Italy
Japan
Korea
Malaysia
Mexico
Netherlands
Philippines
Singapore
Spain
Switzerland
Taiwan
Turkey
U.A.E.
U.K.
U.S.

About the Study

The Towers Watson Global Workforce Study covers more than 32,000 employees selected from research panels that represent the populations of full-time employees working in large and midsize organizations across a range of industries in 26 markets around the world. It was fielded online during April and May 2014. The study is designed to help companies better understand their diverse employee segments and the factors that influence employee performance on the job by gauging changing attitudes that affect attraction, retention, engagement and productivity.

The Towers Watson Global Talent Management and Rewards Study was conducted from April to June 2014 in 31 markets around the world and includes responses from 1,637 organizations. The participants represent a wide range of industries and geographic regions.

For more information, please visit:

<http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2014/07/balancing-employer-and-employee-priorities>

About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With more than 14,000 associates around the world, we offer consulting, technology and solutions in the areas of benefits, talent management, rewards, and risk and capital management.

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