

TOWERS PERRIN
HR SERVICES

Winning Strategies for a Global Workforce

Attracting, Retaining and Engaging Employees for Competitive Advantage

Towers Perrin 2005 Workforce Study

EXECUTIVE REPORT



Call it a global village. Or a flattening world. Whatever the descriptor, the facts remain unchanged: When it comes to business, national boundaries are eroding and companies face a host of complex issues unimagined just 25 years ago.

Chief among these is dealing with a global workforce. That's true whether a company operates in multiple locales across the globe or has to recruit from increasingly diverse labor pools in a single country. In both developed and developing parts of the world, businesses face a surprisingly similar set of challenges: Import or export talent; train or retrain workers; export or import work; retool jobs; automate operations — and, throughout it all, manage costs.

Most companies will have to do all of these things to remain competitive. The "boundaryless" business environment will continue to drive changes in where a company does business, how it structures itself, whom it hires over what duration, and what it needs from its people to compete efficiently in existing and emerging markets. (See *A World of Change,* page 13.)

Arguably, in just a few short years, the notion of a "domestic" company may be a complete anachronism. Already, fewer and fewer companies operate solely within a single country's borders. Whether they are manufacturing in lower-cost regions, moving back-office operations outside their borders, or selling their products or services around the world, they need people — *full time, part time* or *just in time* — to conduct business effectively.

Finding and keeping these people, across borders and cultures, presents unique challenges for organizations today. And according to the results of new Towers Perrin research, many companies appear ill-equipped to handle these challenges from a people management perspective.

Earlier this year, Towers Perrin conducted the largest ever single survey of employees working for midsize and large companies in 16 countries across four continents, building on research we did in North America and Europe several years earlier. (See *About Our Survey,* page 14, for details about the survey sample and methodology, and our prior studies.) This survey, covering roughly 86,000 employees at all levels in the organization, reveals both significant differences, and some surprising similarities, in people's attitudes, needs, work ethic and personal commitment to jobs and companies.

First, it's important to note that our respondent group represents a workforce that's more informed, connected and demanding than at any other time in history. These individuals are quite well educated — with close to half, or more, having some university education or advanced degrees in most of the countries studied. A majority (just about two-thirds) are in roles requiring significant specialized knowledge or skill, whether at the supervisory or management level, or in professional, technical or other individual contributor positions. They are, on average, midway through their careers (the average age of the overall group is 37), and they've been with their current employer, on average, about nine years. And they spend a considerable amount of time at work, with over half (57%) clocking more than 40 hours a week on the job, and 9% saying they work over 60 hours weekly.





Our respondents represent a workforce that's more informed, connected and demanding than at any other time in history. These are individuals few companies can afford to lose or alienate. Replacing them is costly — and losing them to competitors even more so.



Broadly, these individuals represent the kind of employee few companies can afford to lose or alienate. Their knowledge and skills are considerable. They've been with their companies long enough to understand some of the important, if implicit, ways to get things done inside the organization. Replacing them is costly, especially in environments where supplies of replacement workers in key knowledge sectors are beginning to dwindle following years of low to zero population growth. And losing such employees to competitors could be even more costly.

Virtually every company today, regardless of its business or geographic scope of operations, needs to understand these employees: What they think. What they want. What they're willing to contribute. What they expect in return.

Through our survey, we've given these employees a voice. They're using that voice to share some very pointed views about what's right — and wrong — with the workplace today and, most important, how current workplace practices affect employees' choice of jobs, and their willingness to stay with a company and give their discretionary effort in the form of extra time, energy and brainpower.

While we found significant variations in employee views across countries and cultures, as one would expect, a number of common themes did emerge around core aspects of the work experience. Here is a closer look:

- **People want different things from their company at different stages of their employment life cycle.** In other words, the elements that attract them to a job are not the same as those that keep them there or encourage them to fully engage and deliver consistent high performance on the job (see *Exhibit 1*, page 5). This in itself isn't surprising; it confirms a finding we've noted over several years of research into the employee mind-set. But it does mean a shift for many employers in how they approach their HR and reward strategy. Most have embraced the view that there isn't a "one size" approach for all. But many still apply this notion in limited ways, rather than establishing it as the foundation for managing people from the time they are recruited until they leave the organization.
- **When it comes to choosing a job, people everywhere have similar needs and requirements.** Three key areas of focus emerged across countries and cultures: *Ensuring adequate compensation and financial security; achieving work/life balance; and having relevant learning and career opportunities.* Interestingly, while these so-called attraction drivers don't vary much across countries — other than in their relative ranking among the top reasons people choose jobs — the same consistency doesn't apply to the elements that affect employee retention or engagement. (The appendix, starting on page 16, shows the top attraction, retention and engagement drivers for the countries in our study.)
- **People care about job security, but value mobility as well, and generally remain open to considering other job opportunities.** While just over a third (36%) of the global respondents said they had no intention of leaving their current employer, far more (58%) are clearly keeping their employment options open in one way or another. Broadly, only 15% are actively seeking new jobs or about to change employers. However, fully 43% are what we call "passive job seekers," meaning they are open to leaving if a good opportunity comes along.

This poses a potentially serious retention risk for companies that can't afford to lose certain kinds of people or skills, especially in parts of the world where projections indicate a shortage in new job entrants or skilled labor. In theory, almost any individual could fall into this "open to opportunity" category. However, a considerable number of people will truly commit to staying with a company — **if conditions are right.** And a key condition, as we'll see, is the belief that one's employer hires and keeps top-notch talent with the specific skills required to move the company forward.

Of course, retention is far from a unilateral goal, and turnover can be desirable in some cases with some segments of the workforce. If the groups of employees committed to staying with the company don't have the right skill sets for the future, or are disengaged, their continued employment poses as much of a potential performance problem as the departure of highly skilled and highly engaged employees. Given current patterns of mobility in the global environment, companies will need to pay more attention to which groups of people they're retaining or losing, especially in the context of their business and skill needs, to determine where issues may lie and how best to address those issues.

- **People are more likely to stay with companies that they perceive as "talent friendly" and progressive in terms of having leading-edge people practices and work environments.** There's no question that the elements that influence retention vary far more than those influencing attraction. Across the four countries we surveyed in Asia, for instance, employee retention depends to a great extent on how the company makes people and business decisions, the level of stress in the work environment and the adequacy of benefits. In Europe and North America, by contrast, these elements matter, but they are not as strongly linked to retention as, for instance, the availability of training and career advancement, effective support from managers and the ability make one's own job-related decisions.

Still, in this area, as elsewhere, we found a number of common elements that cross geographies. One is that retention has a lot to do with organizational practices around managing and rewarding talent. On a global basis, as well as in many of the individual countries studied, employees want to work for a company that is known to seek out and retain the right kind of top talent. Put another way, they want to be part of a winning organization — what some have come to call an "employer of choice" — that recognizes the value of people's skills in its success.

Another theme concerns the role of managers, particularly in how they deliver key aspects of the employment deal. In virtually every country studied, our analysis pinpointed various manager behaviors that have a strong influence on retention. The most prevalent relate to managers' ability to:

— understand what motivates people (Belgium, Brazil, Canada, China, Germany, Japan, South Korea, the U.K. and U.S.)

— inspire enthusiasm for work (Brazil, France and the Netherlands)

— treat people with respect and trust (Japan)

— ensure access to learning opportunities (Belgium, Brazil, Italy, South Korea and Spain)

— conduct effective performance reviews (Italy)

— hold people accountable for performance goals (South Korea).

The third retention theme, which links closely to the other two, is company reputation as an employer. **This organizational attribute was, in fact, the only item in a long list of organizational attributes that influences all three phases of the employment life cycle — attraction, retention and engagement**

— for our total global sample *(Exhibit 1).* It also showed up as a specific driver of retention or engagement (and most typically, a driver of both) in *every* country studied, except for China, Japan and South Korea.

In our view, this speaks volumes about employees' need for evidence that they are making a commitment — initially and over the duration of their careers — to the "right" kind of organization. Much of that decision remains guesswork, intuition and hope, but the tipping point increasingly comes down to some kind of public recognition about the organization as an employer. And as we'll see, that affirmation isn't chiefly about benevolence — or paternalism — as may have been the case in the past. Rather, it concerns fairness, effective management, shared interests, openness and commitment to succeed.

- **People place a huge premium on having opportunities to learn and build their skills.** Across the global sample and in a number of the individual country samples, the ability to acquire skills is the single most important element in creating higher levels of engagement in the workforce. Years of telling workers that continued employment is more a function of value provided than seniority or tenure appears to have paid off. Employees now recognize that their value and employability do depend on their ability to keep their own skills fresh. They know skills have an ever shorter half-life as technology and other factors change the business model. If they have one consistent expectation of their employer, it's to help them stay relevant, valuable and employable.

  At the same time, they recognize they themselves are accountable for identifying and acting on such opportunities.

EXHIBIT 1

What It Takes to Attract, Retain and Engage Employees…At a Glance*

Top 10 Global Drivers of…		
Attraction — Recruiting the Right People	**Retention — Keeping the Best People**	**Engagement — Securing Discretionary Effort**
Competitive base pay	Organization retains people with needed skills	Opportunities to learn and develop new skills
Work/life balance	Satisfaction with my organization's people decisions	Improved my skills and capabilities over the last year
Challenging work	My manager understands what motivates me	Reputation of the organization as a good employer
Career advancement opportunities	Ability to balance my work and personal life	Input into decision making in my department
Salary increases linked to individual performance	Reputation of the organization as a good employer	Organization focuses on customer satisfaction
Learning and development opportunities	Low- or no-stress work environment	Salary criteria are fair and consistent
Reputation of the organization as a good employer	Opportunities to learn and develop new skills	Good collaboration across units
Competitive retirement benefits	Retirement benefits that meet my needs	Appropriate amount of decision-making authority to do my job well
Caliber of coworkers	Fairly compensated compared to others doing similar work in my organization	Senior management acts to ensure organization's long-term success
Organization's financial health	Organization effectively communicates career opportunities	Senior management interest in employee well-being

* Attraction drivers reflect respondents' answers to a direct question about the top five reasons they would consider a job. Retention and engagement drivers are derived statistically, through regression analysis of related survey items.

The blue highlighting underscores the importance of items relating to learning and development across attraction, retention and engagement. The red highlighting underscores the importance of the organization's reputation as a good employer, which is the *only* attribute that appears on all three lists.

Access to learning and development programs is the top driver of engagement globally. But *acting on that access* and actually improving their skills runs a close second. For employees, development involves far more than lip service to an ideal of continued learning.

- **People have doubts about the extent to which their senior leaders have their best interests at heart or communicate openly about important business decisions.** Views about senior management's behavior — in terms of accessibility, visibility, inspirational leadership and communication — were consistently among the most negative in the study. What makes this particularly disturbing is that, in virtually every country studied, senior management's perceived relationship with the workforce has a significant impact on employees' level of engagement.

  As might be expected, of course, employees look for somewhat different things from their leadership in different countries, reflecting variations in cultural norms. But regardless of whether the prevailing norms promote management openness or reserve, accessibility or distance, the fact remains that senior management's actions and behavior matter everywhere.

- **People are also quite negative about their current "employment deal" — the implicit contract between company and individual — particularly in terms of the nature and fairness of the rewards available to them for their contributions to improving profitability.** The reasons for employees' doubts in this area vary somewhat around the world, but their skepticism itself is fairly widespread and crosses regions and cultures. It takes shape particularly around a belief that pay programs are not designed or implemented fairly or consistently, and that few companies truly differentiate high versus mediocre or poor performance in providing bonuses or other forms of variable pay.

In the developed nations, employees' skepticism about rewards tends to manifest itself as increased cynicism, especially regarding pay for performance. Generally, respondents don't perceive that their own rewards have improved along with their company's (and the economy's) improving fortunes. As a result, they view pay for performance as a laudable philosophy that's not effectively implemented across the workforce broadly.

In the developing nations, by contrast, employees' concerns about their rewards may be more a function of naïveté about reward design and delivery. In most of these countries, pay was traditionally based on seniority, tenure or loyalty, with little or no connection to contribution or results, except at senior levels. But as globalization of business drives more focus on Western-style reward practices in these parts of the world, the core elements of the deal are changing. With historical practices in flux, employees are struggling to understand what it means to be paid fairly and what the deal between employer and employee should be. And they have little precedent or sophisticated knowledge to guide them in this area.







The phrase that best captures the mood of our global respondents is “willing but wary.” Having a willing workforce is far from a bad thing. But there’s a world of difference between willing and engaged. And it’s a difference employers have to address to realize genuine performance lift from their people.

The Ultimate Prize: Higher Engagement... Better Results

Beyond these key findings, one disturbing fact stands out from our data across all the countries studied:

> *The vast majority of employees, across all levels in an organization, are less than fully engaged in their work.*

Overall, only 14% of our respondents globally are highly engaged. Roughly a quarter are genuinely disengaged. The remaining "massive middle" — 62% of employees across all the countries studied — are moderately engaged at best. (See *About the Survey,* page 14, for a description of how we measure engagement.)

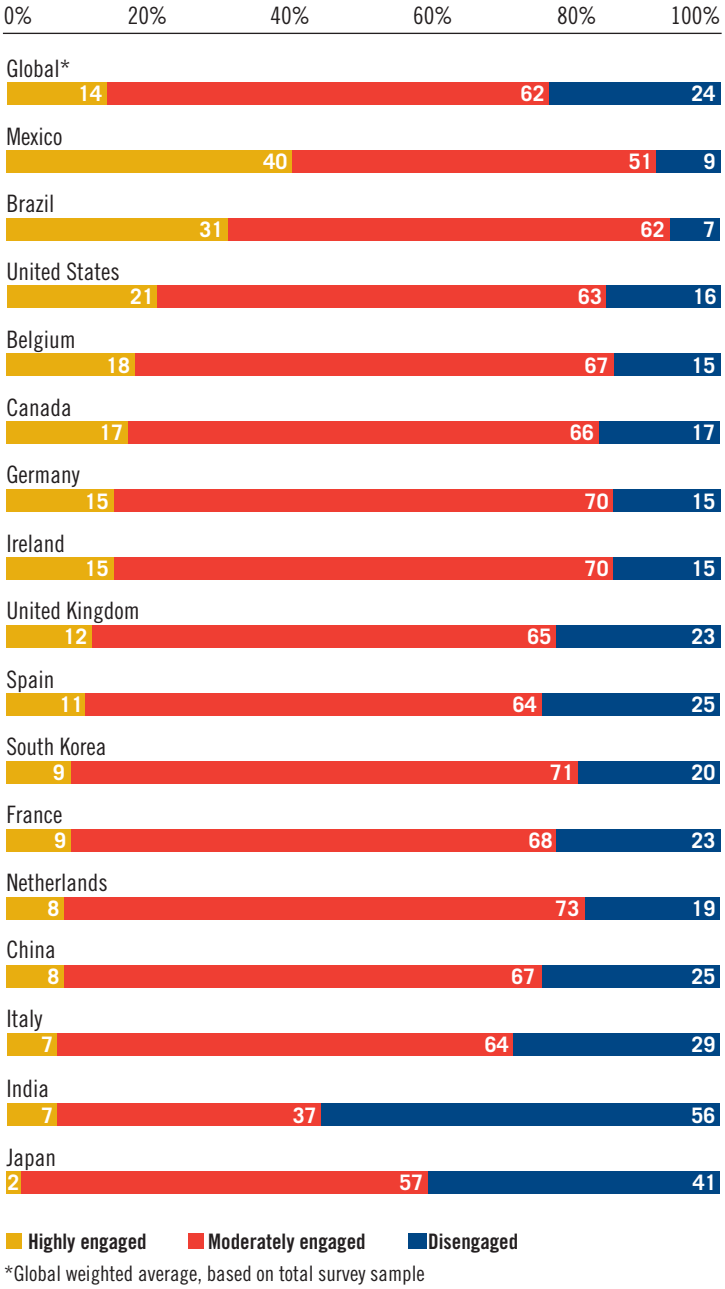
Exhibit 2 shows the variations in employee engagement levels across the individual countries in our study. While there are some significant, and surprising, differences in these results, two points stand out.

First, employee engagement doesn't necessarily move in tandem with economic conditions in the country or region where employees work. Because engagement depends on the interplay of a complex series of *workplace elements,* it doesn't necessarily rise when times are good or drop when times are tough. Indeed, as Exhibit 2 shows, there is relatively higher engagement in some countries that have seen little economic growth over the past few years and lower levels of engagement in some emerging high-growth countries.

While there are several reasons for these patterns, one critical factor is the extent to which employees feel they're continually at the mercy of significant change — whether positive or negative. And with technology, globalization and a host of related factors dramatically reshaping the business environment in both the developed and developing parts of the world today, virtually everyone does face both significant and constant change. Employees are uncertain where their work may take them — from both a geographic and career perspective —

EXHIBIT 2

Employee Engagement Around the Globe



*Global weighted average, based on total survey sample

what future skills or development they will need, and how they'll be able to contribute to ensure their employability. And their companies aren't necessarily able to provide clear answers, since they, too, are struggling with new models of employment. In this climate, it's hardly surprising that heightened anxiety, coupled with a growing sense of dislocation, may be eroding people's feelings of engagement over time, irrespective of macroeconomic realities.

The second point to note is that, despite the variations in engagement, **there is no single country where employers can expect to find half or more of their critical working population ready to go the proverbial extra mile regularly.**

What does this mean? We define engagement as employees' willingness and ability to help their company succeed, largely by providing discretionary effort on a sustained basis. By this measure, our study shows that very few employees are giving their all fully and consistently.

Indeed, if we had to choose a single phrase to capture the mood of our global respondents in this regard, it would probably be *"willing but wary."* Some may be tempted to read this as good news; having a willing workforce is far from a bad thing. It does indicate that most employees are not merely clocking time on the job, as many employers tend to fear. And they are working hard, if their hours and stress levels are reliable indicators.

But there is a world of difference between "willing" and "engaged," and it's a difference employers need to address if they want to realize genuine performance lift from their people. Willing employees get the job done as required. Engaged employees redefine the job to improve efficiency, effectiveness and results. Willing employees do what's necessary, but often no more. Engaged employees seek opportunities to go beyond — to try new approaches, test boundaries, challenge the status quo, achieve personal or team bests — because they find it stimulating, challenging and satisfying. Willing employees are solid "B" or "C" performers; engaged employees always seek to deliver "A" performances.

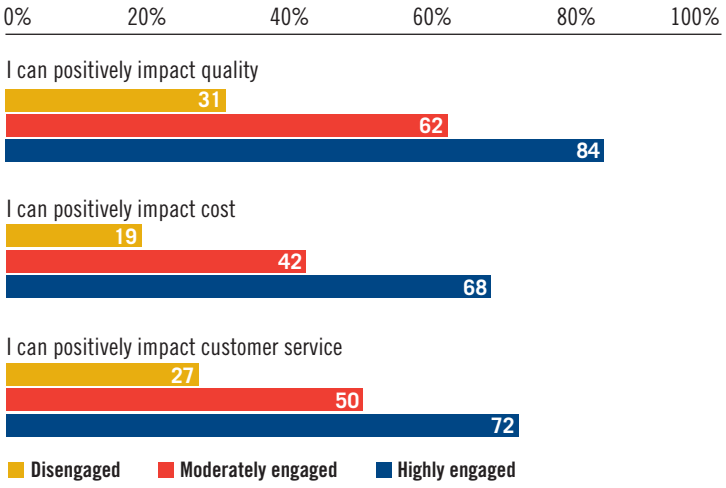
Leading global organizations today know they need employees in all these categories to keep the corporate machine running smoothly. But they also know they can't succeed with just a willing workforce — at least the portion of that workforce in roles, or with skills, that are fundamental to their growth and success. Pushing for higher engagement — if not across the entire workforce then, at a minimum, with critical segments of their populations — has truly become a needed-to-play element in managing their people. If the people critical to the business are not highly engaged — and if there is an insufficient number of "As" in key parts of the business — companies face potentially serious consequences.

One relates directly to financial performance. As *Exhibit 3* (on page 10) illustrates, there are dramatic differences in employees' views about the extent to which they can influence key aspects of performance in their day-to-day work, depending on their level of engagement. Since virtually all employees can affect quality, costs and customer impressions through their everyday decisions and actions, the consequences of lower engagement can be significant. In addition, there is a growing body of evidence — including our own linkage analyses conducted in 2003 in the U.S. and 2004 in the U.K. with prior employee data — that clearly shows that **companies with higher levels of employee engagement tend to outperform those with lower employee engagement on key financial measures, relative to industry benchmarks.**

The other casualty of low or lower engagement is turnover. It rises in inverse proportion to engagement. This is a pattern we've seen consistently across our employee studies over the past few years. The more highly engaged an employee, the less likely he or she will be to leave. This is a particularly compelling finding in parts of the world where the current generation of managers and key contributors is within 10 or so years of retirement, and there is insufficient younger talent to close key gaps. *Exhibit 4* makes this point dramatically, showing the significant differences in both retention and turnover patterns depending on employee engagement. Note for instance, that fully 59% of the highly engaged are committed to staying with their organization, compared to just 35% of the moderately engaged. Helping improve engagement among critical talent in the moderately engaged group could cut retention risk dramatically for many organizations.

EXHIBIT 3

Engagement and High-Performance Behavior

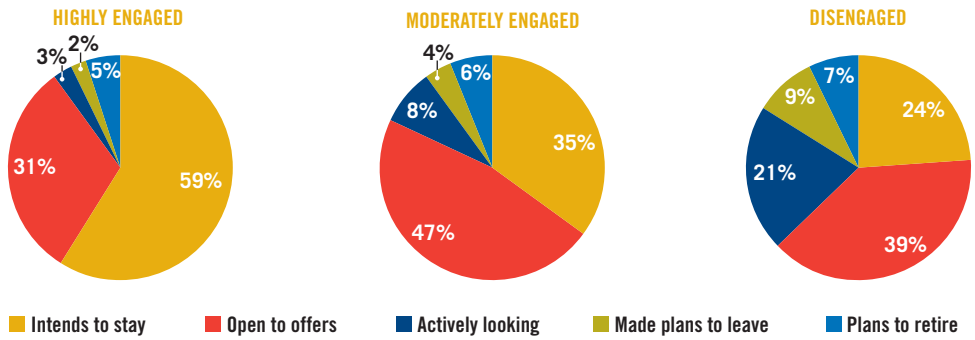


Keeping people — at all levels and ages, but especially older workers with critical knowledge, experience and skills — is going to be more important than ever in coming years, especially in places like North America, Europe and parts of Asia (e.g., Japan) where the working population is older. While there are, as we noted, a variety of elements involved in both retaining and engaging people, the link between higher engagement and retention is indisputable.

On the flip side are the risks associated with disengagement. The most obvious, of course, is the possibility of having fully a quarter of the population disengaged but simultaneously committed to staying, as Exhibit 4 shows. For employers, the dual challenge becomes increasing engagement among the essential skill groups the company must retain while easing out the disengaged who are likely underachieving and may be a drain on productivity and performance.

EXHIBIT 4

Engagement and Retention



Turning Belief Into Action

Few companies today need to be convinced of the link between people and results, either intuitively or empirically. **What they do need to understand is how to build sustainable engagement when and where it counts.** Our study shows that there isn't a single recipe for increasing engagement and building a high-performance culture. The right approach depends on many factors, including the demographics of the workforce, people's stage in the employment life cycle, the company's business model and cost structure, its skill needs and geographic location and relevant cultural norms. Still, as we've seen, there is a core set of workplace elements that crosses borders and cultures and appears to make a difference in driving better employee performance regardless of where a company operates.

One such element is **visible senior leader involvement.** Employees need to see and hear from their leaders regularly. They need to understand the organization's mission, vision and growth strategy, and how and where their efforts and activities fit in. And they need to believe that their leaders are being forthright in their dealings with them.

Second is a **dedicated emphasis on learning, skill enhancement and career development.** If companies could take just one step to increase engagement everywhere they operate, this would be it. In every country, virtually without exception, the availability of training opportunities and the ability to access such training to improve skills are core elements in driving engagement. For employees, the equation is straightforward:

Build skills…Advance in one's career…Increase pay and reward opportunities…Maximize earnings potential.

Employees understand the relationship across these elements, and they look to their employer to make that relationship available to them. But once that relationship is in place and clear to them, they increasingly accept their responsibility to follow through on their own.

Third is **effective frontline management** and supervision. Employees turn first to their immediate supervisors for advice, support, direction and help with problem solving. If their supervisors are ill-equipped to deliver, employers are at far greater risk for both higher (undesirable) turnover and increased *dis*engagement. Companies that recognize the manager's role in delivering the deal invest significant time and effort in training and tools to help them take on that role effectively.

Fourth is a **well-thought-out reward strategy that's appropriately customized to different segments of the workforce and effectively implemented and communicated.** A reward strategy can become like a mission statement — a well-intentioned philosophy without "teeth" in terms of follow-through. As our data make clear, employees are far from a homogeneous group when it comes to the specific nature of the rewards that matter to them. The value they place on different aspects of their deal — both monetary and nonmonetary — vary considerably, depending on their stage in life and in their careers, their ambitions, their culture and geographic location, among other factors. Employers need to understand what different groups of people value, at what points in time and why, so they can effectively optimize their investments and ensure they're getting the appropriate return in terms of retention and discretionary effort.

Finally, there is the **company's reputation as an employer.** Think of this as the sum total of the elements above. Companies that put time and attention into leadership, management, career development and relevant rewards will, over time, position themselves to be viewed as a progressive employer of choice. Remember, this attribute came through as a core driver of retention or engagement in almost every country and, in most countries, it proved to be a driver of both retention and engagement.

The good news is that we already know quite a lot about what makes a difference in building a high-performance work environment that helps retain key talent and fully engage the right people. But our data confirm that companies continue to struggle with the very issues they've struggled with for more than a decade: Creating a high-performance culture. Developing visible, accessible and inspirational leaders. Giving managers the skills and tools to perform as coaches and mentors. Investing employees with enough authority to go beyond the bounds of their job — whether in helping customers, improving quality or managing costs.

The issue isn't that companies don't know what to do. It's that doing it is hard. It demands tough decisions and often painful choices and follow-through. It demands sharing information — sometimes difficult information — and being accountable at all levels in a company. It demands clarity concerning the employment deal and the rewards for measurable contribution.

In today's flattening world, there's no question companies will find it harder than ever to meet these challenges. And there's also no question that meeting them successfully is more critical than ever. The ability to react quickly to changing market conditions, move people and operations across borders, manage costs and ensure a supply of critical talent rests on building a comprehensive approach to workforce management that is closely aligned with strategic business needs.

Companies that have begun the work of building the right framework — one that rests on the elements outlined above — will be far better positioned to adapt themselves to a flat world. And they'll also become more adept at translating their core framework into a unique set of practices and programs that ensures they can attract, retain and engage the right people wherever they operate.



A World of Change

As employers think about today's ever-shifting business landscape, it's useful to keep in mind five "macro factors" that, individually and in combination, are already reshaping business, workplace and workforce strategies and practices. While these trends have been well documented for at least five to 10 years in academia and the media, most companies have only begun to face the practical fallout.

■ **Globalization.** As noted, an increasingly "flatter world" is opening new markets, introducing new competitors, facilitating the free flow of knowledge and enabling a wide variety of work to be offshored and completed at a high level of quality for a lower cost.

■ **Demographic shifts.** As aging populations in developed countries begin to deplete the workforce (and seriously drive up the labor costs, given long-standing benefit obligations), far younger populations in the developing nations form a crucial source of both labor and skills. These developments will reshuffle the labor supply and demand equation around the world, creating shortages in both numbers of people and critical skills in some places, and surpluses in others. It will also affect decisions about where a company does business, since total labor costs will also vary dramatically based on what companies are required to provide employees by law, or tradition, in various parts of the world and how much of that cost they can absorb into their cost structure and remain competitive. For most if not all organizations, challenges will abound in finding, retaining and transferring knowledge capital, and in managing far more diverse and far-flung employee populations. Indeed, managing generational diversity in the workplace is already an issue for many organizations operating in mature economies today.

■ **New technologies.** Technological innovation — the pace of which accelerates seemingly daily — is already redefining the future and affecting all kinds of businesses. It requires companies to continuously redefine not only work itself, but how, where and by whom that work is performed. And it's also transforming how people learn and communicate on the job.

■ **Evolving social attitudes and individual expectations.** People's views about their lives and work, and the relationship between the two, are also in flux. In addition, attitudes and expectations vary dramatically across cultures. Employers need to stay abreast of these shifts and continually refresh insights about what drives people to invest their own knowledge capital in a particular organization for a particular length of time.

■ **People-dependent business strategies.** The combination of these forces has put people back into the competitive equation to a far greater degree than before. Competing effectively demands excellence in leadership, innovation, collaboration, communication, processes and customer service and compliance, all of which increasingly rely on key workforce segments and efficient knowledge management for successful execution.

About the Survey

The Towers Perrin Workforce Study was fielded via the Web by Harris Interactive in June and July of 2005 using a standard questionnaire translated into local languages. Rough 86,000 employees around the world completed the survey, all of whom were employed full time by midsize to large organizations. Key statistics about the sample appear on page 15.

The survey solicited employees' views on a comprehensive series of workplace elements that influence attraction, retention and engagement. It also enabled us to measure employee engagement levels using nine consistent items that reflect the emotional and rational connections employees have to their jobs (see box). These items have been validated through numerous studies and client assignments, and also reflect academic and other external research.

We determine employees' level of engagement based on their average score for all nine items. Those whose average score for all the items *surpasses* a numerical high point fall into the highly engaged group. Those whose average score is *below* a low point fall into the disengaged group. The remainder falls into the moderately engaged group.

Towers Perrin has conducted similar research on the drivers of attraction, retention and engagement for a number of years, although this is the most comprehensive survey to date. In 2003, we fielded a study in North America among 40,000 employees. The results for the U.S. and Canada are available in separate reports entitled *Working Today: Understanding What Drives Employee Engagement.* In 2004, we conducted a companion study across six European countries. Those results are available in *Reconnecting With Employees: Attracting, Retaining and Engaging Your Workforce.* For copies of these studies, or other research we publish, please visit *www.towersperrin.com* or contact your local Towers Perrin office.

The Items That Define Engagement

FIVE EMOTIONAL ITEMS…

Relate to people's personal satisfaction and the sense of inspiration and affirmation they get from their work and being part of an organization

- I really care about the future of my organization
- I am proud to tell others I work for my organization
- My job provides me with a sense of personal accomplishment
- I would recommend my organization to a friend as a good place to work
- My organization inspires me to do my best work

FOUR RATIONAL ITEMS…

Relate to the relationship between the individual and the broader organization

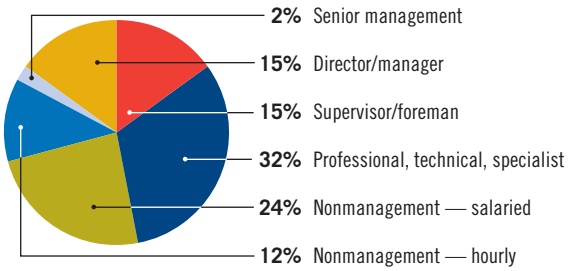
- I understand how my unit/department contributes to the success of my organization
- I understand how my role in my organization is related to my organization's overall goals, objectives and direction
- I am willing to put in a great deal of effort beyond what is normally expected to help my organization succeed
- I am personally motivated to help my organization be successful

Key Respondent Demographics

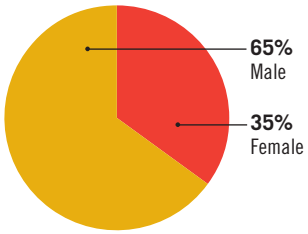
Respondent Countries

Asia	Europe	Latin America	North America
China	Belgium	Brazil	Canada
India	France	Mexico	United States
Japan	Germany		
South Korea	Ireland		
	Italy		
	Netherlands		
	Spain		
	United Kingdom		

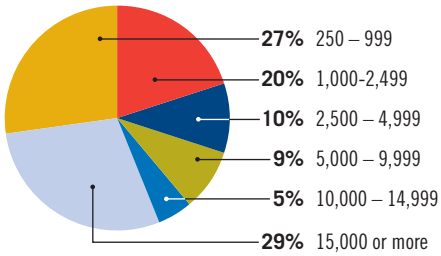
Job Level



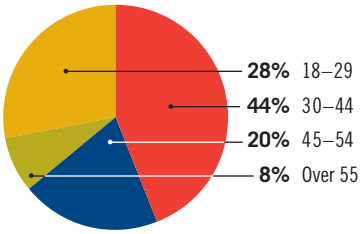
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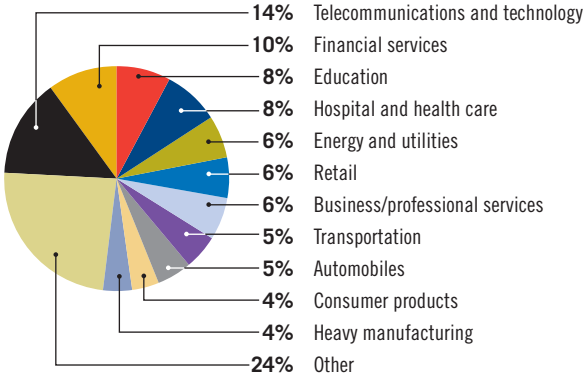
Organization Size (Number of Employees)



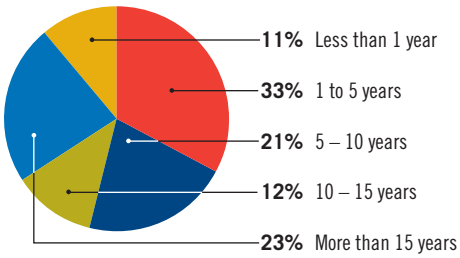
Age



Industry



Job Tenure



Appendix: Top Drivers of Attraction, Retention and Engagement*





BELGIUM

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Overall quality of supervision	Senior management interest in employee well-being
Competitive base pay	My manager provides access to learning opportunities	Improved my skills and capabilities over the last year
Work/life balance	Understand my financial needs in retirement	Overall quality of supervision
Learning and development opportunities	Fairly compensated compared to others doing similar work in my organization	Can express views openly even if I know people disagree
Competitive benefits	Reputation of organization as a good employer	Reputation of organization as a good employer
Career advancement opportunities	Senior management interest in employee well-being	Appropriate amount of decision-making authority to do my job well
Salary increases linked to individual performance	Retirement benefits that meet my needs	Clarity in what my organization expects of me and what I in return can expect
High level of autonomy	My manager understands what motivates me	Senior management has communicated a clear vision for long-term success
Variety of work assignments		Good collaboration across units
Organization's financial health		Opportunities to learn and develop new skills

BRAZIL

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Career advancement opportunities	Clarity in what my organization expects of me and what I in return can expect	Opportunities to learn and develop new skills
Learning and development opportunities	Can express views openly even if I know people disagree	Reputation of organization as a good employer
Competitive base pay	In combination with government programs, benefit programs generally meet my needs	Senior management interest in employee well-being
Work/life balance	Fairly compensated compared to others doing similar work in my organization	Improved my skills and capabilities over the last year
Challenging work	Reputation of organization as a good employer	Input into decision making in my department
Reputation of the organization as a good employer	My manager provides access to learning opportunities	Salary criteria are fair and consistent
Competitive benefits	My manager understands what motivates me	Organization focuses on customer satisfaction
Organization's financial health	Organization creates appealing culture	Appropriate amount of decision-making authority to do my job well
Reputation of the organization as a part of the community	My manager inspires enthusiasm for work	People in my unit work well together as a team
Leading-edge technology	Opportunities to learn and develop new skills	Base salary

*The sample size for Ireland was not sufficient to calculate retention and engagement drivers.





CANADA

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Competitive base pay	Organization retains people with needed skills	Senior management interest in employee well-being
Work/life balance	Opportunities to learn and develop new skills	Improved my skills and capabilities over the last year
Career advancement opportunities	Base salary	Reputation of organization as a good employer
Competitive benefits	My manager understands what motivates me	Input into decision making in my department
Challenging work	Satisfaction with organization's people decisions	Opportunities to learn and develop new skills
Salary increases linked to individual performance	Retirement	Salary criteria are fair and consistent
Learning and development opportunities	Senior management acts to ensure organization's long-term success	Organization focuses on customer satisfaction
Competitive retirement benefits	Fairly compensated compared to others doing similar work in my organization	Appropriate amount of decision-making authority to do my job well
Caliber of coworkers	Appropriate amount of decision-making authority to do my job well	Employees understand how to satisfy customers
Reputation of the organization as a good employer	Reputation of organization as a good employer	In combination with government programs, benefit programs generally meet my needs

CHINA

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Learning and development opportunities	Satisfaction with organization's people decisions	Improved my skills and capabilities over the last year
Competitive base pay	Senior management makes an effort to be visible and accessible to employees	Senior management's actions are consistent with our values
Career advancement opportunities	Low- or no-stress work environment	Good collaboration across units
Salary increases linked to individual performance	Satisfaction with organization's business decisions	Input into decision making in my department
Competitive retirement benefits	Clarity in what my organization expects of me and what I in return can expect	Salary criteria are fair and consistent
Eligibility for long-term incentives	Ability to balance my work/personal life	Organization focuses on customer satisfaction
Collaborative environment	Providing benefits that meet my needs	Can set limits on work hours without adversely affecting my commitment to the organization
Work/life balance	Overall quality of supervision	My manager recognizes/appreciates good work
Challenging work	My manager understands what motivates me	Opportunities to learn and develop new skills
Strong senior leadership	Organization provides clear pay information	Overall quality of supervision





FRANCE

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Organization retains people with needed skills	Senior management interest in employeewell-being
Work/life balance	Appropriate amount of decision-making authority to do my job well	Improved my skills and capabilities over the last year
Competitive base pay	Organization effectively communicates career opportunities	Appropriate amount of decision-making authority to do my job well
Career advancement opportunities	My manager inspires enthusiasm for work	Reputation of organization as a good employer
Competitive benefits	Base salary	Opportunities to learn and develop new skills
Salary increases linked to individual performance	Can express my views openly even if I know people disagree	Clarity in what my organization expects of me and what I in return can expect
Learning and development opportunities	Understand my financial needs in retirement	Input into decision making in my department
High level of autonomy	Satisfaction with organization's business decisions	Salary criteria are fair and consistent
Organization's financial health	Reputation of organization as good employer	Senior management acts in customers' best interests
Variety of work assignments	Fairly compensated compared to others doing similar work in my organization	Organization creates appealing culture

GERMANY

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Organization effectively communicates career opportunities	Senior management interest in employee well-being
High level of autonomy	Appropriate amount of decision-making authority to do my job well	Appropriate amount of decision-making authority to do my job well
Learning and development opportunities	Reputation of organization as a good employer	Improved my skills and capabilities over the last year
Organization's financial health	Fairly compensated compared to others doing similar work in my organization	Reputation of organization as a good employer
Career advancement opportunities	Benefits	Good collaboration across units
Work/life balance	My manager understands what motivates me	Senior management's actions are consistent with our values
Variety of work assignments	Ability to balance my work/personal life	My manager holds people accountable for performance goals
Salary increases linked to individual performance	Organization retains people with needed skills	Input into decision making in my department
Reputation of the organization as a good employer	Organization supports a focus on maintaining good health	Organization retains people with needed skills
Caliber of coworkers	Senior management makes an effort to be visible and accessible to employees	In combination with government programs, benefit programs generally meet my needs





INDIA

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Reputation of the organization as a good employer	Satisfaction with organization's business decisions	Improved my skills and capabilities over the last year
Career advancement opportunities	Low- or no-stress work environment	Good collaboration across units
Challenging work	Retirement benefits that meet my needs	Opportunities to learn and develop new skills
Salary increases linked to individual performance	Ability to balance my work/personal life	Salary criteria are fair and consistent
Learning and development opportunities	Senior management acts ethically in all business dealings	People in my unit work well together as a team
Competitive base pay	Organization retains people with needed skills	Input into decision making in my department
Work/life balance	Clarity on what my organization expects of me and what I in return can expect	Organization focuses on customer satisfaction
Organization's financial health		Senior management effectively represents my organization to external stakeholders
Variety of work assignments		Reputation of organization as a good employer
Competitive benefits		Can set limits on work hours without adversely affecting my commitment to the organization

ITALY

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Organization provides clear pay information	Senior management interest in employee well-being
Competitive base pay	My manager handles performance reviews fairly and effectively	Improved my skills and capabilities over the last year
Career advancement opportunities	Satisfaction with organization's business decisions	My manager understands what motivates me
Learning and development opportunities	Low- or no-stress work environment	Input into decision making in my department
Work/life balance	My manager provides access to learning opportunities	Reputation of organization as a good employer
Salary increases linked to individual performance	Can express my views openly even if I know people disagree	Salary criteria are fair and consistent
Collaborative environment	Organization retains people with needed skills	Opportunities to learn and develop new skills
Organization's financial health	Organization allows for flexible work schedule	Senior management acts in customers' best interests
High level of autonomy		Good collaboration across units
Leading-edge technology		Appropriate amount of decision-making authority to do my job well





JAPAN

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Organization provides clear benefit information	Input into decision making in my department
Competitive base pay	Low- or no-stress work environment	Senior management acts to ensure organization's long-term success
Work/life balance	Senior management acts to ensure organization's long-term success	Improved my skills and capabilities over the last year
Salary increases linked to individual performance	Incentives are linked to individual performance	My manager inspires enthusiasm for work
Competitive benefits	Retirement benefits that meet my needs	Organization effectively maintains staffing levels
Caliber of coworkers	My manager understands what motivates me	Organization focuses on customer satisfaction
Collaborative environment	Input into decision making in my department	Salary criteria are fair and consistent
Organization's financial health	Satisfaction with organization's business decisions	Performance goals challenging but achievable
Reputation of the organization as a part of the community	Can set limits on work hours without adversely affecting my commitment to the organization	People in my unit work well together as a team
Learning and development opportunities	My manager treats people with respect	Can express views openly even if I know people disagree

MEXICO

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Career advancement opportunities	Organization effectively communicates career opportunities	Improved my skills and capabilities as an employee
Competitive base pay	Opportunities to learn and develop new skills	Organization effectively maintains staffing levels
Learning and development opportunities	Organization retains people with needed skills	Input into decision making in my department
Salary increases linked to individual performance	Salary criteria are fair and consistent	Reputation of organization as a good employer
Coaching/mentoring	Low- or no-stress work environment	Appropriate amount of decision-making authority to do my job well
Work/life balance	Savings/pension will provide sufficient income in retirement to meet my needs	Salary criteria are fair and consistent
Challenging work	Can express my views openly even if I know people disagree	Benefit programs easy to manage
Leading-edge technology	Retirement benefits that meet my needs	My manager supports teamwork
Competitive benefits	Incentives are linked to individual performance	Senior management has communicated a clear vision for long-term success
Reputation of the organization as a part of the community	Ability to balance my work/personal life	Understand my financial needs in retirement





NETHERLANDS

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Challenging work	Organization creates appealing culture	Input into decision making in my department
Learning and development opportunities	Opportunities to learn and develop new skills	Senior management interest in employee well-being
Career advancement opportunities	Incentives are linked to organizational performance	Improved my skills and capabilities over the last year
Work/life balance	Organization retains people with needed skills	Salary criteria are fair and consistent
Appealing corporate culture	My manager inspires enthusiasm for work	Organization focuses on customer satisfaction
Variety of work assignments	Appropriate amount of decision-making authority to do my job well	Can express my views openly even if I know people disagree
Collaborative environment	Reputation of organization as a good employer	People in my unit work well work together as a team
Customer focus	Satisfaction with organization's business decisions	Reputation of organization as a good employer
Salary increases linked to individual performance	Good collaboration across units	Opportunities to learn and develop new skills
Reputation of the organization as a good employer		Benefit programs easy to manage

SOUTH KOREA

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Competitive benefits	My manager provides access to learning opportunities	Improved my skills and capabilities over the last year
Work/life balance	Benefits	Appropriate amount of decision-making authority to do my job well
Competitive retirement benefits	Ability to balance my work/personal life	Good collaboration across units
Salary increases linked to individual performance	Salary criteria are fair and consistent	Organization creates appealing culture
Competitive base pay	Low- or no-stress work environment	Salary criteria are fair and consistent
Career advancement opportunities	Organization supports work/life balance	Input into decision making in my department
Organization's financial health	My manager understands what motivates me	My manager provides access to learning opportunities
Reputation of the organization as a good employer	My manager holds people accountable for performance goals	Benefit programs easy to manage
Learning and development opportunities	Organization provides clear benefit information	Able to assume responsibility for financing and managing my retirement
Collaborative environment	Performance goals challenging but achievable	My manager holds people accountable for performance goals





SPAIN

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Work/life balance	My manager provides access to learning opportunities	Senior management interest in employee well-being
Career advancement opportunities	Organization retains people with needed skills	Improved my skills and capabilities over the last year
Competitive base pay	My manager shares experiences I can learn from	Appropriate amount of decision-making authority to do my job well
Learning and development opportunities	Base salary	Reputation of organization as a good employer
Caliber of coworkers	Ability to balance my work/personal life	Organization effectively maintains staffing levels
Salary increases linked to individual performance	Reputation of organization as a good employer	Input into decision making in my department
Reputation of the organization as a part of the community	Organization effectively maintains staffing levels	In combination with government programs, benefit programs generally meet my needs
Variety of work assignments	Appropriate amount of decision-making authority to do my job well	Understand my financial needs in retirement
High level of autonomy	Senior management acts ethically in all business dealings	Can set limits on work hours without adversely affecting my commitment to the organization
Challenging work		Fairly compensated compared to others doing similar work in my organization

UNITED KINGDOM

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Competitive base pay	Organization retains people with needed skills	Senior management interest in employee well-being
Work/life balance	Opportunities to learn and develop new skills	Improved my skills and capabilities over the past year
Career advancement opportunities	Salary criteria are fair and consistent	Reputation of organization as a good employer
Challenging work	Overall quality of supervision	Input into decision making in my department
Learning and development opportunities	Savings/pension will provide sufficient income in retirement to meet my needs	In combination with government programs, benefit programs generally meet my needs
Salary increase linked to individual performance	Organization effectively communicates career opportunities	Organization focuses on customer satisfaction
Reputation of the organization as a good employer	My manager understands what motivates me	My manager inspires enthusiasm for work
Competitive benefits	Fairly compensated compared to others doing similar work in my organization	Salary criteria are fair and consistent
Competitive retirement benefits	Reputation of organization as a good employer	Opportunities to learn and develop new skills
Variety of work assignments	Appropriate amount of decision-making authority to do my job well	Employees understand how to satisfy customers





UNITED STATES

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Competitive base pay	Organization retains people with needed skills	Senior management interest in employee well-being
Competitive health care benefits	Opportunities to learn and develop new skills	Improved my skills and capabilities over the last year
Work/life balance	Reputation of organization as a good employer	Reputation of organization as a good employer
Career advancement opportunities	Fairly compensated compared to others doing similar work in my organization	Appropriate amount of decision-making authority to do my job well
Salary increases linked to individual performance	My manager understands what motivates me	Salary criteria are fair and consistent
Competitive retirement benefits	Ability to balance my work/personal life	Good collaboration across units
Challenging work	Base salary	Opportunities to learn and develop new skills
Reputation of the organization as a good employer	Organization effectively communicates career opportunities	Organization focuses on customer satisfaction
Caliber of coworkers	Satisfaction with organization's people decisions	Input into decision making in my department
Learning and development opportunities	Low- or no-stress work environment	Senior management acts to ensure organization's long-term success

ABOUT TOWERS PERRIN

Towers Perrin is a global professional services firm that helps organizations around the world optimize performance through effective people, risk and financial management. The firm provides innovative solutions to client issues in the areas of human resource strategy, design and management; actuarial and management consulting to the financial services industry; and reinsurance intermediary services.

The firm has served large organizations in both the private and public sectors for 70 years. Our clients include three-quarters of the world's 500 largest companies and three-quarters of the *Fortune* 1000 U.S. companies.

Towers Perrin has offices in 25 countries.

Our businesses include HR Services, Reinsurance and Tillinghast.

The HR Services business of Towers Perrin provides global human resource consulting and related services that help organizations effectively manage their investment in people. We offer our clients services in areas such as employee benefits, compensation, communication, change management, employee research and the delivery of HR services.


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