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# Engagement levels in global decline

*Organizations losing a competitive advantage*

## Executive summary

This report provides insight into 2011 employee engagement levels across countries, job types and industries, and examines trends in employee engagement over the last five years. Understanding employee engagement and motivation is critically important because it is clearly linked to a wide range of outcomes including job performance, customer satisfaction<sup>1</sup> and, ultimately, organizational performance.<sup>2</sup> The 2011 WorkTrends™ survey provided the insights used in this report<sup>3</sup>. More detail about WorkTrends mentioned throughout this paper, can be found at the end of this report, under the section titled, “About WorkTrends Survey”

2011 was a year of declining levels of employee engagement. While some declines were noted in 2010, the pace and spread of decline heightened in 2011. The phenomenon of declining employee engagement was not limited in geographic scope, job type, or even industry. In 2011, employee engagement levels declined in all six major economies examined in this report. The most dramatic decline appeared in China, which in just one year moved from second to fifth place in country rankings.

No industry was spared when it came to dropping engagement levels in 2011, although high-tech manufacturing and government workers showed relatively modest declines compared to retail, finance and manufacturing. Likewise, when it came to specific job types and employee engagement levels, each position from clerical to senior management reported declining levels.

While engagement levels were generally declining, some individual companies saw their rates rise. These companies stand to gain considerable advantage as research strongly correlates high engagement with improved organizational performance. Specifically, organizations with high employee engagement levels outperform the low-engagement counterparts in several key areas including three-year total shareholder return and diluted earnings per share.<sup>4</sup>



Finally, the report considers some actions that senior leaders can take to affect engagement levels and reap the rewards that come with it.

**Measuring employee engagement**

In order to measure employee engagement, it is important to define it. For the purposes of our research and this paper, engagement is defined as:

*“The extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals.”*

To help organizations use employee engagement to drive organizational performance, IBM created the Employee Engagement Index (EEI). In the EEI, employee engagement is measured by asking employees how closely they agree with the following four items:

- I am proud to tell people I work for my organization.
- Overall, I am extremely satisfied with my organization as a place to work.
- I would gladly refer a good friend or family member to my organization for employment.
- I rarely think about looking for a new job with another organization.

**2011 EEI scores fall in major global economies**

In 2011, declines for each individual EEI item, as well as the collective EEI score (Figure 1), were seen across the six major economies that account for almost 50 percent of the world’s gross domestic product: Brazil, China, Germany, India, the United Kingdom and the United States. Between 2007 and 2009, EEI scores actually increased before flattening out in 2010 and then declining in 2011. The most significant decline concerned retention. Since 2010, the percentage of employees who are most likely to stay and who rarely think about looking for another job dropped nine points.

EEI scores declined, not only in the aggregate of these economies, but in each individual country as well. The pattern of scores over time is fairly consistent (Figure 2), with all six countries exhibiting an inverted U-shape trend from 2007 to 2011, reflecting gains followed by a drop. Five of the countries peaked in 2009, with China being the lone exception, having peaked a year later in 2010.

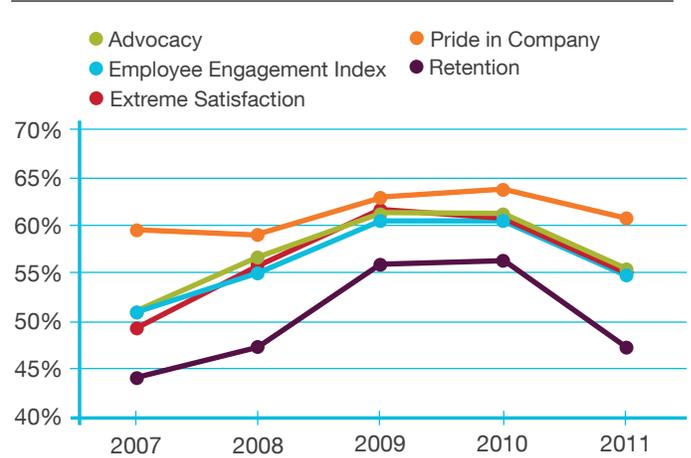


Figure 1: Global EEI trends over time

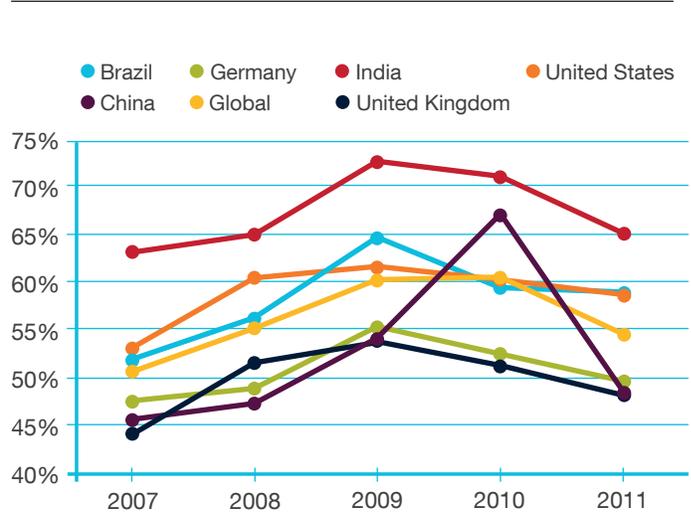


Figure 2: Global EEI trends by country

For its part, China also experienced the most drastic decrease of EEI in 2011 with 19 percentage points. This drop followed an equally dramatic 21-point increase between 2007 to 2010 from 46 percent to 67 percent. What is behind the dramatic swings in China’s EEI? One explanation may be related to the radical change of the Chinese economy, which has developed rapidly over the last 30 years to become the second largest economy in the world.<sup>5</sup> During the economic boom, organizational management practices and employee well-being – the important drivers of employee engagement<sup>6</sup> – improved substantially.<sup>7</sup> The increase in EEI levels up to 2010 are likely a reflection of these efforts. However, while the Chinese economy continues to grow, the rate of growth has slowed in recent years.<sup>8</sup> At the same time inflation and consumer prices have been rising.<sup>9</sup> This uncertainty is likely to have resulted in the sharp falls in the EEI witnessed in the 2011 WorkTrends survey.<sup>10</sup>

Among the other six leading economies, India evidenced the highest EEI score at 65 percent. The US and Brazil fell to 58 percent (Table 1), while the average EEI score across the six countries stood at 54 percent. Along with China, the United Kingdom and Germany fell below this global average.

	2010	2011	CHANGE
India	71%	65%	-6%
Brazil	59%	58%	-1%
United States	60%	58%	-2%
<b>Average of six major economies</b>	<b>60%</b>	<b>54%</b>	<b>-6%</b>
Germany	53%	50%	-3%
China	67%	48%	-19%
United Kingdom	51%	48%	-3%

Table 1: 2010 and 2011 EEI by country

### EEI continues to decline in the US

The US employee sample reveals a similar downward trend across the four EEI items, although all remained above the low levels recorded in 2007 (Figure 3). In the last five years, EEI scores have trended upward from a low base in 2007 to 2008, reached a plateau in 2009, and steadily declined from 2010 to 2011. Unlike the global sample, the decline in EEI scores in the US has been relatively stable, dropping two points in both 2010 and in 2011.

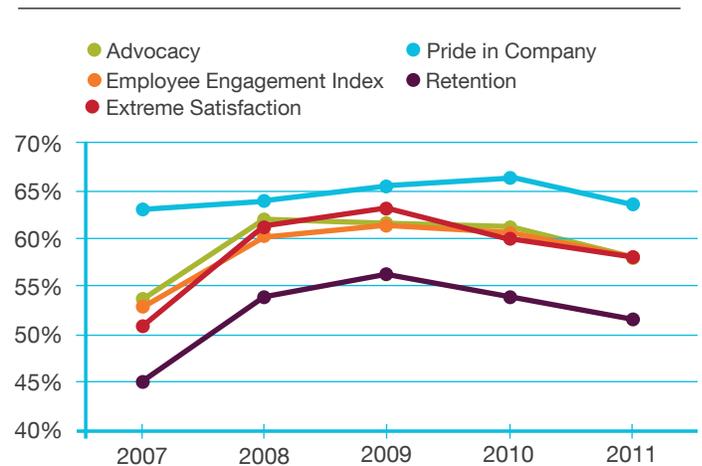
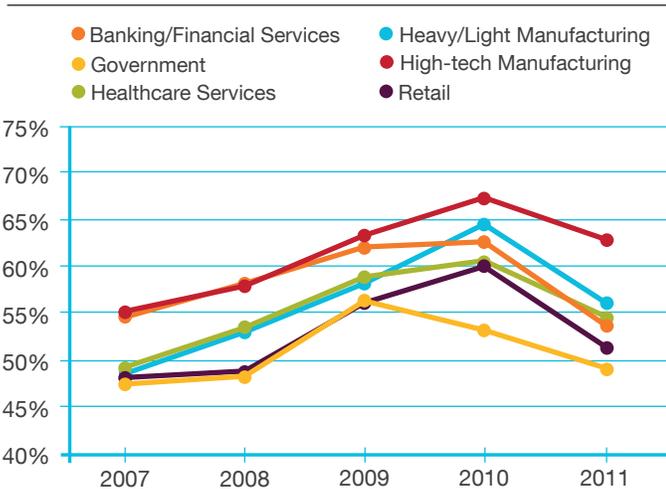


Figure 3: EEI trends over time

### Employee engagement falls across industries

In addition to yielding data from six of the world’s largest economies, WorkTrends also provides employee engagement scores across six major industries: banking/financial services, government, high-tech manufacturing, healthcare services, heavy/light manufacturing and retail.

Once again, the EEI scores showed an inverted U-shape trend in each industry, though the peak year for the government sector (2009) was earlier than that of the private sector (2010, see *Figure 4*). Generally speaking, EEI scores steadily rose across industries from 2007 to 2010, and then sank considerably from 2010 to 2011. The majority of industries evidenced a 7 to 8 percentage point drop from 2010 to 2011. It is worth highlighting that high-tech manufacturing and government industries showed a smaller drop of 4 percentage points (see *Table 2*). Interestingly, while the average level of employee engagement consistently tended to differ across industries (e.g., high-tech manufacturing tends to exhibit the highest EEI scores, and government tends to exhibit the lowest), the macro trend over time remained remarkably similar.



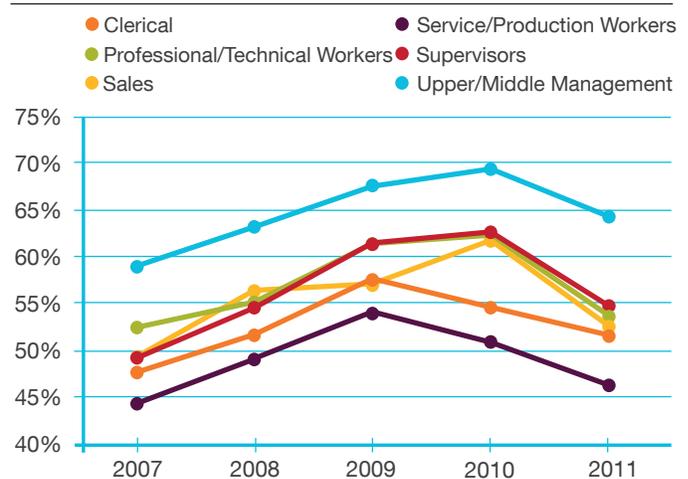
*Figure 4:* Global EEI trends by industry

	2010	2011	CHANGE
High-tech Manufacturing	67%	63%	-4%
Heavy/Light Manufacturing	64%	56%	-8%
Banking/Financial Services	62%	54%	-8%
Healthcare Services	61%	54%	-7%
Retail	60%	52%	-8%
Government	53%	49%	-4%

*Table 2:* 2010 and 2011 EEI by industry

### Employee engagement falls across job types

In 2011, we observed the same downward trend, over time, across job types as we have noted across both geographies and industries (see *Figure 5*). Similar to the pattern across industries, relative employee engagement levels have remained fairly consistent over time: Upper and middle managers consistently report the highest EEI scores and service/production workers the lowest. However, the gap between these two groups' EEI scores widened to 18 percentage points in 2010 and 2011. In 2011, the EEI score for upper/middle management was 64 percent, while service/production workers showed an EEI score of just 46 percent (*Table 3*).



*Figure 5:* Global EEI trends by job

	2010	2011	CHANGE
Upper/Middle Management	69%	64%	-5%
Supervisors	63%	55%	-8%
Professional/Technical Workers	62%	54%	-8%
Sales	61%	53%	-8%
Clerical	54%	52%	-2%
Service/Production Workers	51%	46%	-5%

*Table 3:* 2010 and 2011 EEI by job

## Employee engagement can drive competitive advantage

In the global recession, organizations over the world are struggling, and this appears to be reflected in declining engagement levels. While the statistical picture looks bleak, there are some organizations that are bucking the trend and driving EEI scores higher. This is a worthwhile endeavor, since numerous studies have shown that employee engagement is positively related to organizational performance. IBM's own research studies show that organizations with higher levels of employee engagement show significantly higher three-year total shareholder return and diluted earnings per share than organizations with lower levels of employee engagement.<sup>11</sup> Even in the current turbulent global economy, organizations can use employee engagement for competitive advantage.

### What can leaders do?

Across the six-country sample in 2011, the top three drivers of employee engagement were work/life balance (WLB), leadership effectiveness and training. Leaders may impact employee engagement through these three key areas. First, regarding WLB, leaders may institute a more flexible work schedule to allow employees the latitude needed to better cope with competing home and work demands. Secondly, leaders should start with the person in the mirror; simply developing better leadership skills and competencies may lead employees to be more engaged at work. Lastly, leaders could provide employees training opportunities, not just to learn skills important to their current job, but skills needed for possible future jobs as well. This investment in their future can drive employees' engagement scores up.

### About WorkTrends Survey

The WorkTrends survey, administered annually or bi-annually since 1985, is the data collection machine that serves two purposes: To fuel research efforts of IBM and to populate one of the normative databases for IBM's client use.

In 2011, the WorkTrends survey was taken online by approximately 10,000 individuals in the US, and about 1,000 individuals in each of the following countries: Argentina, Australia, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Mexico, The Netherlands, Russia, South Africa, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Samples of around 400 employees were

collected from Indonesia and Korea. For these countries, and as the general rule, employees who work full-time at an organization larger than 100 staff members were allowed to take the survey. Three countries from the Gulf Co-op Council (GCC) countries of the Middle East were also surveyed, though to a lesser extent due to surveying limitations in that region of the world. The GCC countries include the Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE) and Qatar. In the GCC region, the criterion for inclusion was dropped to full-time workers in organizations that employ more than 25 employees to optimize sample size.

The survey has 141 items that ask employees about workplace issues, such as managerial effectiveness, senior management behavior, diversity practices, turnover intention and job satisfaction. Of the questions asked, 21 are about organizational and job structures, and organizational phenomena, such as the incidence of lay-offs or off-shoring. Thirty demographic questions are also asked, including questions about gender, age, job type, industry and organizational size.

The WorkTrends items allow IBM clients to compare their own survey responses to those of a larger, representative population. WorkTrends norms are distinct in the survey industry in that they are truly normative data – they are not derived from other clients, but from a random sample of the working population. In addition, questions identifying high performing organizations have been embedded, allowing clients to compare themselves to those who excel. Clients can also choose to compare themselves with others in their same industry.

Using the WorkTrends database, IBM is able to provide customized research reports on the issue of trust and many other employee-related matters for selected geographies, job types, industries, demographics and much more.

### For more information

To learn how to build a smarter workforce, visit:  
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