



2017 Trends in Global Employee Engagement

Global anxiety erodes employee engagement gains

Executive Summary

The significant increases of employee engagement in 2016 have been partially erased. Populist movements like those seen in the United Kingdom, the United States, and those taking hold in parts of Continental Europe have made discussions about erecting borders and walls more common. If realized, these moves will restrict the flow of labor between countries and change the economic rules of the game. Thus, anxiety is permeating the workplace.

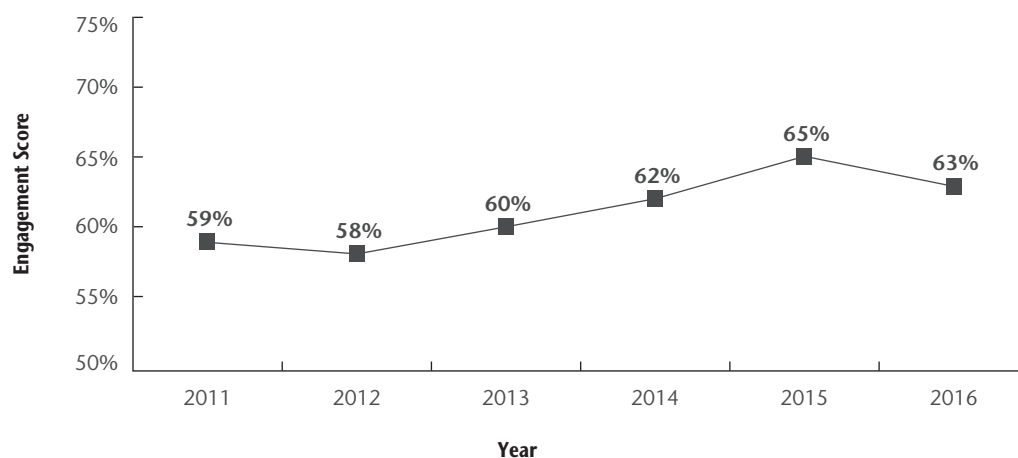
If that wasn't enough, rapid technology advances that could make many jobs obsolete are no longer the subject of science fiction, and are here to stay. Driverless cars, drones, virtual reality, artificial intelligence, machine learning, and other technologies are competing for jobs like never before.

These changes present new challenges for CEOs, Human Resources leaders, and leaders of all levels. Left unaddressed, populism and more sophisticated technology advances will create further angst in organizations and, thus, will cause the work experience and employee engagement to decline even more.

Global Trends in Employee Engagement

Employee engagement peaked in 2015, but its gains were wiped away with a two-point drop in 2016.

■ Global Engagement



Employee Engagement Defined

The concept of employee engagement is often confused with satisfaction or happiness. However, the true definition is deeper in meaning. Employee engagement is defined as “the level of an employee’s psychological investment in their organization.”

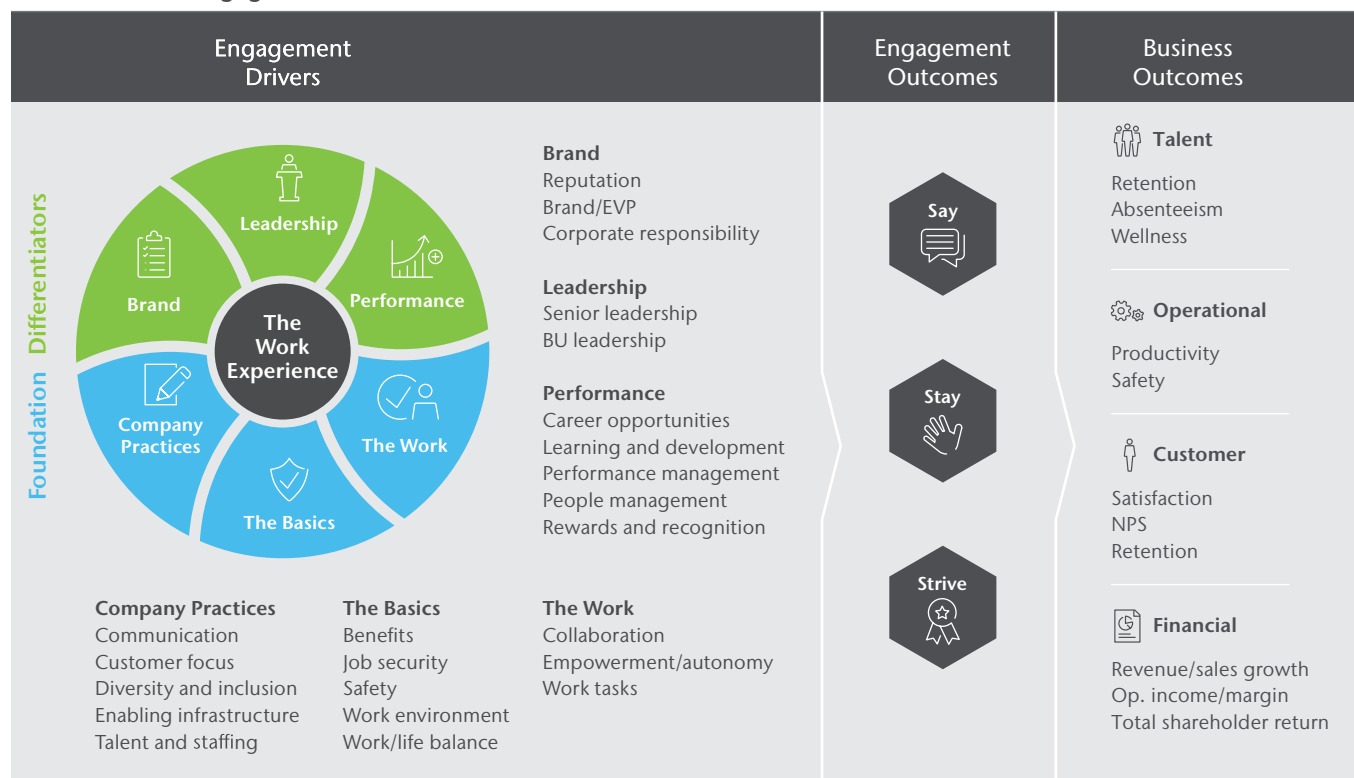
The Trends in Global Employee Engagement Study measures employee engagement with a Say, Stay, Strive model. Employees are asked:

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

The Aon Hewitt Engagement Model

The Aon Hewitt Employee Engagement model provides a complete picture of the business impact of engagement, employee engagement itself, and the factors of the work experience that lead to higher engagement.

The Aon Hewitt Engagement Model



About the Study

Every year, Aon Hewitt measures employee engagement for more than 1,000 organizations around the globe. This study has been conducted using data from more than five million employee responses in 2015 and 2016. The responses come from organizations with as few as 100 employees to the most complex organizations with hundreds of thousands of employees. More than 60 industries are represented in the study.

In addition to measuring employee engagement, this study also measures 15 work experience dimensions: Employee Value Proposition (EVP), Reputation, Career Opportunities, Collaboration, Diversity and Inclusion, Empowerment/Autonomy, Enabling Infrastructure, Learning and Development, Manager, Performance Management, Rewards and Recognition, Senior Leadership, Talent and Staffing, Work Fulfillment, and Work/Life Balance.

Key Findings

2017 Global Engagement Trends

Global

63% ↓ -2pts

Top Engagement Opportunities

Rewards & Recognition	↓ -1
EVP	↑ +1
Senior Leadership	↓ -1
Career Opportunities	↓ -5
Enabling Infrastructure	↓ -2

Largest Positive Dimension Increases

EVP	↑ +1
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North America

64% ↓ -1pt

Top Engagement Opportunities

Enabling Infrastructure	↔ 0
EVP	↓ -2
Rewards & Recognition	↓ -1
Senior Leadership	↓ -2
Performance Management	↓ -7

Largest Positive Dimension Increases

None	N/A
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Latin America

75% ↑ +3pts

Top Engagement Opportunities

Rewards & Recognition	↑ +2
Senior Leadership	↑ +1
Enabling Infrastructure	↑ +1
Collaboration	↓ -1
Career Opportunities	↓ -2

Largest Positive Dimension Increases

Talent Staffing	↑ +4
Rewards & Recognition	↑ +2
EVP	↑ +1
Enabling Infrastructure	↑ +1
Senior Leadership	↑ +1

Africa

61% ↑ +2pts

Top Engagement Opportunities

Talent & Staffing	↑ +17
Career Opportunities	↔ 0
Rewards & Recognition	↓ -1
EVP	↑ +3
Work/Life Balance	↔ 0

Largest Positive Dimension Increases

Talent & Staffing	↑ +17
Enabling Infrastructure	↑ +8
Collaboration	↑ +6
EVP	↑ +3
Performance Management	↑ +1

Europe

58% ↓ -2pts

Top Engagement Opportunities

Rewards & Recognition	↑ +1
EVP	↑ +2
Enabling Infrastructure	↓ -3
Career Opportunities	↓ -5
Senior Leadership	↑ +1

Largest Positive Dimension Increases

EVP	↑ +2
Rewards & Recognition	↑ +1
Senior Leadership	↑ +1

Asia Pacific

62% ↓ -3pts

Top Engagement Opportunities

Rewards & Recognition	↓ -2
EVP	↑ +1
Career Opportunities	↓ -4
Work Fulfillment	↓ -3
Senior Leadership	↓ -1

Largest Positive Dimension Increases

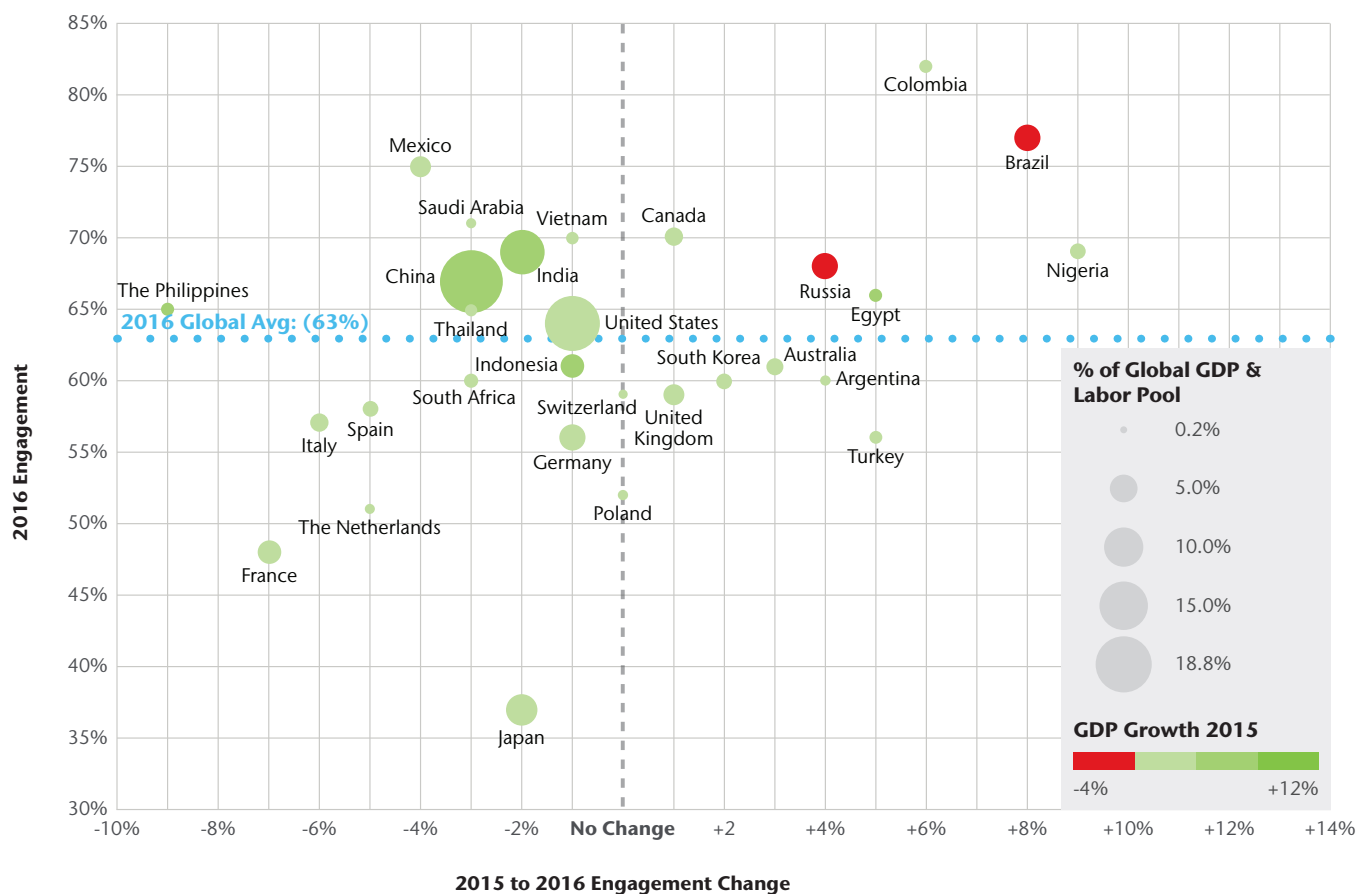
EVP	↑ +1
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Engagement by Country

As this report shows, global employee engagement has fallen. To better understand what is behind the global trend we need to examine engagement levels and year-over-year changes by region and market. As we see in the graph below, there is a great deal of variability in both engagement level and engagement trend across the globe. Some of the engagement level variability is due to cultural differences where it may be frowned upon to be overly enthusiastic or negative. Other factors like political or economic stability can influence engagement. The graph illustrates with the clustering of the largest bubbles (indicating relative market GDP and labor pool size) to the left of the vertical line, that the decrease in global engagement is a function of the engagement decrease in the United States and many of the world's other largest markets in Asia and Europe.

Markets by Engagement Levels and Engagement Trends

Each circle represents a different country. The size of the circle represents the country's percent of the global workforce plus the percent of the country's global GDP. The color of the circle represent the country's GDP growth. Dark red means a large GDP drop for the country, whereas dark green means a large GDP improvement.



Global Employee Engagement

"The uncertainty and complexity we saw last year seems to have continued. Populist sentiment, politically divided nations, surprising election results, continued technological disruption across industries make for economic and business jitters. As leaders have tried to adjust to a rapidly evolving global reality, the average employee across the globe is left with a great deal of fear and anxiety that threatens their full engagement at work."

– Ken Oehler, Aon Hewitt's Global Culture & Engagement Practice Leader

Around the world, employee engagement has retracted in the last year. The two-point drop of engaged employees nearly offset the three-point rise seen in the 2016 Trends in Global Employee Engagement Report. Just 24 percent of all employees fall into the Highly Engaged category and another 39 percent can be categorized as Moderately Engaged, putting the global engagement score at 63 percent compared to 65 percent the previous year.

Each of the three elements in the engagement index dropped slightly. The Say component, which measures employee advocacy, went from 69 percent of employees to 68 percent. Stay, which measures the likelihood that employees will remain at their current employer, went from 60 percent of employees to 59 percent. The Strive component, which assesses willingness to give extra effort, also dropped by one point, from 64 percent to 63 percent.

Two global regions—Latin America (+3 pts) and Africa (+2 pts)—actually improved over the last year. Europe fell by two points and North America dropped one point. However, we see that Asia, with its three-point decline, is the driving force behind the global engagement decline.

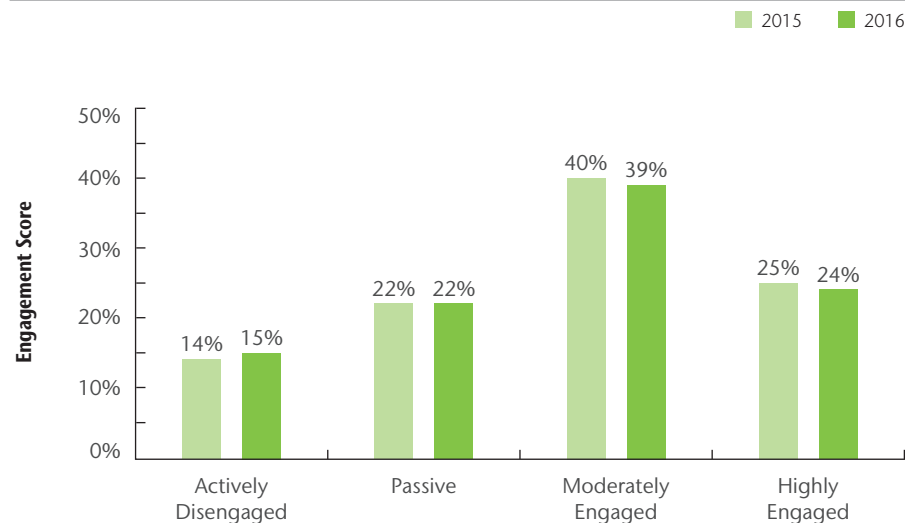
Say, Stay, Strive Scores—Global

68%
Say
↓ 1pt

59%
Stay
↓ 1pt

63%
Strive
↓ 1pt

Engagement Profiles: 2015 vs 2016



A Slowing in Asia Pacific

"Fairness in reward programs and success in colleague recognition are increasingly critical to achieving a highly engaged and high performing workforce in APAC. Taken to the extremes we see substantially different levels of employee engagement in Asia when we contrast perceptions of reward and recognition with levels of employee engagement. Our 2016 Asia Best Employers research found that a successful reward and recognition program is essential."

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

Say, Stay, Strive Scores—Asia Pacific

67%
Say



60%
Stay



64%
Strive

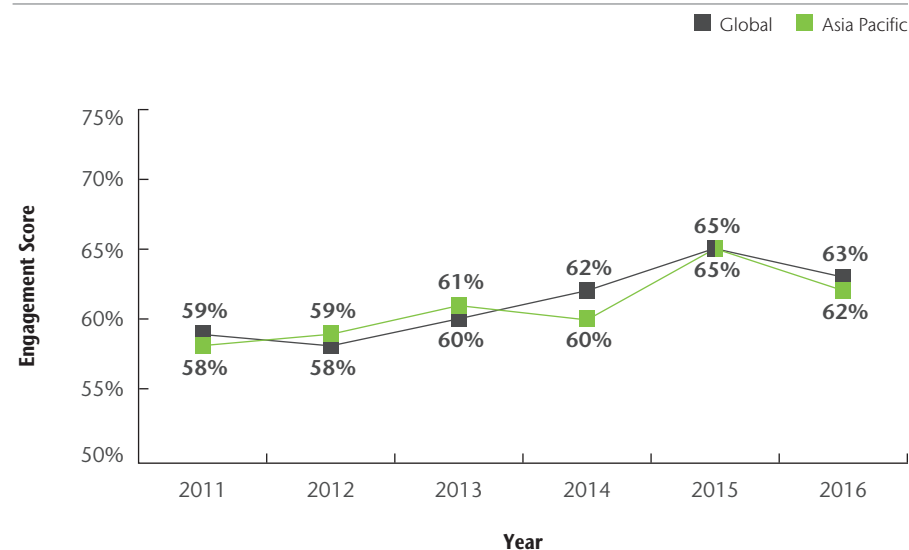


After a huge five-point improvement seen in last year's report, Asia Pacific (APAC) is coming back to earth with a three-point drop this year. Just 62 percent of employees in APAC can be categorized as engaged compared to 65 percent a year ago. This drop in engagement was largely a function of decreases in engagement in four of the region's largest markets: China (-3 pts), India (-2 pts), Japan (-2 pts), and Indonesia (-1 pt). Of the largest APAC markets, engagement increased in only Australia (+3 pts) and South Korea (+2 pts).

That isn't the only sobering news. Of the 15 dimensions measured in the study, only perceptions of Employee Value Proposition rose, and just with a meager one-point improvement. Five of the 15 dimensions dropped by five points or more. We see that employees in APAC are less satisfied with who they work for and who they work with—perceptions of effective collaboration dropped significantly by eight points, while employees' perceptions of their managers fell by five points. This drop in the perceived quality of managerial relationships also may be associated with other changes to the work experience, most notably Performance Management (-5 pts) and Learning and Development (-6 pts).

Perhaps the most remarkable finding in the APAC data is what is driving engagement. While it is not unprecedented to have pay as one of the top opportunities to improve engagement, it is very rare to have it as the number one opportunity. In APAC, we found that addressing Rewards and Recognition provides organizations the greatest opportunity to improve engagement. That could be a sign of intense competition for talent in the region as employees job-hop their way to higher pay. Increased talent competition and wage inflation could also lead to higher cost of goods manufactured in APAC.

Employee Engagement: APAC vs The World



Different Directions in Latin America

"Mexico is challenged with a slowing in trade and great uncertainty with U.S. relations. Conditions are improving in Brazil with the political change which has generated confidence by investors and consumers. Colombia has benefited from more dynamic industries and the peace agreement between the government and FARC rebels."

— María del Pilar Manzanera Díaz,
Aon Hewitt's Latin America
Compensation, Talent &
Retirement Practice Leader

Say, Stay, Strive Scores— Latin America

80%
Say 

68%
Stay 

70%
Strive 

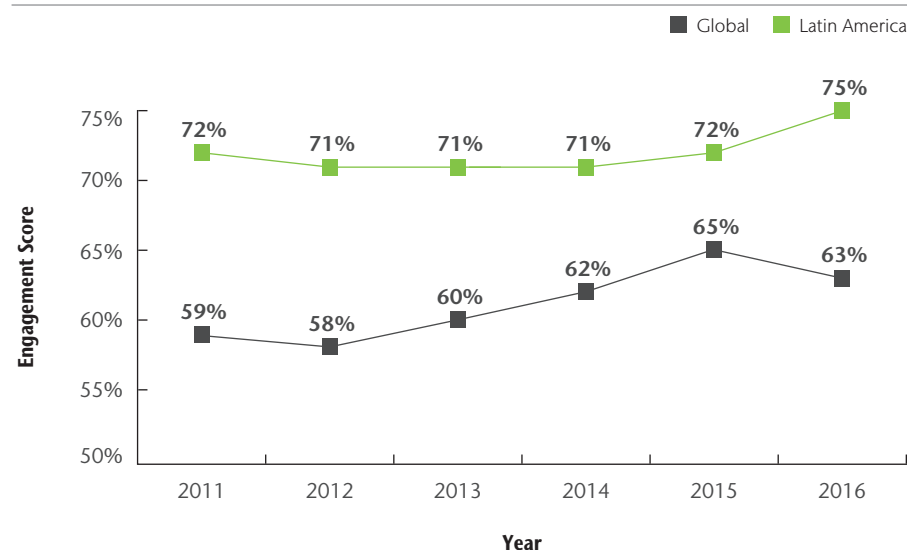
Since 2011, Latin America has had relatively high but stagnant engagement results. That trend shifted this year with a three-point engagement increase from 72 percent to 75 percent of all employees in the region. It is quite remarkable for a region with already high levels of engagement to improve this much year-on-year.

The big story for the region is that its two biggest economies moved in different directions. Mexico, possibly influenced by the potential of strained relations with the United States, saw engagement fall from a very high 79 percent to 75 percent, which is now on par with the rest of the region. Despite a tumultuous year in which President Dilma Rousseff was removed from office and left behind a still shaky economy, Brazil has experienced an incredible eight-point engagement improvement, from 69 percent to 77 percent.

In the region, Colombia (up 6 pts to 82 percent), Ecuador (up 6 pts to 84 percent), Argentina (up 4 pts to 60 percent), and Puerto Rico (up 4 pts to 79 percent) all experienced large improvements to their levels of engagement. Venezuela fell the most (down 11 pts to 69 percent) followed by Costa Rica (down 6 pts to 71 percent) and Mexico.

Like APAC, Latin America's greatest engagement opportunity is Rewards and Recognition, which improved by two points in the region. That can help explain some of the improvement to overall engagement. Perceptions of Rewards and Recognition only fell in three countries—Chile, Mexico, and Venezuela—while in countries like Brazil (up 5 pts) and Colombia (up 11 pts), perceptions of Rewards and Recognition soared.

Employee Engagement: Latin America vs The World



Stability in North America?

"Right now there are a lot of unknowns in the United States and throughout North America as a result of the political landscape—from bringing in talent from other countries to changes in healthcare and LGBT rights. Even the future of NAFTA is uncertain. We are working very closely with our clients to ensure they have a talent strategy in place that is agile and will succeed as the rules of the game solidify."

— Teryluz Andreu, Aon Hewitt's North America Culture and Engagement Practice Leader

Say, Stay, Strive Scores—North America

69%
Say
↓ 2pts

59%
Stay
↓ 1pt

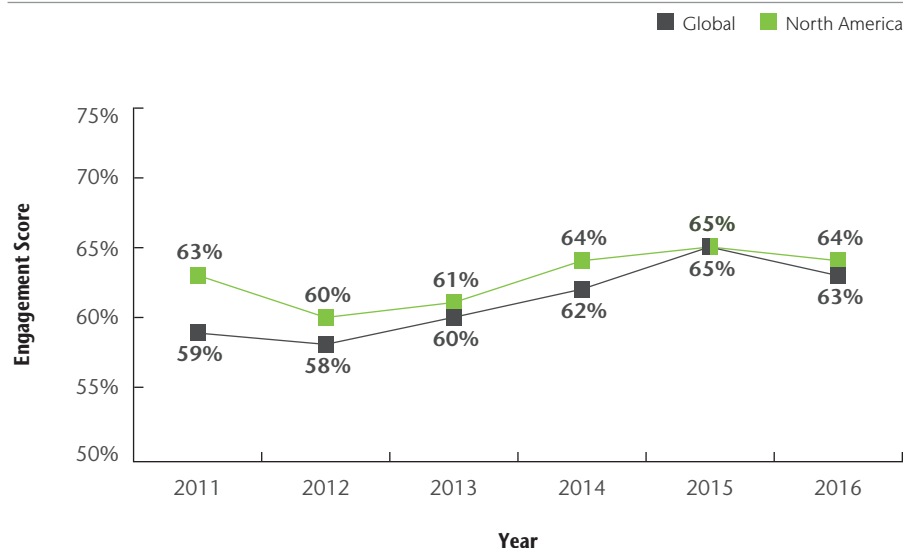
63%
Strive
↓ 1pt

Engagement in North America fell a modest one point to 64 percent of employees. With overall unemployment in the United States hovering at or below 5 percent—and 2.5 percent for the critical age 25+, college graduate—this level of employment stability may appear to be welcome news. However, this tight labor market may be a challenge for organizations that need to hire to support revenue growth. With the relatively modest overall decrease in engagement, it is important to note small changes in overall engagement could hide really significant changes beneath the surface (e.g., the 1 pt decrease in North American Engagement could be the net effect of say 14 percent of employees becoming engaged and 15 percent of employees becoming disengaged). Our research indicates roughly 50 percent of employees change their engagement profile year-on-year, so the modest drop may be the result of a lot of change canceling itself out.

Canada saw a slight improvement on the engagement index, from 69 percent of employees to 70 percent. This modest improvement is understated when looking at the other 15 dimensions in the study. Only two dimensions declined for Canadian employees—Diversity and Inclusion (down 1 pt) and Work/Life Balance (down 2 pts). The other 13 dimensions stayed flat or improved. The biggest improvements were in the perceptions of Employee Value Proposition, Enabling Infrastructure, and Career Opportunities, which all improved by four points, as well as Rewards and Recognition which improved by a whopping six points.

Even though engagement in the United States fell only one point, every one of the 15 work experience dimensions declined. This could be an early indication that engagement may recede further in the near future. United States domestic and multinational business leaders will be challenged to adequately react to changes to the Affordable Care Act, regulations, international trade, and labor tariffs that all directly or indirectly impact pay, benefits, and job market competitiveness.

Employee Engagement: North America vs The World



A Rocky Road in Europe

"The situation in Europe will be important to watch this year. The Netherlands, France, Germany, and Italy all have elections that could determine the fate of the EU. There is also uncertainty in Eastern Europe taking into account the overall political situation in the EU and an ongoing debate about a 'Europe of two speeds.'"

– Edward Stanoch, Aon Hewitt's European Talent Market Leader

Say, Stay, Strive Scores—Europe

63%
Say 

56%
Stay 

55%
Strive 

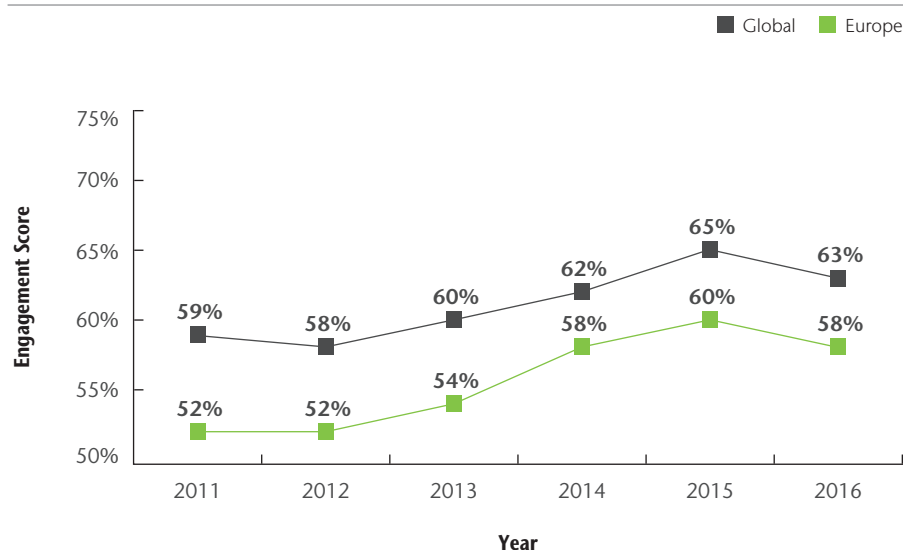
Europe, which has the lowest engagement of all the regions, saw employee engagement drop by two points to 58 percent, giving up the gains experienced in the previous year. Twice as many countries (14) in the region had engagement declines than those countries with improvements (7).

There are two storylines within Europe that are quite compelling. The first is in Turkey. Despite a very challenging year politically, with a coup attempt on President Erdogan and social challenges from their position as the center of the Syrian refugee crisis, the economy grew by an estimated 2.5 percent and engagement rose by five points, from 51 percent to 56 percent.

The other story is the United Kingdom. The Brexit vote occurred mid-year, deciding the country's fate to leave the European Union (EU). This will have significant implications for UK companies looking to attract talent and trade with EU countries. This move had little effect on net engagement in the UK (+1 pt), but it is likely there is more significant engagement/disengagement movement beneath the surface.

The UK has the second-largest economy in the European Union, and while their engagement rose slightly, engagement levels for eight of the nine other countries making up the top 10 saw engagement fall or stay flat. Many EU nations affected economically, politically, and socially by the Brexit vote, like France (-7 pts), Italy (-6 pts), Spain (-5 pts), and the Netherlands (-5 pts), saw sharp degradations in employee engagement. Germany's employee engagement levels remained relatively stable, with only a one-point decline. The lone exception is Belgium, which had engagement increase by three points, from 53 percent to 56 percent.

Employee Engagement: Europe vs The World



Rebound in Africa

"It is believed that 2017 will be much better in terms of growth in Africa, however, organizations should be prepared for the lagged effect between 2016 economic forces and 2017 employee engagement. A holistic talent, reward and performance strategy should be the bedrock of any organization aiming at making Africa an important part of its future growth strategy."

– Elias Dib, Aon Hewitt Employee Engagement Solution Leader

Say, Stay, Strive Scores—Africa

72%
Say 

55%
Stay 

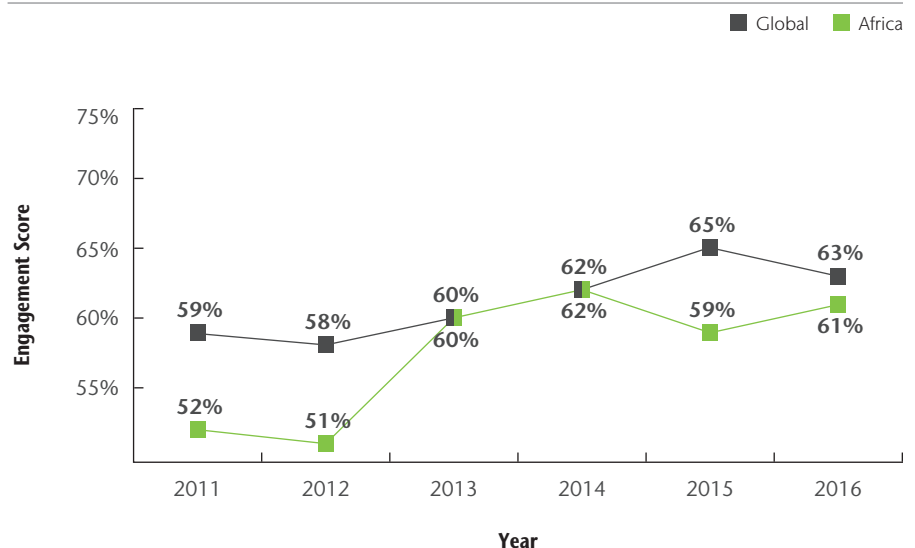
62%
Strive 

After a significant three-point drop in engagement last year, Africa nearly reclaimed that loss as engagement moved from 59 percent to 61 percent. Much of the recent political volatility in the region has settled and the gains were bolstered by improvements in the region's two biggest economies—Nigeria and Egypt. Nigeria experienced an impressive nine-point gain in employee engagement, from 60 percent to 69 percent, while Egypt saw a five-point increase, from 61 percent to 66 percent.

Across the other 15 dimensions in the study, Africa has seven that improved, three that remained the same, and five that declined. Three of the improvements that signal investments in growth and innovation are quite dramatic. Collaboration improved by six points, Enabling Infrastructure improved by eight points, and Talent and Staffing went up an incredible 17 points.

The Talent and Staffing dimension, which measures how well organizations attract, retain, and develop their people, is interesting not only because of its gains in the last year, but also because it is the region's top engagement opportunity. This is a primary indication of why the region has seen engagement go up, and it also indicates that organizations are going to need to continue to focus on their talent strategies to sustain engagement or elevate it further.

Employee Engagement: Africa vs The World



Conventional Wisdom Upended

It is not enough to simply measure employee engagement. As we mentioned above, engagement is the outcome of an employee's work experience. Understanding the top culture and work experience priorities is the central question of all engagement initiatives. We approach this question by looking at three things: how statistically related the work experience indicator is to engagement, how well the average company is performing in this area, and finally a comparison to what great organizations are doing (i.e., those in the top quartile). By triangulating on these three areas we are able to identify the greatest opportunities for driving engagement in the various regions and markets in this study.

Top Engagement Opportunities Globally



1. Rewards & Recognition



2. Employee Value Proposition (EVP)



3. Senior Leadership



4. Career Opportunities



5. Enabling Infrastructure

Conventional wisdom suggests that engagement has a lot to do with one's manager and that pay is a hygiene factor not terribly important to one's engagement. Our findings fly in the face of this and other conventional wisdom, which suggest some fundamental changes in the work experience and the expectations employees have of their employers. We are seeing tectonic shifts in the external political, social, and technological environment that tap into and potentially threaten employees' basic needs for fairness, belonging, trust, advancement, and support. And the top engagement opportunities appear to directly reflect the criticality of meeting these basic employee needs.

The placement of Rewards & Recognition at the top of the drivers deserves attention (up from the number three ranking last year). There will not be many organizations that can make sweeping pay or bonus increases. It is not economically viable. Important sentiments in the populist political movements are the idea of fairness and transparency—and in fact, our research revealed that pay fairness is top of mind for many employees as it relates to this top opportunity. To address these issues of fairness, organizations would be well-served to understand real and perceived gaps of pay relative to traditional and nontraditional competitors. If the trend of increased expectations for transparency persists, executives can expect to face greater scrutiny if their compensation is either unknown or considered unfair.

Conventional Wisdom Upended (continued)

To learn more about what leaders can do to stabilize during times of disruption and turmoil, [read "Managing Engagement in Times of Change"](#) by Aon's Global Culture & Engagement Practice Leader, Ken Oehler.

The effectiveness of Senior Leadership as a top priority is also noteworthy (up from the number seven ranking last year). Contrary to what many believe, the immediate manager may not impact or have control over many of the top engagement opportunities. The manager does not show up in the top five opportunities globally or in any of the global regions. This may be an indication that the manager is not as important in the engagement equation as they once were. It is likely that employees are looking to senior leaders to point the way and make decisions for the future much more closely than before, especially during these times of intense change.

Employee Value Proposition, which measures an organization's ability to articulate and deliver on promises to employees, is the second strongest driver. This opportunity is fundamentally about creating a magnetic sense of belonging to your organization. The related Reputation dimension, however, does not show up in the top five in any region. That confirms the notion that while "Corporate Social Responsibility" may be an important aspect of an organization's reputation, it is not nearly as important as an organization's ability to create a compelling and reciprocal reason for employees to join, stay, and invest one's energy.

Career opportunities and enabling infrastructure are top opportunities consistent with the previous year. These drivers illustrate the importance of advancement and support, respectively, in a strong culture of engagement. Without these ingredients, talent stagnates, is frustrated, and eventually leaves or becomes complacent. It is important to note that Enabling Infrastructure fell from the number one opportunity a year ago to number five.

Times appear to be changing at an increasingly rapid pace. If the top engagement opportunities do signal a shift in the work experience, what we see is a collection of priorities that say, in addition to enabling work and providing advancement, the successful company will get pay right and be very aware of sensitivities to inequity and mistrust in the establishment. And the best will create and deliver on a compelling employee value proposition that they can be famous for.

Success will also require leaders that courageously lead the way through the ambiguity, fear, and uncertainty in the current environment. Collectively, strength in these top opportunities creates a sustainable culture of engagement that is hard to replicate. Companies that do this will be the elite...the extraordinary...and they will win.

Final Thoughts

People create business value. That is an indisputable fact. This is illustrated by the fact that a software company with 1,000 employees and few physical assets can be worth billions of dollars. People are the intangibles.

People also are emotional and fickle. They want to be won over often. That is why employee engagement can be an organization's great differentiator in times of stability or in times of rapid change. When you have a Culture of Engagement, your competitors better take notice.

To discuss how you can create a Culture of Engagement at your organization, please reach out to one of the contacts on the following page. We are passionate about optimizing the employee experience!

Aon's Global Culture & Engagement Team

About Aon Hewitt's Global Culture & Engagement Practice

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

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About Aon

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