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What It Will Take to Drive Strong Workforce Performance in a Volatile Global Environment

The 2012 Global Workforce Study provides a comprehensive snapshot of the attitudes and concerns of workers around the world. It’s designed to shed light on how employees’ views affect their engagement in their work and commitment to their employers, and ultimately, their behavior and performance on the job. As such, it gives organizations and their leadership teams important insights into the elements of the work environment that help shape employee behavior and performance in positive ways. And it presents a new and more robust definition of engagement — sustainable engagement — designed for the 21st-century workplace.
Employee engagement may have begun life as a corporate buzzword, but over the last decade, it’s been widely acknowledged as a critical element in drawing out discretionary effort from workers. Studies at a number of organizations, including leading academic institutions, have shown a clear relationship between high levels of employee engagement — colloquially defined as the willingness and ability to go the extra mile — and improved financial and operational results.

But findings from our 2012 Global Workforce Study show that the steps organizations have taken to improve engagement are beginning to fall short. Globally, just over a third (35%) of the more than 32,000 full-time workers participating in our study are highly engaged. (See pages 20 – 21 for more details on the survey and the respondents.) On one level, this isn’t surprising. Five years of economic turmoil, nearly a decade of competing in a “flat” world and more than a decade of being connected 24/7 have taken their toll. Employees everywhere — in recessionary as well as growth economies — express some level of concern about their financial and professional security, their stress on the job, their trust in their company’s leadership, the support they receive from their managers and their ability to build their careers. Many have been doing more with less — and for less — for over half a decade, and that reality doesn’t seem likely to change anytime soon, if ever.

On a deeper level, however, this finding on employee engagement represents a wake-up call for employers, regardless of whether they’re competing to find enough of the right talent, struggling to maintain engagement following a major change in the business or trying to retain a cadre of workers with essential skills. Our data suggest that businesses appear to be at a critical tipping point in their ability to maintain engagement over time. While most are already running their businesses very differently in today’s highly interconnected global marketplace (see Brave New World of Work — and Workers, page 6), a surprisingly large number don’t appear to be keeping pace in terms of how they’re managing and supporting the very people assigned to execute the work on the ground. Put starkly, they are running 21st-century businesses with 20th-century workplace practices and programs. And the cracks in the foundation are starting to show in both small and large ways.

Among the key themes emerging from the study:

• **Stress and anxiety about the future are common.** Almost four out of 10 respondents (38%) are bothered by excessive pressure on the job. Fifty-four percent often worry about their future financial state, and 56% agree retirement security is more important today than just a few years ago. Thirty-nine percent expect to retire somewhat or much later than planned — a figure that might ultimately prove optimistic in light of current savings rates and capital market performance in many parts of the world.

• **Security is taking precedence over almost everything.** Roughly four out of 10 respondents would trade a smaller salary increase or bonus for a guaranteed retirement benefit that doesn’t rise or fall with the market (in other words, a defined benefit). More than half want to stay with their current employer until they retire, although 41% also noted they feel they would have to take a job elsewhere to advance in their career.

• **Attracting employees is now largely about security.** Salary and job security top the list of what people want when considering a job, followed by opportunities to learn new skills and build a career, which are also routes to increased salary and long-term security.

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Retaining employees has more to do with the quality of the work experience overall. While some elements — like pay — affect both attraction and retention, the latter depends far more on the quality of employees’ relationship with their managers, their trust in senior leadership and their ability to manage stress on the job.

There are doubts about the level of interest and support coming from above. Just under half of the respondents agree their organization’s senior leaders have a sincere interest in employee well-being. Equally disturbing, given the importance of managers in creating a positive work experience, is that fewer than half of the respondents believe their direct supervisors have enough time to handle the people aspects of their jobs.

Viewing our findings as a whole, two key points emerge. First, engagement, as traditionally defined, is not sufficient to give employers the sustained performance lift they need — or keep employees doing their work effectively in today’s pressured and fast-paced work environment. Second, the root of the problem lies in gaps in two critical areas that have become essential to sustainable engagement — and that organizations can close in cost-effective ways.

“Employees have been doing more with less — and for less — for over half a decade, and that reality doesn’t seem likely to change anytime soon.”

“Businesses appear to be at a critical tipping point in their ability to maintain engagement over time.”
The first gap is effectively enabling workers with internal support, resources and tools, which can take a variety of forms. Think of the helpful supervisor who prioritizes and organizes work, regardless of whether the employee is in front of him or her, or 1,000 miles away working at home or in a remote office. Think of efficient technology that works (and a helpful help desk when it doesn’t). Think of a collegial work team ready to jump in to help. Or of online tools and processes that give remote or contract workers access to information and guidance to make good job-related decisions in real time.

None of this happens by magic — or simply through people’s good will. It develops as part of an organization’s culture and work environment, and must be created and continually nurtured through a focus on training, performance management, communication and visible leadership. Employee enablement is an element of the work environment that’s easy to underestimate and even ignore in flush times, but one that can drive down performance and make it difficult for employees to do their jobs effectively. It’s also an element ripe for innovation as the trends shaping the future of work begin to affect people more directly and more rapidly. Enabling large and dispersed groups of workers who come together for various, often short-lived projects, across different time zones, speaking different languages, and with different skills, work styles and expectations requires very different tools, approaches and managerial skills than does enabling people who sit together in a common physical space.

The second gap is creating an environment that’s energizing to work in because it promotes physical, emotional and social well-being. In such an environment, you can see and feel the pulse of activity — the intense discussions, lively video- or phone conferences, the groups working a project plan on an online whiteboard in real time. There’s stress, but it’s often what we call positive stress because it’s intellectually and emotionally rewarding and exciting. Again, this kind of work experience doesn’t happen by itself or because a company tries to select people with high energy. It must also be embedded in a culture that focuses on workers’ health, safety and security, both physical and emotional. Currently, many employers are pursuing a variety of wellness efforts, typically focused on giving incentives or penalties to people who embrace healthy behaviors like exercise, good diet or effective management of a chronic illness. These are important, but to sustain energy, employers have to think beyond these core programs and embrace the notion of workplace energy on a far broader plane.

Our current study brings into sharp relief the importance of enablement and energy in maintaining high levels of performance over time. In a world where people are widely dispersed and working longer hours with fewer resources in areas requiring new skills, focusing on the well-established drivers of traditional engagement, while important, isn’t enough.

A look at how our global respondents stratify among four sustainable engagement segments is perhaps the best illustration of the extent of the challenge that employers face today. (See Inside Sustainable Engagement, page 5, for an explanation of our methodology and definitions.) With two-fifths of workers unsupported or detached, and a quarter completely disengaged, the risk to an organization’s productivity and performance goals is real.
This risk is significant even in a growing economy, where retention is often a challenge. But it's particularly problematic when organizations have to count on sustained productivity from a lean workforce. When sustainable engagement starts to decline, companies become vulnerable not only to a measurable drop in productivity, but also to poorer customer service and greater rates of absenteeism and turnover. They need to pay attention to processes and practices that improve on-the-job support, strengthen a sense of attachment to the organization and account for the changing nature of the work experience. Otherwise, the risk of a continuing drop in sustainable engagement could worsen and begin to affect business outcomes over time.

Inside Sustainable Engagement

Sustainable engagement describes the intensity of employees’ connection to their organization, based on three core elements:

- The extent of employees’ discretionary effort committed to achieving work goals (being engaged)
- An environment that supports productivity in multiple ways (being enabled)
- A work experience that promotes well-being (feeling energized)

The chart below shows some of the key attributes fundamental to each element of sustainable engagement.

<table>
<thead>
<tr>
<th>Traditional engagement</th>
<th>Enablement</th>
<th>Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Belief in company goals and objectives</td>
<td>• Freedom from obstacles to success at work</td>
<td>• Ability to maintain energy at work</td>
</tr>
<tr>
<td>• Emotional connection (pride, would recommend employer)</td>
<td>• Availability of resources to perform well</td>
<td>• Supportive social environment</td>
</tr>
<tr>
<td>• Willingness to give extra effort to support success</td>
<td>• Ability to meet work challenges effectively</td>
<td>• Feelings of enthusiasm/ accomplishment at work</td>
</tr>
</tbody>
</table>

Towers Watson uses a set of nine survey questions to measure the extent to which survey respondents believe these three elements are part of their work environment. Based on a statistical analysis of their responses, we categorize respondents into four distinct segments:

- **Highly engaged**: Those who score high on all three aspects of sustainable engagement
- **Unsupported**: Those who are traditionally engaged, but lack enablement and/or energy
- **Detached**: Those who feel enabled and/or energized, but lack a sense of traditional engagement
- **Disengaged**: Those who score low on all three aspects of sustainable engagement

This segmentation allows employers to understand the root causes behind changes in employee behaviors or performance, and more accurately pinpoint the practices or interventions required to move people from one segment to another over time.

“When engagement starts to decline, companies become vulnerable not only to a measurable drop in productivity, but also to poorer customer service and greater rates of absenteeism and turnover.”
We have already seen the beginnings of the revolution in the what, where and when of work. Jobs and tasks are being broken into component specialties, organized differently, dispersed more widely, and managed across borders and time zones. And these radical shifts demand equivalent changes in how (and where) people are sourced, developed, trained, deployed, managed and rewarded.

Technology has played the biggest role in distancing workers from the bricks-and-mortar, nine-to-five workplace. Nearly half (47%) of our global sample work remotely or in some kind of flexible arrangement. Moreover, they tend to have more positive views and perceptions of their jobs and organizations than their office-bound peers. In another decade, according to various predictions, teleworking will expand even more, especially in industries dominated by highly skilled knowledge workers.

Technology is also driving the need for very different skills. A just-released study, Global Talent 2021, conducted by Oxford Economics with support from Towers Watson and several major global employers, points to a number of new and different competencies that HR executives anticipate will be in high demand in the next five to 10 years. These include digital skills, such as working virtually and using social media; agile thinking, particularly the ability to deal with complexity and ambiguity, and assess and plan for multiple scenarios; interpersonal skills, such as effective (physical and virtual) teaming and collaboration; and global operating ability, including managing diverse groups of people, understanding international markets and being culturally sensitive.

As employers begin training their workforces to prepare for this reality, they must also contend with a realignment of the supply of and demand for talent around the world — propelled by the aging populations and low birth rates in the developed economies, and the vastly improving educational opportunities and systems in the developing economies. Already, according to Global Talent 2021, over half (54%) of the world’s college graduates are coming from Brazil, China, India, Indonesia, Mexico, Russia and Turkey, compared with 46% from France, Germany, the U.K., the U.S. and the other industrialized countries that have traditionally been the primary providers and users of highly skilled and educated talent. This shift has massive implications not only for sourcing talent, but also for managing and engaging workforces with multiple generations from an array of different cultures — with many working in nontraditional arrangements.

Other macro-trends at the early stages of development — from hyper-specialization of jobs, to processes like crowd-sourcing — are far too new to assess with much accuracy. But it’s fair to say that the employer that isn’t taking close note of, and preparing for, continuing, significant shifts in the structure, nature and organization of work will likely be the one left behind in the upcoming decades.

The implications for sustainable engagement are particularly relevant, as so much of the change in the work experience and environment will demand innovative styles of organizational support and management. In many respects, this new work environment — dependent on instantaneous and free-flowing information — has the potential to dramatically improve productivity and creativity. But adapting to it puts even more pressure on leaders, managers and employees themselves to embrace continuous learning, remain open to alternative work arrangements, and find creative ways to give support and energy on the job.
The logical question, then, is, what is required to shore up the unsupported and reconnect the detached, particularly among those employee groups with specific skills or roles most critical to business success?

Using statistical analysis, we tested the relative impact of a dozen workplace elements on sustainable engagement. Figure 2 displays the five that have the greatest collective impact, and highlights an illustrative set of practices and behaviors that make a difference to employees in terms of traditional engagement, enablement and energy.

For employers under pressure to increase sales and revenue, but constrained by limited funds and resources, there may be no better step to take right now than to identify gaps in these areas that may be adversely affecting sustainable engagement and determine actions necessary to close those gaps.

Two points are important to note here. First, in contrast to many of the more reward-oriented elements that affect attraction and retention (see page 18), the drivers of sustainable engagement focus almost entirely on the culture and the relational aspects of the work experience. These include the nature, style and quality of organizational life, not the programs themselves. Second, the impact of these drivers is felt through thousands of interactions — positive and negative, large and small — that play out daily across an organization. Some of those interactions are interpersonal and local — between employees and their direct managers or inside a small work team. Others affect everyone across the organization.

“In contrast to many of the more reward-oriented elements that affect attraction and retention, the drivers of sustainable engagement focus almost entirely on the culture and the relational aspects of the work experience.”

**Figure 2. Top five drivers of sustainable engagement**

<table>
<thead>
<tr>
<th>Priority areas of focus</th>
<th>Behaviors and actions that matter to employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership</strong></td>
<td>• Is effective at growing the business</td>
</tr>
<tr>
<td></td>
<td>• Shows sincere interest in employees’ well-being</td>
</tr>
<tr>
<td></td>
<td>• Behaves consistently with the organization’s core values</td>
</tr>
<tr>
<td></td>
<td>• Earns employees’ trust and confidence</td>
</tr>
<tr>
<td><strong>Stress, balance and workload</strong></td>
<td>• Manageable stress levels at work</td>
</tr>
<tr>
<td></td>
<td>• A healthy balance between work and personal life</td>
</tr>
<tr>
<td></td>
<td>• Enough employees in the group to do the job right</td>
</tr>
<tr>
<td></td>
<td>• Flexible work arrangements</td>
</tr>
<tr>
<td><strong>Goals and objectives</strong></td>
<td>• Employees understand:</td>
</tr>
<tr>
<td></td>
<td>• The organization’s business goals</td>
</tr>
<tr>
<td></td>
<td>• Steps they need to take to reach those goals</td>
</tr>
<tr>
<td></td>
<td>• How their job contributes to achieving goals</td>
</tr>
<tr>
<td><strong>Supervisors</strong></td>
<td>• Assign tasks suited to employees’ skills</td>
</tr>
<tr>
<td></td>
<td>• Act in ways consistent with their words</td>
</tr>
<tr>
<td></td>
<td>• Coach employees to improve performance</td>
</tr>
<tr>
<td></td>
<td>• Treat employees with respect</td>
</tr>
<tr>
<td><strong>Organization’s image</strong></td>
<td>• Highly regarded by the general public</td>
</tr>
<tr>
<td></td>
<td>• Displays honesty and integrity in business activities</td>
</tr>
</tbody>
</table>
The challenge in moving the needle in these areas is defining the broad principles of behavior and the corresponding processes and actions that must occur at the enterprise level, and ensuring that these cascade appropriately to the local level where they can influence on-the-ground experiences. While policies and programs certainly come into play, the first step has to be a comprehensive examination of core processes — from leadership style, communication and values, to reporting relationships, collaboration approaches and work arrangements. The findings can help determine what’s required, broadly and locally, to improve the daily interactions and experiences for individual employees. Key questions include:

- How do leaders earn employees’ trust and confidence, and demonstrate interest in employee well-being?
- How do they balance messages about short-term priorities and financial results with longer-term vision and strategy?
- Do employees understand the organization’s strategy and how it connects to their own work?
- Do managers have the skills and time necessary to effectively differentiate and manage employees’ performance, coach their teams and support individuals’ career advancement?
- Are career paths clear to employees as they consider how to navigate today’s flatter structures with a variety of different employment arrangements?
- Are the right tools and processes in place for workers to collaborate and connect across locations and functions?
- Do employees have some level of flexibility in their schedules or work arrangements, and do they feel comfortable taking advantage of it?
- Are communication vehicles and content appropriately tailored for diverse audiences across ages, cultures and life stages while providing the necessary consistency of message?

These questions highlight the complexity inherent in working on these fundamentals. Getting the answers right requires commitment, time and focused attention, particularly from senior leadership. But the payoff can be significant, positively affecting various financial and operational metrics, including productivity and retention.

**Tracing the Links From Sustainable Engagement to Performance**

In a recent analysis of 50 global companies, for which we had both sustainable engagement data and relevant financial data, we found striking differences at the organizational level in average operating margin relative to sustainable engagement levels (Figure 3). As shown, those companies with low traditional engagement had an average operating margin just under 10%. Among those with high traditional engagement, average operating margin was just over 14%. But among those with high sustainable engagement, average one-year operating margin was close to **three times higher**, at just over 27%. While many other elements affect margin — and in more direct ways — this finding underscores why organizations need to think more broadly about all of the factors that influence their performance, in both the short and long term.
Using the employee-level data from this study, we also examined the relationship between sustainable engagement, productivity and retention metrics. Here’s what we found:

• Highly engaged employees have lower “presenteeism” (lost productivity at work) and less absenteeism than disengaged employees. The former lose an average of 7.6 days per year to presenteeism, compared with an average 14.1 days for the disengaged employees. In a similar but less striking vein, the highly engaged lose an average 3.2 days per year to absenteeism, compared with 4.2 days for the disengaged.

• Highly engaged employees are less likely to leave their employer than disengaged employees. Only 18% of highly engaged global respondents said they were likely to leave their employer in the next two years, compared with 24% of the unsupported and fully 40% of the disengaged. Similarly, 72% of the highly engaged said they would prefer to remain with their employer even if they had a comparable opportunity elsewhere, compared with 58% of the unsupported and 28% of the disengaged.

**Setting the Right Change Agenda**

Amid the range of competing business and HR priorities, it’s often difficult to allocate limited resources in optimal ways to achieve desired growth in revenues and profits. But by focusing on the five drivers of sustainable engagement, organizations can set a focused and relevant agenda that can make a difference in their performance, often without a significant monetary investment.

For most organizations, the best opportunity to expand the highly engaged segment lies with the unsupported segment. These are individuals who already have a well-established connection to the organization. Yet they are missing some things that might move them further along the engagement spectrum — like greater autonomy, and involvement in setting their own schedules and managing their work, feeling able to take some risks and try new things, and getting help and direction from their manager. These are the kinds of changes that are often a matter of strengthening or customizing existing policies and practices at the local level to provide the support and sense of positive energy that employees want and need.

**The Evolving Leadership Model**

Leadership has been a primary driver of employee engagement for as long as we have studied it. In this study, roughly half of our global respondents agreed their senior executives do a good job strategically, in terms of growing the business (53%) and managing costs (49%). And just under half (48%) said they have trust and confidence in the job their leaders are doing. Of course, that leaves a significant number of respondents who either disagree or are unsure about their level of trust and confidence in their leaders.

Even larger gaps emerged in areas affecting the people side of operations — from leaders’ willingness to consider employees’ views and interests, to their ability to develop future generations of leaders. Just 39% of the global sample agreed their leaders are effectively preparing the next generation of leadership (Figure 4), while fully a quarter rated their leaders as poor or very poor in this area. Note, too, that agreement levels for the unsupported closely mirror those for the overall sample, while nearly two-thirds of the highly engaged have a favorable view of leadership development.

**Figure 4. Leadership from a people perspective**

<table>
<thead>
<tr>
<th>% agreeing</th>
<th>Global sample</th>
<th>Highly engaged</th>
<th>Unsupported</th>
<th>Detached</th>
<th>Disengaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees have trust and confidence in job leaders are doing</td>
<td>48%</td>
<td>79%</td>
<td>51%</td>
<td>31%</td>
<td>16%</td>
</tr>
<tr>
<td>Senior leadership has sincere interest in employees’ well-being</td>
<td>45%</td>
<td>74%</td>
<td>44%</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Senior management does a good job developing future leaders</td>
<td>39%</td>
<td>65%</td>
<td>36%</td>
<td>24%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Significantly, these gaps are consistent with conclusions from a number of academic studies predicting the competencies that will be required in leaders of the future and are already increasingly in demand today. These include areas like strategic flexibility, risk leverage (knowing which risks are worth taking as well as avoiding), technological savvy, interpersonal agility, global and cultural acumen, and rapid decision making. In the current vernacular, this frequently translates into the importance of accessibility, authenticity and transparency. These traits, often actively discouraged in prior generations of closed-door leadership, are recognized as fundamental to improved employee perceptions in today’s environment.

For employers, these shifts pose three immediate challenges. One is recognizing that current practices need to evolve in very different ways. While those responsible for leadership development may believe their processes are effective, only slightly less than half of our respondents in the next-generation leadership tier — the target of those processes — actually agree. The second challenge is determining how to identify and assess these new competencies in selection processes. And the third is making a commitment to develop and nurture leadership competencies more consistently and fluidly in both current- and next-generation leaders.

Wherever your organization is in terms of its leadership model, there are a number of immediate actions to consider that can help strengthen the connections between leaders and employees. Specifically:

- Establish (or review and refresh) a well-defined competency model for leadership that incorporates the new requirements for leaders.
- Align competencies with strategic plans, particularly in terms of global expansion.
- Regularly assess leaders’ capabilities against the model, and deliver development opportunities to close competency gaps.
- Ensure succession plans are robust and extend far enough into the organization.
- Help senior executives find meaningful ways to demonstrate interest in, and commitment to, employees through regular communication, recognition and visible support for meaningful programs.
- Create opportunities for leaders to actively sponsor innovative approaches to how, when and where work is accomplished.

There’s no question that employee engagement is taken more seriously in the executive suite today than a decade ago. In some organizations, it’s now a component of the CEO scorecard. The next logical stage in this process is to elevate the priority of those aspects of new leadership behaviors most critical to sustainable engagement. In some respects, in fact, the workforce can serve as a proving ground for leadership’s effectiveness in mastering the evolving competencies that will ultimately affect their company’s reputation and prospects with customers, investors, suppliers and other stakeholders.

Competencies that will be required in leaders of the future:

- Accessibility
- Transparency
- Strategic flexibility
- Risk Leverage
- Global and cultural acumen
- Authenticity
- Interpersonal agility
- Rapid decision making
Today, with the business world operating 24/7, stress is a fact of life in virtually every organization, and a certain amount is known to boost energy on the job. But when employees feel overwhelmed by seemingly impossible workloads and endless demands on their time, stress can turn negative, and some level of detachment or disengagement can set in.

Our data on stress in the workplace present a very mixed picture, as Figure 5 shows. With the exception of the highly engaged segment, respondents’ views on stress and workload are more similar across unsupported and detached segments than is the case with any other issue. This suggests interventions to relieve stress and workload could have a widespread positive impact.

**Figure 5. A healthy work environment?**

<table>
<thead>
<tr>
<th>% agreeing</th>
<th>Global sample</th>
<th>Highly engaged</th>
<th>Unsupported</th>
<th>Detached</th>
<th>Disengaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of work employees are expected to do is reasonable</td>
<td>54%</td>
<td>79%</td>
<td>50%</td>
<td>51%</td>
<td>25%</td>
</tr>
<tr>
<td>Stress levels are manageable</td>
<td>53%</td>
<td>74%</td>
<td>52%</td>
<td>51%</td>
<td>27%</td>
</tr>
<tr>
<td>Work arrangements are flexible enough to meet needs</td>
<td>52%</td>
<td>78%</td>
<td>49%</td>
<td>45%</td>
<td>26%</td>
</tr>
<tr>
<td>Employees are working more hours than normal in past three years</td>
<td>50%</td>
<td>59%</td>
<td>49%</td>
<td>47%</td>
<td>39%</td>
</tr>
<tr>
<td>Enough employees in work group to get job done right</td>
<td>49%</td>
<td>74%</td>
<td>43%</td>
<td>43%</td>
<td>23%</td>
</tr>
<tr>
<td>Organization makes it possible to balance work and personal life</td>
<td>45%</td>
<td>72%</td>
<td>41%</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>Organization promotes healthy work environment</td>
<td>42%</td>
<td>65%</td>
<td>43%</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>Senior leaders support policies that promote employee health and well-being</td>
<td>42%</td>
<td>68%</td>
<td>43%</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>Often bothered by excessive pressure on the job</td>
<td>38%</td>
<td>34%</td>
<td>38%</td>
<td>37%</td>
<td>45%</td>
</tr>
</tbody>
</table>
“Now is the time to get ahead of potential talent gaps and evaluate where the business is expected to grow or shrink over the next three to five years, how the composition of the workforce may change and what the implications are for sourcing new talent needs.”

One thing we see from the attitudes of the highly engaged is that an organization’s limited resources (whether a function of organizational mandate or labor market realities) don’t have to translate into a dispiriting work experience. To avoid the dark side of stress, employers need to start with workforce planning, ensuring in particular there is a match between the required work and employees’ skills and experience. Do the people performing various assignments have the right skills? Where are those workers in their careers, and what retention risks do they present, from impending retirement, to departure for another company? How is work organized and dispersed, especially in areas where skills may be insufficient? Are promotion policies contributing to skill gaps as those moving up the ladder stop doing certain kinds of work?

Even without budgets for hiring (or enough of the right people to hire), there are ways to refresh skills or train willing employees in new areas. Reviewing how work is organized and deployed across individuals and teams also presents opportunities to reallocate more efficiently, or shift roles or accountabilities to better match ability with need. Now is the time to get ahead of potential talent gaps and evaluate where the business is expected to grow or shrink over the next three to five years, how the composition of the workforce may change and what the implications are for sourcing new talent needs.

To complement a well-designed planning process, organizations can take creative approaches to providing balance, flexibility and improved autonomy, all of which give people greater control over their work lives. Actions to offer balance and flexibility can range from teleworking, to job sharing, to flexible scheduling, to reduced hours or compressed work weeks.

Broader empowerment strategies are also essential in strengthening employees’ sense of control. It’s telling, for instance, that only 42% of the global respondents said their organization did a good job of soliciting employees’ opinions or suggestions, while just 38% agreed their company performed well in acting on those suggestions. And only 39% agreed their organization’s management effectively involved employees in decisions that affected them. Even more telling, the picture was considerably different for the highly engaged segment, where slightly more than two-thirds agreed their organization solicited and acted on employees’ suggestions.

While the nature of the business will dictate what’s possible in these areas, many organizations actually have more options than they might otherwise imagine. Being open to innovation in the design of work, or choice of workplace, can be a highly effective way of signaling the organization’s commitment to positive change in an environment freed by technology from many of the constraints of prior decades. And supplementing that commitment with practical steps tailored appropriately for individuals’ situations — from options for exercise, to healthful food choices, to disease management support for chronic illnesses — can give employees confidence in the organization’s genuine commitment to easing pressure.
The mediocre scores on senior management’s support of policies promoting well-being provide insight into the importance of visible support by leadership, demonstrated by words and actions. Without that support, organizations may find it harder to achieve desired goals from their investment in wellness programs. While leaders’ intentions and goals are admirable, changing behavior, especially lifestyle and health habits, is complex, and requires a multifaceted strategy involving highly tailored approaches aligned with employees’ age, stage in life, education, income, work responsibilities and schedules, as well as related demographic and psychographic factors.

Toward a Shared View of Goals and Expectations

When people feel both overwhelmed and confused about what they should be doing and why, an existing sense of isolation and even alienation can intensify — a classic recipe for job burnout. So it’s not surprising that lack of clarity about goals, along with high stress, rank among the top gaps for both the unsupported and detached segments.

Because gaps in employees’ understanding of goals may stem from various causes, identifying the reasons is an essential first step in making sure resources are directed effectively. Is communication about strategy and results at the enterprise level insufficient or poorly prepared? Are supervisors unable to connect the strategy to day-to-day activities? Do employees get information from ill-informed peers or inappropriate sources? Are communication vehicles out of date (for instance, using traditional e-mail with a tech-savvy population of mobile device and social media users) or so full of corporate jargon that they create more mistrust than understanding? Is the performance management process valued and supported with meaningful processes and tools?

Once you understand the cause of the gap, pinpointing solutions becomes easier and likely involves a combination of both enterprise actions and better local communication. Typical steps include:

- Training managers to discuss the connection between business goals and employees’ personal objectives and level of contribution
- Providing the right cascade of information — via the right vehicles — from the top of the house through the ranks, sharing both long-term goals and annual operating objectives
- Being clear and transparent in messages about goals and results, and sharing information in simple and straightforward ways to promote a sense of shared destiny and accountability
- Clearly communicating the skills and behaviors needed to meet strategic business goals, and employees’ responsibility for attaining these skills and behaviors
- Building expectations for skills and behaviors into both goal-setting and performance management processes to reinforce a culture of shared accountability
- Weaving those processes into the fabric of the culture so they aren’t seen merely as compliance or check-the-box exercises

Figure 6. How employees see themselves contributing

<table>
<thead>
<tr>
<th>% agreeing</th>
<th>Global sample</th>
<th>Highly engaged</th>
<th>Unsupported</th>
<th>Detached</th>
<th>Disengaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand how job contributes to organization achieving business goals</td>
<td>64%</td>
<td>88%</td>
<td>64%</td>
<td>56%</td>
<td>38%</td>
</tr>
<tr>
<td>Understand business goals</td>
<td>63%</td>
<td>86%</td>
<td>64%</td>
<td>54%</td>
<td>36%</td>
</tr>
<tr>
<td>Understand steps organization is taking to reach its goals</td>
<td>55%</td>
<td>82%</td>
<td>55%</td>
<td>45%</td>
<td>25%</td>
</tr>
<tr>
<td>Organization does a good job explaining performance management process</td>
<td>45%</td>
<td>71%</td>
<td>45%</td>
<td>33%</td>
<td>18%</td>
</tr>
<tr>
<td>Organization does a good job using technology to deliver performance management process</td>
<td>44%</td>
<td>69%</td>
<td>43%</td>
<td>32%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Supervisors and managers wear at least two hats. They are responsible for meeting their own and their unit’s objectives from an operational perspective. And they’re also responsible for overseeing, coaching and mentoring the people who report to them. While employees give high marks to managers on the former, scores lag on the latter. Just 46% of the global sample agreed their manager has sufficient time for the people aspects of the job — a percentage that drops to about one-fifth among the disengaged (Figure 7).

Yet when it comes to actions that can support both enablement and energy, few things can have as much immediate impact as an effective relationship with one’s direct manager. HR programs abound, and an organization’s values and priorities must be in the mix, of course, but it’s the local interactions, person to person, day after day, that ultimately influence how employees feel about stress, their workload, their growth opportunities and their likelihood of remaining with the organization.

The player/coach model of the manager’s job is well established in most organizations, for theoretically practical (if not always economically sound) reasons. But organizations can nevertheless take a number of steps to improve their managers’ ability to focus on people issues. The first is to understand what actually matters most to employees in the supervisory relationship. When we examined which behaviors influenced employees’ views of manager effectiveness, three rose to the top in the order shown highlighted in Figure 7.

### Figure 7. The supervisory relationship

<table>
<thead>
<tr>
<th>% agreeing</th>
<th>Global sample</th>
<th>Highly engaged</th>
<th>Unsupported</th>
<th>Detached</th>
<th>Disengaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager assigns tasks suited to employee skills</td>
<td>63%</td>
<td>85%</td>
<td>63%</td>
<td>61%</td>
<td>36%</td>
</tr>
<tr>
<td>Manager clearly communicates goals and objectives</td>
<td>58%</td>
<td>82%</td>
<td>59%</td>
<td>54%</td>
<td>29%</td>
</tr>
<tr>
<td>Manager encourages new ideas and new ways of doing things</td>
<td>57%</td>
<td>80%</td>
<td>55%</td>
<td>51%</td>
<td>31%</td>
</tr>
<tr>
<td>Manager acts in ways consistent with his/her words</td>
<td>54%</td>
<td>77%</td>
<td>51%</td>
<td>46%</td>
<td>29%</td>
</tr>
<tr>
<td>Manager helps remove obstacles to doing job well</td>
<td>53%</td>
<td>78%</td>
<td>47%</td>
<td>48%</td>
<td>27%</td>
</tr>
<tr>
<td>Manager coaches employees to improve performance</td>
<td>49%</td>
<td>73%</td>
<td>49%</td>
<td>42%</td>
<td>21%</td>
</tr>
</tbody>
</table>
| Manager has time to handle the people aspects of the job | 46%           | 71%            | 43%        | 40%      | 21%        

When it comes to actions that can support both enablement and energy, few things can have as much immediate impact as an effective relationship with one’s direct manager.
“Managers who make sure employees’ roles allow them to make the best possible use of their skills, and who make sure people know what’s expected of them, can help enhance the sense of shared accountability that’s part of sustainable engagement.”

Note that all of these items relate to aspects of other drivers of sustainable engagement, underscoring managers’ central role in enablement, energy and traditional engagement. Managers who make sure employees’ roles allow them to make the best possible use of their skills, and who make sure people know what’s expected of them, can help enhance the sense of shared accountability that’s part of sustainable engagement. Goal clarity can also help alleviate pressure: Explicit goals set boundaries around an employee’s workload and provide an avenue to discuss reevaluating priorities when competing pressures become too great.

Managers who act in ways consistent with their own words and the organization’s values and ethics set the right tone and shape a positive view of leadership overall. And managers who consistently coach their employees in ways to improve performance are not only more likely to become the go-to individual for help with problem solving, but also provide reinforcement on career advancement and skill building, key drivers of sustainable engagement.

Unfortunately, in many organizations, managers are ill equipped to take on these challenges. They are often promoted for technical acumen, not people skills. As player/coaches, they are expected both to produce directly (write code, sell products, analyze data), and to lead their people and increase overall team productivity. Many managers find this combination challenging; some find it impossible. And even in organizations where some training is provided, it can be rudimentary, inconsistent or ineffective.

Organizations that expect their managers to enhance employee performance and, ultimately, increase the organization’s competitive strengths, must ask — and answer — some critical questions:

- Is the managerial role defined for maximum unit performance (not just maximum manager direct output)?
- Are spans of control broad enough to leverage the role efficiently and yet narrow enough to allow managers to spend enough time with each individual?
- Are manager competencies clearly defined for different functions and units across the organization?
- Are managers assessed and measured against those competency or role profiles, with appropriate resulting action?
- Is the people aspect of the role appropriately emphasized, evaluated and rewarded?
- Are training, tools and processes readily available — and viewed by managers as helpful — in areas like performance reviews, goal setting and dealing with remote teams?

In a very real sense, the manager is at the heart of what we might think of as a personal employee ecosystem — shaping the individual experience to help deliver the crucial elements of traditional engagement, enablement and energy day in and day out.
Perhaps surprising to some employers, the organization’s image ranks among the top drivers of sustainable engagement. But working for an organization with a marquee name and reputation has always signaled stability and security. Today more than ever, it reinforces a sense of personal pride, which builds the emotional connection that’s part of traditional engagement. And over time, it directly supports an organization’s attraction strategy, since it puts a positive buzz into the marketplace across all the sites and blogs job holders and seekers routinely visit.

As Figure 8 shows, less than 60% of the global sample agreed their employer was ethical and highly regarded by the public. This is certainly not an indictment, but does suggest room for improvement and could serve as a means of more closely binding the detached (who lack that emotional connection) to the organization. Among the issues to consider:

- Are the organization’s vision, mission and values current, relevant and embedded in the employee value proposition, whether that’s explicit or implicit?
- Are there well-documented and widely shared policies on appropriate business conduct and training for employees in those areas?
- Do leaders consistently uphold the values, both in public appearances and within the company? Are they held accountable for honesty and integrity in how their performance is measured and rewarded?
- Does the organization have a social responsibility program that’s meaningful to all relevant stakeholders, from employees, to local communities, to other important stakeholders?

Figure 8. Company image

<table>
<thead>
<tr>
<th>% agreeing</th>
<th>Global sample</th>
<th>Highly engaged</th>
<th>Unsupported</th>
<th>Detached</th>
<th>Disengaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization conducts business activities with honesty and integrity</td>
<td>58%</td>
<td>84%</td>
<td>61%</td>
<td>47%</td>
<td>27%</td>
</tr>
<tr>
<td>Organization is highly regarded by general public</td>
<td>57%</td>
<td>81%</td>
<td>59%</td>
<td>46%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Redefining Retirement: Challenges for Employers and Workers Alike

Views about retirement are changing rapidly across the world. At what point can, or should, people retire? What does a financially secure retirement look like? At what age, and for how long? Who should finance it? What are the responsibilities of individuals, employers and governments?

In the developed markets like Japan, the U.K. and the U.S., rapidly aging populations are putting tremendous pressure on balance sheets and cost competitiveness as companies struggle with mounting legacy pension obligations. At the same time, low birth rates mean looming shortages in key areas and the need to look elsewhere for the next generations of talent. Workers, aware of ongoing cost and risk shifting by their companies, increasingly want to extend their working career, creating issues for younger workers wanting to advance (and for whom advancement is critical to retention and engagement). In fact, 36% of the global respondents agreed their options for advancement were being limited by employees in positions above them choosing not to retire.

In the emerging economies, the picture is quite different, with countries like Brazil, India and Indonesia trying to balance becoming a source of talent for other countries amid an increased need to keep talent at home, and continuing to finance the education and development of the next generations of their young populations.

Respondents’ concerns about their financial future and retirement security showed up throughout the survey. Consider the following:

- Almost a fifth (19%) are not confident about managing their income needs in retirement, while nearly a third (31%) aren’t sure.
- Closer to a quarter (23%) are not confident in managing their health care needs in retirement, with a third unsure.
- 45% are confident they’ll have sufficient financial resources to take them through 15 years of retirement; that drops to a third (34%) over 25 years.
- Nearly 40% of respondents expect to retire later than they did just three years ago.

The uncertainty about their retirement prospects has led to a growing desire among employees for greater security in their reward package. In a series of trade-off questions to determine the relative importance of compensation opportunities versus retirement security, respondents chose a guaranteed retirement benefit (proxy for a defined benefit) over paid time off, a greater bonus opportunity or even an increase in pay. In an ironic twist of timing, prompted in part by the financial crisis and continuing capital market volatility, it appears that employees have come to value the attributes of the defined benefit plan at the very time so many organizations are winding theirs down and using various risk transfer solutions to meet their long-term obligations in an affordable way. For organizations that continue to offer a defined benefit plan, this presents a significant opportunity to emphasize their plan in their employee value proposition, and gain competitive advantage in attracting and/or retaining security-conscious employees.

In fact, respondents with a defined benefit plan are more likely to say they took their current job because of that benefit than those with a defined contribution plan. For those organizations moving away from defined benefit plans, the challenge takes shape differently: How can the company give employees a sense of long-term security through account-based approaches that will be solely or largely in employees’ direct control? While many organizations are already implementing financial education programs, automatically enrolling employees in savings plans (where that’s feasible) and expanding investment options, others are beginning to look for new approaches to designing account-based plans, with features that could mimic some of the most compelling advantages of the classic defined benefit. For example, some companies are starting to offer retirees the opportunity to purchase an annuity (a lifetime income stream) with the assets in their account-based plans. Others are looking to offer investment options that are designed to protect participants from the risk of outliving their money and the impact of market volatility by purchasing insurance on some portion of their retirement account.
The same elements that drive sustainable engagement also underpin aspects of an employer’s strategy for finding and retaining talent. We know from long experience that attraction, retention and sustainable engagement are best thought of as interrelated and overlapping phases in a fluid employment life cycle. And while core elements, like management, image and career, thread through all three phases, employees value them differently across the phases. It’s important, therefore, for organizations to be nimble and flexible in designing and delivering their attraction, retention and engagement strategies, allowing them to shift the emphasis on relevant elements as their own goals and needs — as well as those of employees — change.

Let’s start with attraction. As noted earlier, and as Figure 9 confirms, our global respondents remain focused on security and the basics of the work situation. While there are differences in attraction drivers from country to country (less in the mix than in their order of importance), these are things employers need to emphasize in their recruiting no matter where they operate. But these elements can and should be “flexed,” depending on the local labor climate, regulatory requirements, the prevailing culture and the nature of the work. If the organization is under pressure to hold the line on base pay, for instance, the ability to offer an alternative work arrangement can make the deal more attractive, especially if connected with meaningful training and career development options. If career paths are well defined and well documented, the prospect of advancement can help dispel concerns about long-term employment security.

However, for more traditionally focused employers, this kind of creative flexibility requires a new mindset that new hires or current employees can be as productive and engaged outside a conventional work location as in one. Revisiting long-held assumptions about work and people’s work ethic is often an important first step in shaping a deal for the current environment.

The picture for retention is different from that of attraction. While salary remains critical, all other elements have to do with the nature and quality of the work experience and value proposition, which are closely aligned with the drivers of sustainable engagement. And as noted earlier, there is a clear link between engagement and retention, with highly engaged employees at reduced risk for voluntary departure.

In the current environment, retention is an area where the interests of employers and employees appear to be aligned. Over half of the global sample (52%) agreed they’d prefer to remain with their current employer, even if another job were available to them. And virtually the same percentage (53%) agreed they’d like to stay with their current employer until they retire. While some of these views no doubt stem from caution about the economy and the labor market in various countries, the restless mobility predicted a decade ago has not come to pass. In fact, we found very little variation in views about retention across all the generations in our sample.
But employers should not interpret employees’ desire to build a long-term relationship with their organization as a commitment to stay put no matter what. Equally telling, 41% also said they would have to take a job elsewhere to advance their career. For employers, the message is clear: “I prefer to be employed and highly engaged here, but I need to see evidence that I can grow my skills and career.” And an effective way to provide that evidence is precisely through well-defined and communicated career paths, skill training, and a strong and effective supervisory relationship.

Bringing It All Together

Because all of these workplace elements are fundamental to every organization, they are affected by every policy, program and interaction that occurs locally and at the enterprise level in an organization.

No organization can get all of these elements right all or even most of the time. Business pressures intrude, Problems shift priorities, Investment capital is reallocated or pulled back. Key influencers leave or turn their attention elsewhere. That’s why focus and discipline are so important. Organizations need to learn what will have the most impact, have the discipline to take needed steps in those key areas and build up employee goodwill, earning them the benefit of the doubt on those occasions when things don’t go right (as invariably will be the case).

The findings from our study provide insights into what’s working and what isn’t from the workforce’s perspective, and where specific actions or behaviors could help turn the tide, especially for those segments important to the organization. The study also suggests the importance of having a thorough and up-to-date understanding of the current state of employee attitudes. While many employers routinely survey some or their entire workforce in various ways, it is important to ensure they focus on the right attributes and evaluate the important connections across responses. And they don’t all act on what they learn, either immediately or over the long term.

It’s easy to be distracted by competing priorities. But it’s essential for organizations and their leaders to have a clear understanding of what matters to employees, and why and how that affects their productivity and behavior on the job. Without that insight, creating the conditions that shape a compelling work experience and promote sustainable engagement is almost impossible.

“Engagement, as traditionally defined, is not sufficient to give employers the sustained performance lift they need — or keep employees doing their work effectively in today’s pressured and fast-paced work environment.”
Respondent Profile

Country list
- Argentina
- Australia
- Belgium
- Brazil
- Canada
- China (excludes Hong Kong)
- France
- Germany
- Hong Kong (excludes mainland China)
- India
- Indonesia
- Ireland
- Italy
- Japan
- Malaysia
- Mexico
- Netherlands
- Philippines
- Russia
- Singapore
- South Korea
- Spain
- Sweden
- Switzerland
- Taiwan
- Turkey
- United Arab Emirates
- United Kingdom
- United States

Gender
- 56% Male
- 44% Female

Job level
- 10% Senior management
- 20% Mid-level management
- 17% Supervisor/Foreman
- 29% Professional, technician, specialist
- 17% Nonmanagement — salaried
- 7% Nonmanagement — hourly

Age
- 23% Under 30
- 27% 30 – 39
- 24% 40 – 49
- 26% 50 or older

Organization size (number of employees)
- 24% 999 and under
- 33% 1,000 – 4,999
- 12% 5,000 – 9,999
- 31% 10,000 or more
About the Study

The Towers Watson Global Workforce Study covers more than 32,000 employees selected from research panels that represent the populations of full-time employees working in large and midsize organizations across a range of industries in 29 markets around the world. It was fielded by a third-party vendor via an online questionnaire between February and May 2012. The study is designed to help companies better understand their diverse employee segments and the factors that influence employee performance on the job by gauging changing attitudes that affect attraction, retention, engagement and productivity.

For more information, please visit towerswatson.com/sustainable-employee-engagement.

Related research from Towers Watson:

- Global Talent Management and Rewards Survey
- Retirement Attitudes Survey: Three-part series
About Towers Watson

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