IBM Software
Technical Whitepaper

The many contexts of employee engagement

Exploring the contextual layers that directly or indirectly influence employee engagement

Contents:

The WorkTrends™ survey

Employee responses to the four Employee Engagement Index questions presented in this report were gathered as part of the WorkTrends™ survey by IBM which has been administered annually or biannually since 1984. In 2012, the WorkTrends survey was taken online by approximately 33,000 employees in 28 different countries who work full-time for an organization of 100 staff members or more.[1] The survey asks employees more than 200 employee opinion questions about employee, manager and leadership behaviors, organizational practices and processes, and demographic variables. WorkTrends data are unique because they are a representative sample – a cross-section of workers across the globe, which allows us to generalize our conclusions to the broader working population. These data also allow us to examine employee engagement across a number of different contexts.

Executive summary

In this report we reveal the state of engagement in the world today. We will discuss how different contexts, from the macro- to the micro-level, can effect employee engagement. Then we will show you the levels of engagement attainable by highlighting contexts in which employee engagement is the highest.

Key highlights:

- Global Employee Engagement Index scores rose slightly in 2012 to 57 percent, but remain below the peak of 60 percent reached in 2009 and 2010.
- India topped the global employee engagement ranking in 2012, with the US, China, Canada and Australia all performing strongly. The UK, Russia, Germany and France had low-to-moderate Employee Engagement Index scores, while Japan was the lowest of the 28 countries surveyed in 2012.
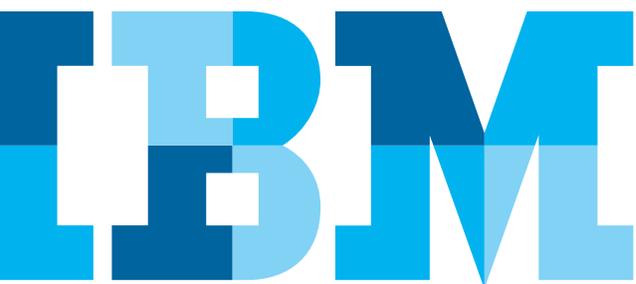
- All industries surveyed fall in a 9 percentage point range for 2012 Employee Engagement Index scores, with the public sector (government) at the bottom and electronics and computer manufacturing at the top.
- "Best practice" organizations have significantly higher Employee Engagement Index scores at 82 percent, which is 25 percentage points above the global average.
- Senior leaders have a big impact on employee engagement: employees who claim their senior leaders lack competence report Employee Engagement Index scores of only 23 percent.
- Employee Engagement Index scores drop 40 percentage points when a direct manager is unable to effectively tackle work tasks or people problems.
- Teamwork is critical – employees are most engaged when their coworkers try their hardest and do their best at work.
- The most engaged employees are senior leaders, those at the top of the organization (76 percent).
- Millennials have slightly higher Employee Engagement Index scores than baby boomers or Generation Xers.

For an in-depth review, refer to *Table 7* at the end of the report, for a summary of what makes the most and least engaged employees.

Employee engagement

Employee 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 the extent to which they agree with the following four items:

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

Numerous studies have demonstrated that an engaged workforce can have a profound effect on an organization's bottom line. Organizations with highly engaged employees not only see higher customer satisfaction, they also outperform organizations with low levels of employee engagement on a whole range of financial metrics (for more on linkage research refer to IBM's white paper, "Beyond Engagement: The Definitive Guide To Employee Surveys And Organizational Performance").[2]

The many contexts of employee engagement

Employee engagement is complex. In this report, we have presented it at the center of a system of factors that function at nine different levels, and we will examine employee engagement in the context of each level. While employee engagement matters a great deal to organizational leaders and human resources (HR) professionals, fundamentally, it is a state that exists in the employee.[3] The employee exists in a multi-layered context: nested in jobs, the characteristics of which impact the employee (and subsequently employee engagement); jobs are nested in teams of coworkers, which are nested under a direct manager; who is nested under a senior leadership team; in an organization; in a certain industry; in a specific country; at some point in time (see *Figure 1*). An employee's engagement is influenced, either directly or indirectly, to some extent by all these contextual layers – like a reverse ripple effect.
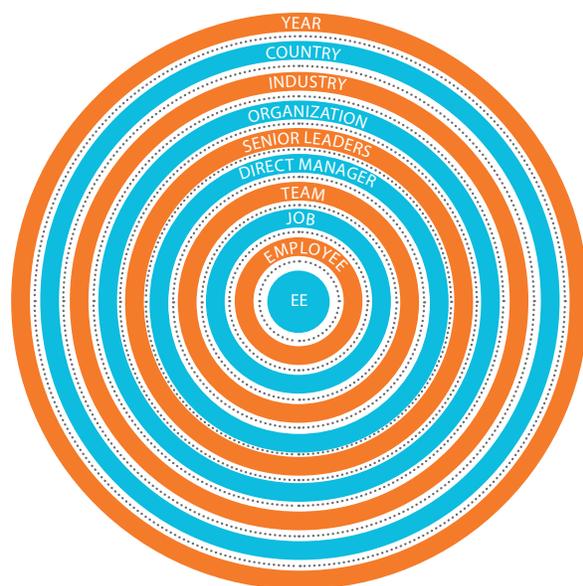

*Figure 1*: The many contexts of employee engagement

The state of engagement

Employee engagement trends over time are of great interest to organizational leaders and managers. People want to know how their results compare to last year, and how things have changed – it is how we assess whether we have improved or worsened.

Globally, employee engagement fluctuates moderately over time (see *Figure 2*). These fluctuations may be due to a multitude of different social or economic factors. In 2008, the Employee Engagement Index scores stood at 55 percent. Then the scores increased notably in 2009 to 60 percent, holding that level in 2010. Then, possibly in response to economic forces, scores dropped to a new low in 2011. It seems employee engagement is beginning to rebound in 2012, though the climb is less steep than before.

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Country

As with differences over time, it is also natural to wonder how employees differ across countries. We understand that workers across the world tend to be different, and also recognize different countries have different laws, policies and social norms that may influence industry practices, how business is done, manager and leader behavior, and ultimately, an employee's engagement.
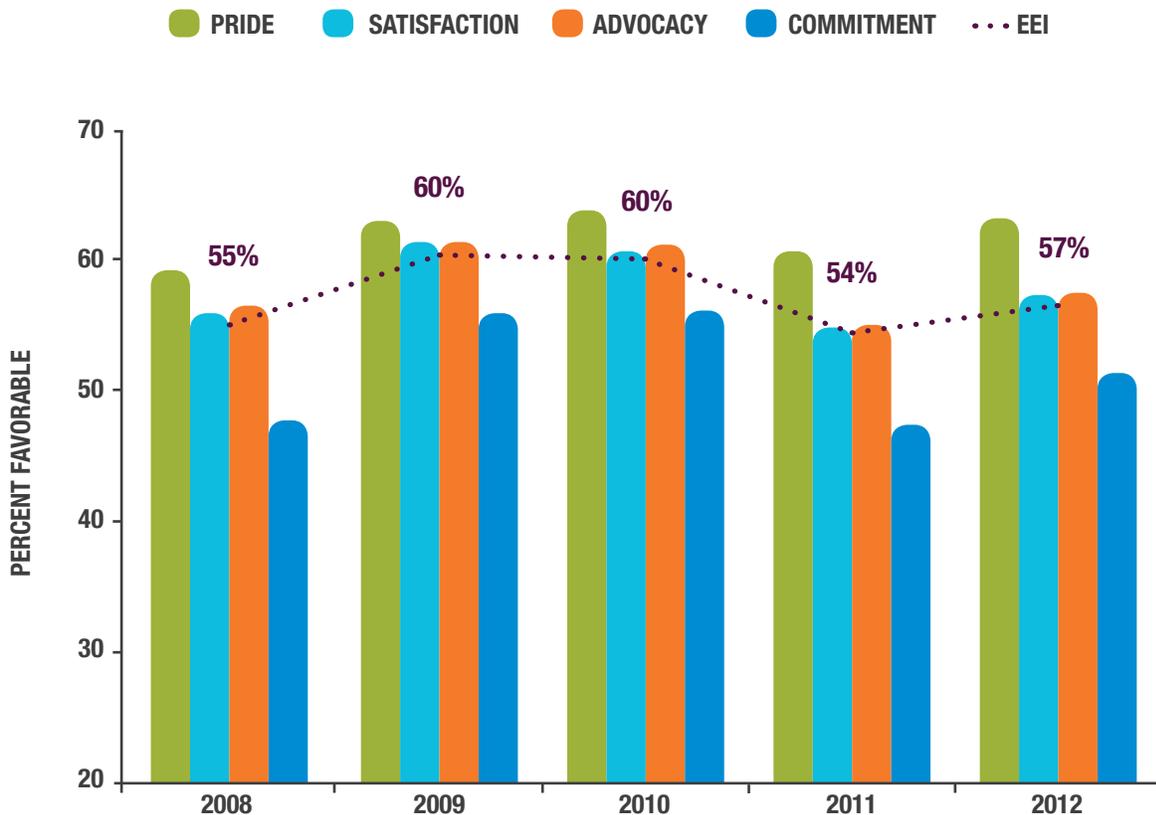
Note: Employee engagement trends are based on a six-country sample (i.e., US, UK, Germany, China, India and Brazil) across five years (i.e., 2008-2012). Margin of error +/- 1.

Figure 2: Five year global employee engagement trends

>70 PERCENT (HIGH)	India	77
60-69 PERCENT (HIGH-MODERATE)	Denmark	67
	Mexico	63
50-59 PERCENT (MODERATE)	Netherlands	59
	United States	59
	Canada	58
	Australia	57
	China	57
	Spain	55
	New Zealand	55
	Brazil	55
	Turkey	54
	Switzerland	54
	South Africa	54

50-59 PERCENT (MODERATE)	United Arab Emirates	53
	Finland	52
	Sweden	52
	Argentina	52
	Ireland	52
	Italy	51
40-49 PERCENT (LOW-MODERATE)	Indonesia	49
	United Kingdom	49
	Russia	48
	Saudi Arabia	48
	Germany	47
	France	45
	Korea	40
<40 PERCENT (LOW)	Japan	31

These data are drawn from a true representative sample of employees from these countries. Not all respondents work for organizations that regularly conduct employee surveys. Previous research has shown that employees who do work for organizations that regularly conduct employee surveys score, on a global average, 15-20 percentage points higher on the Employee Engagement Index.

Table 1: Employee engagement by country

Country scores are presented in five groups in *Table 1*. The highest Employee Engagement Index scores are found in India, while high-moderate scores are found in Mexico and Denmark. Moderate scores are found in the majority (17) of countries, including the US. Low-moderate scoring countries include, among others, three European stalwarts: the UK, France and Germany. Finally, one country exhibited a low-moderate score – Japan. *Figure 3* presents a map of the world, color-coded by engagement scores.
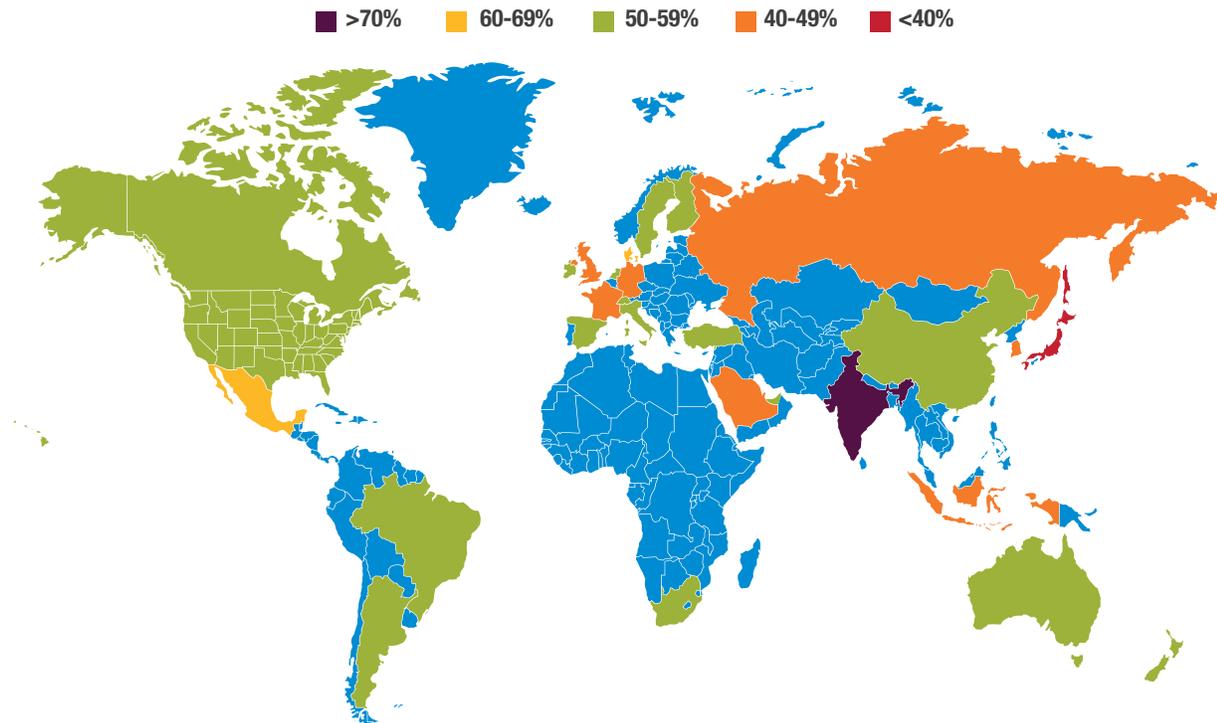
Note: WorkTrends 2012 international sample. Median margin of error across countries is +/- 3.

Figure 3: Employee engagement by country

Industry

We often evaluate an organization's performance in its own industry. Similarly, we can examine industry-level Employee Engagement Index scores. When examining these scores, a story of the haves and the have-nots emerges. The high-tech manufacturing sub-sector soars above the rest at 62 percent. It even heartily outscores other sub-sectors in the manufacturing industry (heavy and light score 4 and 10 percentage points lower, respectively).

Another stark contrast is found in the healthcare profession. In healthcare products, employees seem to be doing well, scoring 5 percentage points above the global median. However, healthcare services lags far behind, scoring a full 8 percentage points lower. Some of the lowest scores across industries are found in the public sector. Again, we observe substantial differences between sub-sectors: employees in state-or county-level government score 6 percentage points below those at the federal or national level.

Industry	EEI	Margin of error
Electronics and Computer Manufacturing	62%	3%
Heavy Manufacturing	58%	2%
Light Manufacturing	52%	3%
Health Care Products/Pharmaceuticals	59%	4%
Health Care Services	51%	2%
Banking Services	57%	3%
Financial Services	57%	4%
Food Industry Retail/Wholesale	54%	3%
Retail/Wholesale Trade	51%	3%
Education	54%	2%
Government/Public Administration	51%	2%
– Military or Armed Services	52%	5%
– Local or Municipal	51%	3%
– State or Province	47%	3%
– National or Federal, other than Military	53%	3%

Note: WorkTrends 2012 international sample. Global average EEI is 54 percent (+/- 1).

Table 2: Employee engagement by industry

Organization

Not all organizations are run the same way, and not all practices are uniformly implemented. Just as organizations are influenced by the year and country in which they operate, employee engagement is influenced by the organization in which they work. Several organizational "best practices" have been identified in the human capital management field.[4] Organizations should:

• Publish a statement of the organization's mission, vision, values, or strategy.
• Conduct an employee opinion survey.
• Sponsor activity or training sessions aimed specifically at quality improvement.
• Collect customers' feedback about the organization's products or services and share it with employees.
• Conduct regular performance appraisals.
• Cross-train employees to perform other jobs in the organization.

We found employees are more engaged when their organizations implement these best practices, especially when they are cross-trained. Further, when all of these practices have been implemented, Employee Engagement Index levels are at an astounding 82 percent. Conversely, when none of these practices have been implemented, Employee Engagement Index levels bottom out at 29 percent, a drastic difference of 53 percentage points.

	Yes	No
All Best Practices	82%	29%
– Mission Statement	62%	42%
– Employee Opinion Survey	62%	43%
– Quality Improvement Training	65%	41%
– Customer Feedback	62%	43%
– Performance Appraisal	62%	42%
– Cross-Trained	68%	45%

Margin of error for all best practice group is +/- 2, for no best practice group is +/- 3, and for all other groups is +/- 1."

Table 3: Global employee engagement by best practice

Senior leadership

Senior leaders are the captains of your organizational ship – they lead the way through both the calm and the storm. Employees look to their organization's leaders for guidance and reassurance. However, for senior leaders to effectively guide and reassure, their employees must trust them.

According to organizational scientists, what makes employees trust (or distrust) people is largely a combination of three core determinants: benevolence (do they care about me?), competence (can they do the job?) and integrity (are they honest?). Untrustworthy senior leaders can cause doubt and dampen employee engagement. We measured senior leader trustworthiness with three items:

- Senior management shows concern for the well-being and morale of employees (Benevolence).
- Senior management, at my organization, has the ability to deal with the challenges we face (Competence).
- When my organization's senior management says something, you can believe it is true (Integrity).

The effect of untrustworthy senior leadership is devastating on employees' engagement. Employees seem particularly troubled by senior leaders who do not exude competence and know-how (Employee Engagement Index of just 23 percent). On the other hand, senior leaders who seem to genuinely care about their employees' welfare cause workers' Employee Engagement Index scores to soar (79 percent).

	Yes	No
Trustworthy Senior Leaders	86%	17%
– Benevolence	79%	26%
– Competence	69%	23%
– Integrity	78%	26%

Margin of error is +/- 1.

Table 4: Employee engagement by senior leader trustworthiness

Direct manager

Often, the most influential person in our work life is our direct manager. This person is responsible for the day-to-day administrative tasks such as approving timecards, as well as weightier duties like providing performance feedback. We assessed two facets of direct manager performance: work management, which refers to managing tasks and people management, which refers to the softer side of leadership. We used these two items in our survey:

- My manager does a good job at "managing the work" that is, making appropriate work assignments, setting priorities, scheduling, etc.
- My manager does a good job at "people management," that is, dealing with the people who work for him/her.

Both facets of manager performance are crucial for employee engagement. Employee Engagement Index scores drop about 40 percentage points when a manager is unable to effectively tackle work tasks or people problems. When neither can be done well, the combined effect is even greater than the effect of each alone – dropping almost 50 percentage points.

	Yes	No
Effective Direct Manager	73%	24%
– Task Management	69%	28%
– People Management	70%	28%

Margin of error is +/- 1.

Table 5: Employee engagement by direct manager effectiveness

Team and coworkers

Even the best employee can fail, without the right team. A team is a group of people who cannot function better individually; working together as a group is what makes them more effective. At their best, coworkers can cover for one another, help pick up the slack and raise the bar through hard work. At their worst, coworkers can cause conflict and shirk their duties, leaving more work for each employee. An uncooperative and toxic team environment will likely affect an employee's engagement, no matter how positive other factors are. We assessed coworker quality with three items:

- The people I work with cooperate to get the job done.
- The people I work with do their very best for my organization.
- I feel that I am part of a team.

Employees are likely to be most engaged when their coworkers try their hardest and do their best at work. Not only are these coworkers helping the team achieve its goals, but they are setting a shining example for others and rallying the troops. Employees tend to be least engaged when they do not feel like they belong to a team. Teams can provide employees tactical and emotional support, both of which can be valuable resources when deadlines loom.

|	Yes	No
Good Coworkers	74%	12%
– Cooperative	62%	23%
– Do their Best	67%	21%
– Feel Like a Team	66%	20%

Margin of error ranges between +/- 1 and 3.

Table 6: Employee engagement by coworker quality

An uncooperative and toxic team environment will likely affect an employee's engagement, no matter how positive other factors are.

Job

When most employees (73 percent) report that they simply enjoy the work they do – it is no wonder the job itself can affect employee engagement levels. Figure 4 presents Employee Engagement Index scores by level in the organization and by job type. The most engaged employees are those at the top of the organization (76 percent), and scores seem to decrease as we move down the organizational hierarchy. Perhaps individual contributors simply have less invested in the company and are therefore, less engaged.

Among the most engaged job types are professionals, while laborers are among the least engaged. This trend highlights the importance of challenging and stimulating work to employee engagement, a finding supported by the academic literature.[5] It is no coincidence that professional jobs such as teachers, accountants, physicians, nurses, dentists, attorneys, engineers, artists, researchers and scientists typically enjoy greater job autonomy, which is an important predictor of motivation in the Job Characteristics Model. In fact, according to WorkTrends data,[6] professionals have the greatest job autonomy (70 percent), while laborers have the lowest (44 percent). This differential may also highlight the value placed on highly educated workers in the information age.
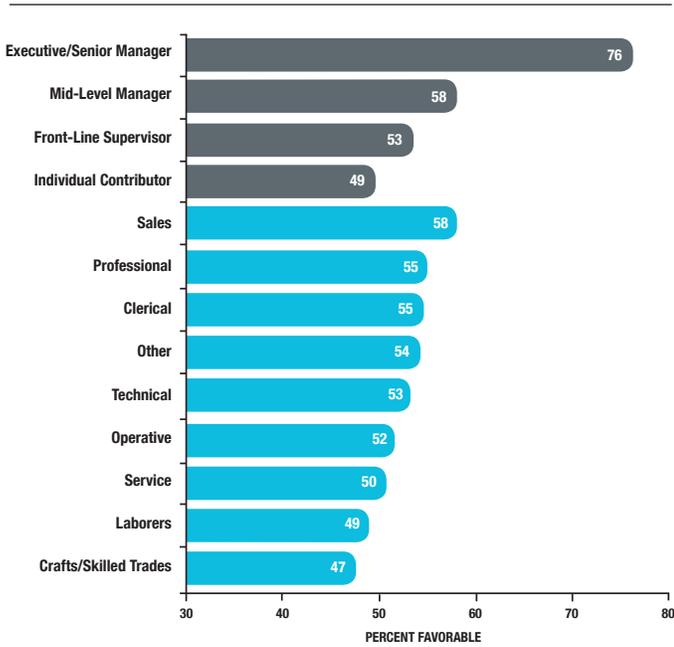
Margin of error for Upper/Middle Management is +/- 3, Supervisors is +/- 3, Professional/Technical Workers is +/- 2, Service/Production Workers is +/- 3 to 4, Sales is +/- 5, and Clerical is +/- 3.

Figure 4: Employee engagement by job level and type

As previously discussed, the healthcare services industry exhibits one of the lowest Employee Engagement Index scores (51 percent). Interestingly, this could be partly explained by job-level factors. *Figure 5* presents Employee Engagement Index scores in the healthcare services industry by job type and level. Note how the most engaged among them (administrators/managers and physicians) demonstrate scores that are actually higher than the global average (54 percent). Perhaps not surprisingly, at the bottom of the list and tugging the overall industry score down, are individual contributors, nurses and health aides. Interestingly, 46 percent of nurses and health aides report unreasonable work stress, while only 38 percent of healthcare administrators and physicians report the same.
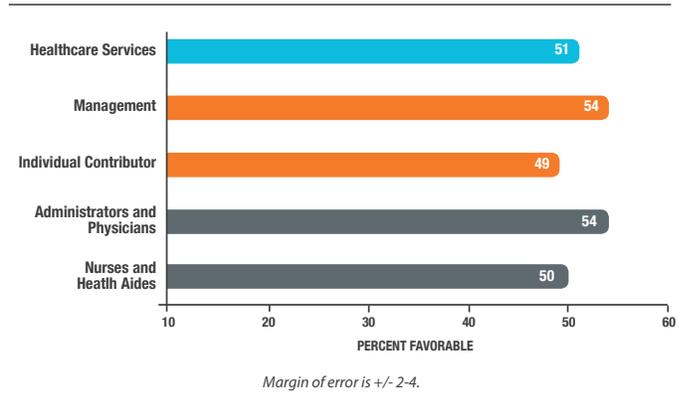
Margin of error is +/- 2-4.

Figure 5: Employee engagement by healthcare job level and type

Employee

Certain types of employees may simply be more engaged than others. A great deal of speculation surrounds the millennial generation, but, despite being characterized as spoiled and high-maintenance, millennials actually exhibit higher Employee Engagement Index scores than both Gen Xers and boomers. Interestingly, the one exception to this trend is commitment; millennials are about as committed as Gen Xers and only slightly less committed than boomers. Millennials came of age in a milieu of down-sizing, outsourcing and offshoring. Despite more positive attitudes, it seems that they do not expect the same cradle-to-grave employment contract of their parents' era.
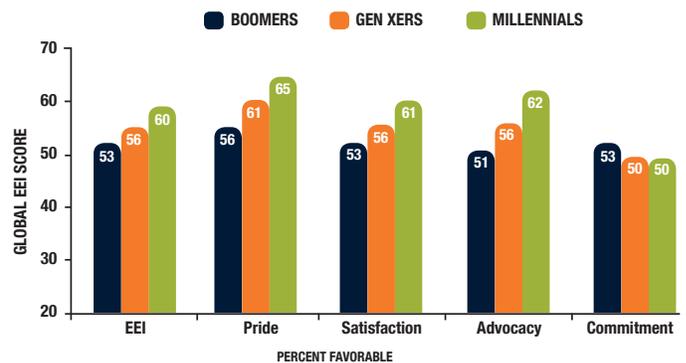
Margin of error is +/- 1. Baby boomers were born from 1943 through 1960, Gen Xers were born 1961 through 1981, and millennials were born 1982 through 2003.

Figure 6: Employee engagement by generation

The highs and lows of engagement

By examining the many contexts of employee engagement, we have established an extensive view of a complex construct. It is safe to say employee engagement is determined by a number of different things. In this report we have explored influential factors from very broad (time period) to the very specific (individual employee), and at each layer we observed a substantial impact on Employee Engagement Index scores.

We have summarized all of these findings, to highlight the most and least engaged of 2012 (*Table 7*).

	Most engaged	**Least engaged**
Year	2009 & 2010	2011
Country	India	Japan
Industry	High-Tech Manufacturing	Healthcare, Retail, Government
Organization	Cross-train employees	Do not conduct quality improvement training
Senior Leadership	Benevolence	Incompetence
Direct Manager	Effective at both people and task skills	Ineffective at both people and task skills
Coworkers	Feel like a team member	Coworkers who do not do their best
Job	Senior Manager, Sales	Individual Contributor, Craft/Skilled Trades
Employee	Millennials	Baby Boomers

Table 7: The most and least engagement employees by context

For more information

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ibm.com/social-business

1 Except for UAE, KSA and Ireland, which required only 25 staff members.

2 Wiley, J. W. (2012). Beyond engagement: The definitive guide to employee surveys and organizational performance. Kenexa High Performance Institute. http://www.ibm.com/common/ssi/cgi-bin/ssialias?subtype=WH&infotype=SA&appname=SWGE_LO_PT_USEN&htmlfid=LOW14043USEN&attachment=LOW14043 USEN.PDF

3 Macey, W. H., & Schneider, B. (2008). *The meaning of employee engagement.* Industrial and Organizational Psychology, 1, 3-30. http://onlinelibrary.wiley.com/doi/10.1111/j.1754-9434.2007.0002.x/abstract?deniedAccessCustomisedMessage=&userIsAuthenticated=false

4 Becker, B., & Gerhart, B. (1996). *The impact of human resource management on organizational performance: Progress and prospects.* Academy of Management Journal, 39, 779-801. http://www.jstor.org/stable/256712

5 Wiley, J. W. (2012). *Beyond engagement: The definitive guide to employee surveys and organizational performance.* Kenexa High Performance Institute. http://www.ibm.com/common/ssi/cgi-bin/ssialias?subtype=WH&infotype=SA&appname=SWGE_LO_PT_USEN&htmlfid=LOW14043USEN&attachment=LOW14043USEN.PDF

6 Kenexa WorkTrends Survey. 2012. In its current form WorkTrends is a multi-topic survey completed online by a sample of employees representative of a country's working population in terms of industry mix, job type, gender, age and other key organizational and demographic variables. In most countries, survey takers must be adults who work full-time for an organization of 100 employees or more; this threshold drops to 25 employees or more in countries with smaller economies or hard-to-reach populations. The survey has over 200 items that cover a wide range of workplace issues, including senior leader and direct manager effectiveness, recognition, growth and development, employee engagement, customer orientation, quality emphasis, innovation, corporate social responsibility, workplace safety, work stress and performance confidence. In 2012, over 33,000 employees were surveyed, representing 28 countries.

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