

# The New Employment Deal

## How Far, How Fast and How Enduring?

Insights From the 2010 Global Workforce Study

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The recession has accelerated the demise of the traditional employment contract, or “deal,” between employees and employers. Our 2010 Global Workforce Study, fielded between November 2009 and January 2010 among more than 20,000 workers in 22 markets worldwide, reveals a recession-weary workforce — one with lower expectations, increased anxiety and new priorities.

# 2010 Global Workforce Study

## The New Employment Deal



“There is a gap between what employees want and expect from this employment relationship and what employers can afford to deliver, compromising employers’ ability to shift their focus from recovery to growth.”

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# Introduction

The last few years have brought a series of shocks to the workplace. Companies worldwide have struggled to varying degrees with the effects of the global recession and the corresponding impact on their profitability, competitiveness and strategic focus. Market risk has taken on new meaning, bringing demands for more scrutiny and regulation of financial instruments, business practices and operating processes. Governmental social systems across the world are feeling the weight of increased costs to a greater degree than ever before, prompting a serious look at more cost shifting to the private sector. And amid these pressures swirls a more enduring set of challenges — from new technology to widely dispersed workforces to an “anywhere anytime” marketplace for goods, services and labor.

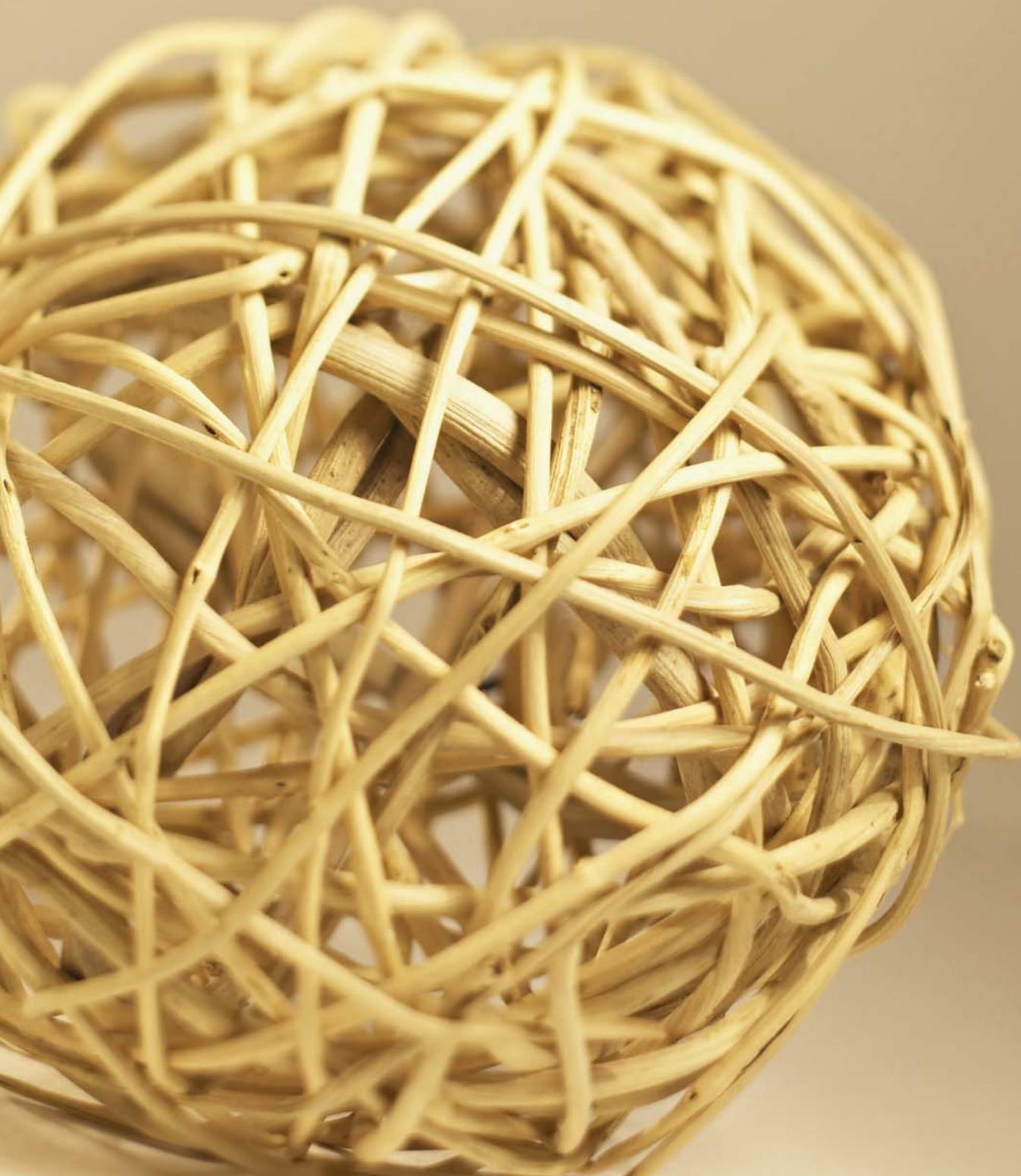
While some pressures are easing — economic recovery, although still uneven, is accelerating — the impact on the world’s workforce and employment itself appears to be deep and long lasting. Our 2010 Global Workforce Study, fielded among employees in 22 markets around the world between November 2009 and January 2010, clearly reveals a recession-weary workforce — one with lower expectations, increased anxiety and new priorities. (See page 21 for details about the study.)

Broadly, three themes emerge from this study:

- **The recession has driven a final wedge into the social contract, or “deal,” that has traditionally underpinned the employment relationship.** The core of that deal — “Perform well, stay with us, and we’ll reward you fairly and help you grow” — is evolving into something far more flexible and conditional, dependent not only on strategic needs and employees’ contributions and performance, but also on the demands of an ever-changing business environment.
- **There is a gap between what employees want and expect from this shifting relationship, and what employers can afford to deliver in a highly competitive business climate.** If this “relationship gap” continues to widen, it could compromise employers’ ability to retain top talent, sustain workforce productivity and shift their focus from recovery to growth.
- **Organizations have a unique opportunity to define a new and more sustainable employment deal with their employees.** This “new deal” combines enhanced self-reliance on the part of employees with more segmented talent and reward programs and flexible organizational structures and processes to effectively support the needs of employers and employees alike.

The remainder of this report summarizes our top-line findings, examines the implications for employers, and presents a framework for developing this new deal and closing the emerging relationship gap.

“Few employers will be able to compete effectively in the current environment without policies and practices that recognize and allow for differences in employees’ roles, skills and performance, as well as their interests, expectations and needs.”



# The Employee Perspective: Anxiety About the Future

The desire for security and stability trumps everything else right now, a theme that is fairly consistent worldwide. This certainly stems from continuing fears about the economy and job market: Half of the global respondents anticipate no change in job availability through 2010, and roughly a quarter expect the job market to further tighten. But it has a more fundamental root as well: **Employees see security as a fast disappearing part of the employment relationship — something that's increasingly difficult to achieve.**

## Inside the data...

**76%** want a **secure and stable position** above all else.

**51%** think it's **achievable**.

Among our key findings:

- Employees understand they are solely or chiefly responsible for ensuring their futures and their long-term financial and physical health and well-

being. **But most express doubts about their ability to take on this role fully and confidently.**

## Inside the data...

**Three-quarters** agree they're responsible for their **financial future and career**.

Roughly **half** agree they're **up to the task**.

**41%** anticipate a **drop in their standard of living** in retirement.

- As a direct consequence, people now have a strong back-to-basics orientation in what they want from their employer. **Their focus is on the practical aspects of the deal, notably pay and flexibility in work arrangements.** This is most pronounced in the mature economies, including the U.S., U.K. and Germany. In the emerging economies, arguably ahead on the economic recovery curve, the picture varies a bit.

## Inside the data...

### A World of Difference in What Attracts People to a Job

#### The Emerging Economies

	Brazil	China	India
Career advancement	1	1	1
Competitive salary	2	*	*
Challenging work	3	*	3
Learning and development opportunities	*	2	2
Competitive benefits	*	3	*

\*Not ranked in the top 3

#### The Mature Economies

	Germany	U.K.	U.S.
Competitive salary	*	1	1
Convenient work location	2	2	*
Sufficient vacation	*	3	2
Challenging work	1	*	*
Flexible schedule	3	*	*
Competitive health care	*	*	3

- Mobility is at a decade-long low point, both globally and across many individual countries, especially in Europe and North America. Indeed, in keeping with the stability theme, many employees are currently sacrificing advancement for job security. How long this may last remains to be seen, but it's likely to hold true for some time to come, given that **as many employees want a job for life as want to be “free agents” — open to frequent moves to the highest bidders.**

#### Inside the data...

**81%** are **not actively looking for other jobs** now even though

**48%** see **no advancement** in their current job and

**42%** think they have to **go elsewhere** to advance.

**33%** want to work for just **one company**.

**67%** want to work for **no more** than three companies over their careers.

- Confidence in leaders and managers — particularly their competence and support — is low, especially in terms of the interpersonal or “relational” (versus operational) aspects of their roles. **Employees appear hungry for an emotional connection to their management teams that they feel is conspicuously absent right now.** This is especially disturbing given the central role that leadership continues to play in driving employee engagement (see page 20).

#### Inside the data...

**Just one in 10** use social media for business purposes.

Only **a third** think social media improves their productivity right now.

- Staying connected in a more virtual workplace — whether to the organization itself, managers or colleagues — is an increasingly important and complex issue, and one that few companies have yet figured out. Employees like the idea of more freedom and flexibility in the workplace, especially autonomy to make their own decisions on the job and freedom to work remotely all or part of the time where feasible. **But they are not sure they have the tools and support required to self-manage their work or remain connected effectively in a more virtual work environment.**

“Many employees are currently sacrificing advancement for job security.”

#### Inside the data...

**Half** agree their senior leaders are effective at leading the company.

Just **38%** think their leaders have a **sincere interest in their well-being**.

Just **47%** think their leaders are **trustworthy**.

Just **42%** think their leaders **inspire and engage them**.

**59%** think their direct manager **is effective at managing**, but

**53%** question whether managers **have time for the people aspects of the job**.

**61%** question how well managers **deal with poor performers**.



# Implications for Employers: Staying Competitive

Clearly, there are significant implications in these findings for employers and the decisions they need to make about the magnitude, nature and timing of their investments in their workforce. Among them:

- Will companies face greater challenges as they compete for talent on a global basis? And if so, when will this start, and how intense will it be?

In the mature economies, there are few signs this will be a widespread issue in the short term. In fact, the next “war for talent” is likely to be waged *inside* organizational walls, as employers focus on advancing and retaining their top talent while also continuing to develop and engage the broader workforce. The picture will be quite different in the emerging and faster recovering economies, where competition for talent in the external market is already heating up, and employee mobility is far greater.

- To what extent will companies face the opposite problem — the inability to move workers out of the organization in an orderly fashion because they are nearing, at or past retirement age, but cannot afford to retire or simply wish to continue working? How could this limit opportunity for those just entering the workforce or others seeking to advance in their careers?

- How much responsibility and risk can reasonably be shifted to employees without impeding their productivity? And what can organizations do to equip individuals to be more self-reliant in owning and managing their own performance, career, financial security, health and well-being?
- What is the profile of the successful leader in the post-recession world — someone who can not only manage the organization, but lead people as well? How can companies mold a new generation of leaders who can inspire and engage people, and unlock the enormous performance potential of the workforce?

In considering these issues, it's important to remember that some of our respondents' attitudes may be transient — borne of economic adversity. But in our view, that doesn't negate the fact that we are at the earliest stages of a significant workplace transformation — propelled by the demise of the traditional deal — that will profoundly affect how businesses approach people management and how individuals approach the workplace.

“We are at the earliest stages of a significant workplace transformation that will profoundly affect how businesses approach people management and how individuals approach the workplace.”

At one end of the spectrum is the fact that few employers in any part of the world can afford to sustain any aspect of the paternalistic “we will take care of you” employment proposition that held sway in much of the industrialized world for almost a century. While the scope, timing and pattern of this transfer of responsibility is uneven across the world — depending on prevailing social systems and regulatory climates — it is already occurring and will continue to do so. At the other end, it’s equally clear that technology will continue to revolutionize not only how work gets done but how people “access” their work and one another. Social media — in their infancy from a business standpoint, according to our study — are just the tip of a very big iceberg that companies need to navigate thoughtfully and over the right time frame.

“Equipping employees with the capabilities and tools to secure their own futures will not only help retain and engage, but also eliminate the kind of personal stress that can affect productivity.”

Our findings also serve as an important reminder about some core truths about work.

- **People need security in good times as well as tough times.** Even at the height of the dot-com boom, “free-agent nation” was more hype than reality in most parts of the world. As noted, only a third of employees globally define themselves as “job hoppers,” and that percentage drops dramatically in many individual countries, especially in parts of Europe and North America. In addition, confidence in job security is fairly low, again most particularly in the mature economies hardest hit by recessionary pressures.

So if traditional security is a thing of the past — and our findings make it hard to disagree — the challenge for employers now is to find **creative ways to help people build their own sense of security.**

A critical first step is to take a fresh look at the very concept of security. For some organizations, this may involve drawing a bright line between old-style “passive” security — of the “take care of me” variety — and so-called “active” security — of the “equip me to do it myself” kind. In the end, equipping employees with the capabilities and tools to secure their own futures will not only help retain and engage, but also eliminate the kind of personal stress that can affect productivity.

- **In a world made smaller (and arguably flatter) by technology and a more homogeneous global consumer marketplace, we’re not seeing a corresponding homogeneity across workforce attitudes and behaviors.** The interesting point here is that the diversity we’re seeing in attitudes and needs goes well beyond geographic borders. Our data reveal meaningful differences in views across job functions, levels and roles. And while this in itself may not be a revelation, it does put a fine point on **employers’ need to better understand workforce differences and create a more customized work experience to fully draw out people’s discretionary effort and performance potential.**

At the same time, there are common characteristics that do cut across national and cultural boundaries — from the core desire for security already highlighted, to basic emotional connections people need to form in their jobs. Those connections may be harder to make and sustain in the virtual environment, but they are all the more important given the instability prevalent in the rest of the work environment today.



Toward a

## New Employment Proposition

We believe employers need to move quickly to redefine an employment relationship that makes sense for the realities of today's environment — before it is defined for them in ways that compromise their competitiveness and sustainability over time.

Drawing on insights from our study, our own consulting experience and the broad economic, social and business trends taking shape globally, we think this new relationship must be grounded in three organizational dimensions:

- **Fostering self-reliance** on the part of employees
- **Creating greater personalization** in how the employment deal is defined and delivered for various segments of the workforce
- **Building more flexibility and agility** into the organization's structure and processes, talent and reward programs, and the HR function itself

Think of this new deal or employment value proposition (EVP) as the art of the possible — a synthesis of both traditional and novel approaches to workforce management that can be molded in a variety of ways to fit an organization's unique circumstances, and philosophy and strategy about its people and how they create economic value.

Each dimension can take on more or less importance and can flex with swings in business cycles. But the overall framework provides a structure and focus for decision making about how much to invest, where, over what time frame and with what anticipated return, whether in productivity, engagement, retention or something else.

What follows is a closer look at elements of this framework and ways employers can make it their own.

“Today’s workplace is truly diverse in ways few companies can ignore, whether they operate globally or in one location.”

“Self-reliance is more of an intellectual construct than a behavioral reality for employees.”

## Fostering Self-Reliance

Despite being a decade or more removed from a highly paternalistic employment deal in parts of the world, our findings indicate that self-reliance is more of an intellectual construct than a behavioral reality for employees. This is most obvious when it comes to employees’ views about providing for their own financial and physical well-being through their working lives and into retirement.

For instance, fully three-quarters of the global respondents agree that responsibility for their financial future already rests with them, and the same percentage agree that will be the case in five years. (Where responsibility remains shared, employees are more inclined to look to their employer than the government, although that clearly differs across countries.) But their confidence in handling this responsibility is underwhelming, especially in terms of planning for their retirement years.

Only 42% are confident they will have sufficient resources in retirement, and an even smaller percentage (38%) feel comfortable providing for their own health care needs in retirement. Forty-one percent believe their standard of living will actually decline in retirement. Close to two-thirds (62%) worry often about their future financial state, and 54% worry frequently about their present financial state. This may explain why only a quarter plan to stop working completely once they retire, although, in a somewhat contradictory spirit, only a third or so said they’d continue to work for financial need.

Contrast these views with employees’ confidence in managing their own jobs and, to a lesser extent, their careers. Over three-quarters (78%) said they were comfortable managing their work with little or no oversight. And roughly half to two-thirds agreed they were able to develop their skills through internal networking, on-the-job learning and self-directed online learning, among other things.

### Building Blocks for a New Deal

#### Personalization

Segment the workforce, personalize key elements of the deal, and ensure more differentiated investment of financial resources in critical talent.

#### Self-Reliance

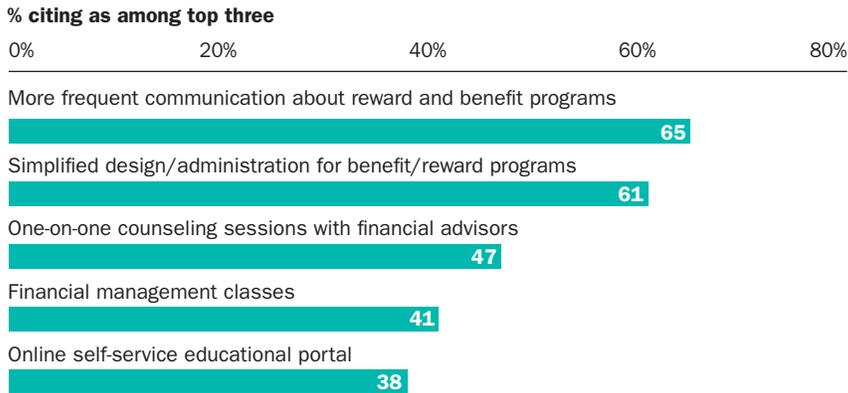
Enable employees to build their skills, plan for their financial future and live healthy lives — active security versus passive security.



#### Agility

Develop leaders, reward structures, HR functions and organizations that are more flexible, adaptable and responsive to an ever-changing global business environment.

**Figure 1. Building Self-Reliance — Types of Support Most Desired From Employer**



These distinctions in employees’ comfort levels underscore the importance of knowledge and expertise, experience, clear communication and goal clarity in building confidence. Generally, employees know their jobs, what’s expected and why, and they have the skills and experience to do what’s needed. The same hasn’t been true in the benefit and retirement areas. The data are unambiguous that employees continue to view their benefit as overly complex and not well communicated. Even today, slightly less than half of the global respondents agreed they understood their company’s retirement programs.

## Manager as Coach and “Deal Maker”: Rethinking the Role

Most employees look to their direct manager to make sense of the broader organization: to interpret vision and goals, clarify rules and maintain meaningful connections between the individual and the enterprise. While our global respondents gave managers higher scores than senior leaders on a range of behaviors, including overall effectiveness, it was by no means a ringing endorsement of managers’ current competence and interest in employees. And managers scored poorly on the “human” dimension of their role, particularly around performance management.

If the new employment model is about increased employee self-reliance, then managers need to do less overt managing, and more coaching and guiding. Their role is to enable and clear a path for success, rather than to direct and dictate. The reality, though, even today, is that few managers are equipped to serve in this way. Many were promoted on the basis of their technical skills, and few receive effective training in the art of managing

people. But a company’s success in creating a culture of self-reliance may well depend on its ability to refashion the managerial role and either select or train for it in very specific ways.

Two insights from our study help inform this shift. One, more frequent and more consistent contact (whether actual or virtual) between manager and employee increases the individual’s comfort in self-managing, although the frequency of contact may be less important ultimately than the quality of that contact. Two, the top drivers of managerial effectiveness heavily emphasize support and trust. They include consistency in words and actions, the ability to remove obstacles to doing a job well — clearing the path to success and ensuring opportunities for growth — and trustworthiness as a source of organizational information. Right now, however, only half or slightly more than half of the respondents agree that their managers do these things well.

## “Employees want more flexibility to allocate their rewards, but within a well-defined safety net to protect them against excessive risk.”

The other key insight emerging from our data is that employees want more flexibility to allocate their rewards in the way that best suits their needs. But they want that freedom within a well-defined safety net to protect them against excessive risk. Only a fifth, for instance, would opt for their employer to make all decisions on their behalf. But more employees (44%) want some limits on their freedom than not (37%), perhaps as a direct result of seeing what poor personal investment decisions did to their savings plan balances under various company-sponsored programs.

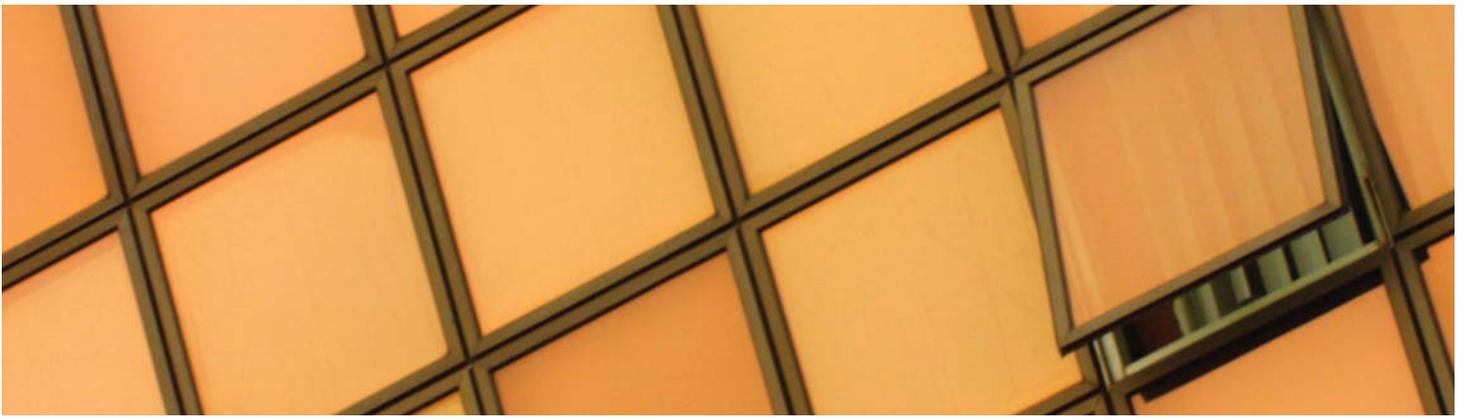
As employers consider a path forward in building employee self-reliance, here are some key considerations:

- Define an acceptable level of risk transfer for employees.
- Determine whether and to what extent this level of risk transfer could and should “flex” across different employee segments — much as pay packages blend fixed and variable elements differently across levels, roles and job bands.
- Identify what resources and tools are required to educate employees to become their own “risk managers,” and select those that will work most effectively for different workforce segments. Take the time to test tools with end users, and adapt them accordingly.

**Figure 2. Getting the “Ownership” Balance Right**  
% agreeing



- Provide training on the effective use of the increasing array of sophisticated financial and related modeling software available today.
- Simplify plan design where and when possible, and increase the frequency and clarity of communication about pay and benefit plans, and how best to make decisions and manage choices.
- Find out where employees currently go for support and information, and gauge the perceived effectiveness of these sources. Among our global sample, for instance, only 52% of respondents agreed that their immediate manager is a trusted source of information about various things going on in the organization.
- Identify the role immediate managers should play in fostering self-reliance, their current level of comfort with that role, and the need for clear goals and training to equip them to do it effectively going forward.



## Creating a More Personalized Work Experience

Companies invest billions of dollars a year in sophisticated research to segment their customer base, and design and deliver products and services that “speak” directly to buyers’ differing needs and preferences. But very few apply these same tools and approaches to another key stakeholder of their services: employees. Until recently, there seemed little need to; if it wasn’t quite a one-size-fits-all world, it didn’t expand much beyond two or three sizes.

Today’s workplace is truly diverse in ways few companies can ignore, whether they operate globally or in one location. The good news is that it’s surprisingly easy to adapt the tools of consumer research to the employee marketplace, and identify the needs and behavioral drivers of various segments, and factor these into the design and delivery of workplace programs.

“A detailed understanding of the workforce is the foundation of effective personalization.”

In the same way customer segmentation drives desired customer behavior (e.g., repeat purchasing), greater customer satisfaction and better financial results, so, too, can workforce segmentation enhance engagement, shape employee behavior and improve organization performance. (In fact, these internal and external processes are closely linked, as evidenced by the strong connection we’ve observed in our client work between high levels of

employee engagement and strong organizational financial performance.)

One of the more striking findings from this year’s study is the variability in attitudes and expectations across the workforce. We saw differences in why people join or leave organizations, how they define a career, how much risk they’re comfortable taking on, what motivates them to give maximum discretionary effort, what they expect in terms of their reward package and what they want from their managers.

These differences came through not just in nationality, age or gender, but also in such aspects as job level, function and career orientation. In the U.S., for example, we found a number of significant differences in what “high potential” respondents (self-identified based on participation in a formal company program) want from a career and expect from their employer in terms of support versus the rest of the respondent group. Information like this can make a dramatic difference not only in developing programs that retain such employees, but also in cementing their emotional connection to the organization and boosting their engagement over time.

A detailed understanding of the workforce is the foundation of effective personalization. Most organizations have a clear picture of their workforce demographics, of course, as well as factors like turnover and retirement patterns, employee mobility across locations or functions, and relevant labor market trends. But the power of this information comes not only in its depth and breadth, but in combining aspects to tease out important but more subtle distinctions that affect behavior. That’s the level that yields true — and actionable — insights, for instance, why high potentials in one function have very different turnover rates from those in another function. Or why

## “Workforce segmentation can enhance engagement, shape employee behavior and improve organization performance.”

incentive payouts in one division seem so disconnected from both actual performance and performance ratings. Or why engagement scores are dramatically lower, or higher, in one division or country versus others. Or whether an emerging leader group is, in fact, demonstrating the skills required for success in the future.

Building from a solid base of workforce knowledge, employers have the raw material to design and deliver increasingly tailored talent and reward strategies for various segments of their population. This doesn't mean there isn't, or shouldn't be, an overarching framework that reflects key principles about equity, competitiveness, extent of pay differentiation, cultural differences and so on. But given today's growth imperative, it's more critical than ever to align

organizational “inputs” (e.g., workplace programs and processes) with desired “outputs” (employee behaviors and actions). The exhibit below offers a simple example of how this can work from a role perspective.

Following are some considerations in evaluating the extent and nature of workforce and workplace personalization:

- Invest the time in studying the perceptions and preferences of the workforce, particularly critical talent groups like high potentials, key contributors and future leaders. Surveys are part of the process, of course, but a combination of quantitative and qualitative information can provide deeper insights, and lead to better decisions about investments down the road.

Elements of the Deal	Star Contributor	Future Leader
Work design	<ul style="list-style-type: none"> <li>• Assigned to “hot” projects</li> <li>• Membership on high-profile teams</li> <li>• Challenges reflecting technical issues/questions</li> <li>• Results focused on simplicity/clarity and effectiveness of technical/functional solutions</li> <li>• Access to the latest, most sophisticated tools</li> </ul>	<ul style="list-style-type: none"> <li>• Growing responsibility for team/project leadership</li> <li>• Challenges reflecting both individual contributions and relationships, and project operations</li> <li>• Results focused on project completion and performance</li> <li>• Access to the latest project management tools and approaches</li> </ul>
Growth opportunities	<ul style="list-style-type: none"> <li>• Career development plan focused on achieving high technical contributor status</li> <li>• Contact with network of senior experts in the discipline</li> <li>• Mobility around the organization</li> <li>• Attendance at technical conferences</li> <li>• Ongoing education to enable continuing innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Career development plan focused on achieving executive rank</li> <li>• Leadership responsibility for increasingly larger and more important projects over time</li> <li>• Leadership training</li> <li>• Technical training sufficient to keep skills current and credible</li> </ul>
Recognition	<ul style="list-style-type: none"> <li>• Acknowledgement of technical contributions</li> <li>• Opportunity to present to external technical conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgement of project success; reinforcement of leadership potential</li> <li>• Opportunity to teach leadership as part of organization's learning and development curriculum</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Base salary reflecting market levels</li> <li>• Emphasis on intellectual capital development and commercial contributions in goals and incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Base salary reflecting market levels</li> <li>• Emphasis on team effectiveness and project success in goals and incentives</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• Standard health and retirement benefits</li> <li>• Flexible schedule and work location</li> </ul>	<ul style="list-style-type: none"> <li>• Standard health and retirement benefits</li> <li>• On-site work location</li> </ul>

- Define careers in ways most relevant for critical talent groups, and build development plans accordingly. We found interesting differences among employee segments, for instance, in terms of their relative emphasis on skill building versus wealth accumulation, and how that emphasis shifts back and forth in importance across an employee’s working life.
- Make sure key talent groups have a clear line of sight to a meaningful career path and development opportunities. Career development has consistently topped the list of retention drivers in the studies we do with our clients, and failure to focus on this issue can increase the risk of losing key contributors, even in today’s economy.
- Bring personalization into every aspect of the deal or EVP — extending it beyond variability in pay practices, for instance, to the complete work experience, from job design, to performance management, to pay and benefits, to development and training, to work/life arrangements.
- Recognize that personalization is not just about program design, but can also come through in how programs are delivered and communicated to different employee groups. Borrow techniques of mass customization from the worlds of advertising and consumer marketing to build unique messaging strategies and tactics for different employee groups. Match both the message and medium to the interests and needs of varying audiences.
- Measure the effectiveness of personalized communication, and alter strategies over time as necessary.

“Personalization is not just about program design, but can also come through in how programs are delivered and communicated to different employee groups.”

## Total Rewards Optimization (TRO): The Right Level of Personalization at the Right Cost

Is your organization investing in the right rewards — those most meaningful to employees — and achieving the desired return in key behaviors (e.g., retention or engagement)? In the past, the answer was likely a guesstimate at best. But analytic techniques drawn from consumer research can provide answers with a great deal of precision.

A TRO analysis involves two steps. The first is a trade-off exercise in which employees are required to choose among different features of

a reward package to identify what’s most important to them. The second step involves a quantitative assessment of the relative costs, potential savings and productivity impact of the various combinations of rewards that people choose. By combining data from both analyses, a company can determine the financial and behavioral impact of different reward packages and choose the particular set of rewards that deliver the highest perceived value to employees for the lowest company cost.

# Building Organizational and HR Agility

“Agility” has become so ingrained in the business lexicon as a way to describe an essential attribute of organizations and leaders that it risks being devalued as a core management concept. Still, we believe it is the simplest and clearest way to describe the third area of focus in our new deal framework: *embedding greater flexibility and scalability into the organization’s talent and reward strategies and programs — and into the HR function itself.*

Think of agility as the HR corollary to fostering employee self-reliance and delivering a more personalized work experience. As such, it operates at several levels.

- **Strategically**, it means shaping a strategy and structure for the workforce — and the HR function — that can anticipate and respond quickly to ups and downs in the business cycle and competitive situation as well as shifts in operating strategies.
- **Programmatically**, it means weaving a high degree of variability and flexibility into the design of talent and reward programs.
- **Tactically**, it means ensuring that development and reward systems are helping to produce leaders, managers and employees with the skills, motivation and temperament to learn and manage within, and adapt quickly to, a constantly changing world.

So what does agility look like in practice? Consider these examples:

- **Workforce sourcing and staffing.** The organization and the HR function in particular are fully conversant with the staffing and skill needs of all its divisions and groups, as well as the relative benefits and

drawbacks of a broad range of alternative labor models, from contingency workers, to full or part-time home-based staffers, to outsourced or offshored workers, to various combinations therein. Business-unit heads, in concert with HR, determine the best blend of models for their needs, taking into account budget, skill needs, prevailing labor market conditions, local customs and a host of related factors. There is a framework and set of criteria for decision making that may be consistent organization-wide, but business units or teams can “flex” their specific decisions within that framework to ensure they can deliver the results for the right cost and in the right time frame.

- **Leadership development.** Leadership selection, development and advancement take into account the need for a new kind of leader — one equipped to succeed in today’s diverse, dynamic and relationship-driven environment by virtue of strong cognitive abilities, a learning orientation, *and* the ability to connect with employees and inspire them to deliver peak performance. Numerous studies have affirmed the importance of this latter attribute, noting that mastery of the interpersonal and inspirational side of leadership is a key characteristic of successful senior leaders. Typically, it’s defined to include high emotional and social intelligence, the ability to build and manage relationships and the capacity to move people forward in periods of intense change.

“Agility is about embedding greater flexibility and scalability into the organization’s talent and reward programs — and into the HR function itself.”

Based on the gaps in leadership behavior noted in our study, there is clearly much work to be done in this area. Almost two-thirds of global respondents, for instance, cited trustworthiness as the top characteristic they wanted in a senior leader, but only 47% agreed that their current leaders are trustworthy. Similarly, 55% want leaders who demonstrate sincere interest in their well-being (long a top driver of employee engagement), but only 38% believe their current leaders really do care about their well-being.

- **Program design and delivery.** Harking back to the theme of personalization, and the reality of our “multisize” workforce, few employers will be able to compete effectively in the current environment without policies and practices that recognize and allow for differences in employees’ roles, skills and performance, as well as their interests, expectations and needs.

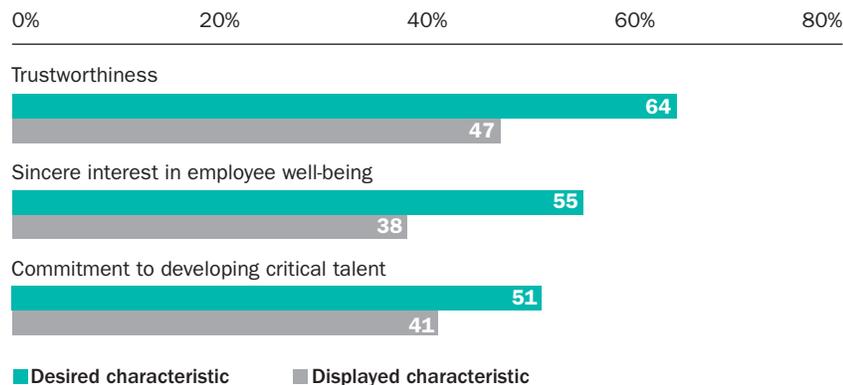
As noted earlier, flexibility can and should extend far beyond incentive compensation design and increased choice in flexible benefit programs. It

“Companies need to rethink the critical characteristics and competencies of their future leaders to create a pipeline to lead successfully in a very different world.”

While the largest gaps did emerge in the relational side of leadership, organizations need to pay attention to the operational side as well and, indeed, ultimately focus on a holistic model that encompasses the strategic/operational as well as the relationship/inspirational dimensions. As a first step, companies need to rethink the critical characteristics and competencies of their future leaders, as well as how to use the full array of diagnostic, development and deployment options to create a pipeline of next-generation leaders equipped to lead successfully in a very different world.

needs to take into account working arrangements (locations and hours), skill acquisition (how and when people learn), career aspirations (technical advancement, managerial influence and wealth accumulation), communication and information sharing. Perhaps most critically, flexibility needs to be factored into job design and job training, especially for customer-facing staff, so they can react on the spot to customers’ issues without fear of reprimand or adverse consequences.

**Figure 3. Gaps in Leadership Behavior**





- **HR function design and service delivery.** The role of the human resource function, especially in terms of program delivery, has been under the microscope for more than a decade. Our data suggest that HR has been doing some things very well, but faces some tough challenges ahead in adapting to the needs and demands of a dispersed and diverse workforce. On the one hand, our global respondents are quite positive about a number of aspects of their current work experience: They like their colleagues; they can generally balance work with their personal lives and broadly feel they're treated with respect. At the same time, though, four in 10 feel excessive pressure on the job; a similar proportion often feel frustrated at work, and more than a quarter believe there are organizational obstacles to doing their best work. In addition, as noted earlier, a substantial majority want more regular communication about reward and benefit programs, and far more simplicity and transparency in design and delivery.

These attitudes speak to the need for a function that can itself flex with the needs of both the organization and employees, especially since it falls to the HR function to support organizational agility in the broadest sense of the word. That means, at a minimum, structuring the function in whatever way best aligns with business need. For instance: selecting and training HR staff to be more business-savvy, with a focus on competencies in business acumen, workforce planning and analytics, social media and other emerging skill areas. Keeping up with and investing in the right tools and technology, and continuing to update and adapt those as required. And, perhaps more importantly, building in measurement systems to ensure the function is doing the right things for the business and delivering results that matter, whether in reduced turnover in critical skill groups, faster time to fill key job slots or rapid adaptation and use of social networking to connect professional staff across borders and functions.

“HR faces some tough challenges ahead in adapting to the needs and demands of a dispersed and diverse workforce.”

# Engagement Holding Steady, but Risks Loom

Recession “fatigue” notwithstanding, employee engagement — a measure of people’s willingness and ability to provide discretionary effort on the job — has held steady from the levels recorded in our 2007-2008 Global Workforce Study. But that obscures a larger concern: that the engaged represent only a fifth of the global group. Almost two out of five employees (38%) remain either disenchanted or fully disengaged. This poses a risk for employers in terms of emerging from the recession with a large group of people who are not working up to their potential or delivering discretionary effort, but who are also unlikely to leave the company (given declining mobility).\*

There has also been an interesting shift in the drivers of engagement since the end of 2008, based on a separate analysis from our normative employee database drawn from client work. The chart to the right tracks the movement of these drivers over a one-year period, indicating the prevalence of that driver across the companies for which we pulled employee data for this analysis. For instance, at the end of 2008, leadership was the top driver for employees at every company we examined, while career development was a driver at slightly more than six out of 10 of the companies, and empowerment showed up as a driver at only a fifth of the companies.

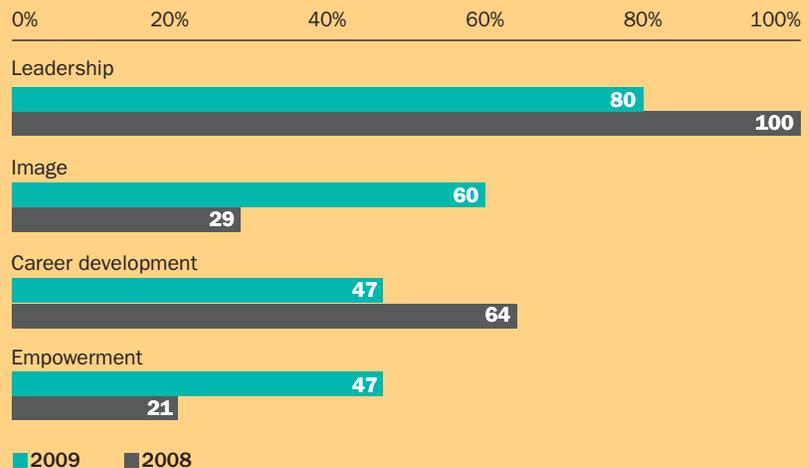
Contrast that with data from the end of 2009, and the picture changes fairly dramatically. Employees have become far more focused on the ability to control their work situation, with empowerment virtually doubling in importance as a driver, putting a fine point on the concept of self-reliance. Career development has dropped in importance, no doubt because less

opportunity to advance in general means this issue is less likely to differentiate the engaged. Interestingly, image showed the most dramatic change, rising significantly in importance.

We believe this has two roots. One, in the wake of well-publicized business failures, regulatory challenges and ethical scandals, employees have become highly sensitized to their company’s reputation and public image, and far more aware of the extent to which it acts responsibly and ethically. Two, their concern for security also prompts a heightened focus on how effectively their employer is managing risk, both financial and reputational. In the current climate, organizations that manage their brand and image well and ensure their external and internal brands are well aligned are more likely to inspire engagement in their people.

## Top Drivers of Engagement — 2009 vs. 2008

Percentages indicate how often each category emerged as a top driver across the number of companies in this analysis.



\*For more information on Towers Watson’s engagement methodologies, please visit [www.towerswatson.com/global-workforce-study](http://www.towerswatson.com/global-workforce-study).

## Bringing It All Together

Momentous change can often creep up on us, especially when we're distracted by a crisis. Gradual changes that have been evolving over decades suddenly loom large, shifting the landscape seemingly overnight. We find ourselves wondering how we wound up reacting to a new set of circumstances, rather than driving and shaping a new agenda.

We believe the evolving social contract between employers and employees is just such a change. The recession has accelerated what were slow-moving and longer-term shifts in the employment relationship. And it has revealed serious fault lines between what employees want and expect, and what

employers are able to deliver. The good news is that we are at an early enough stage that business and HR leaders can rethink and redefine this relationship before it's defined for them by circumstances.

Equipped with a clear understanding of business priorities, insights about the workforce and a coherent strategic framework for the new deal, organizations have a unique opportunity to create the basis for a new and sustainable employment relationship — one that will ultimately benefit employees as well as the organization.

### About the 2010 Global Workforce Study

The Towers Watson 2010 Global Workforce Study covers more than 20,000 full-time employees of large and midsize organizations in 22 markets around the world. It was fielded by a third-party vendor via an online questionnaire between November 2009 and January 2010. As such, it is the most comprehensive analysis of the post-recession employee mindset available today.

This study is designed to help employers better understand their workforce by gauging changing attitudes that directly impact performance, attraction, retention and engagement, and providing insights to inform workforce investments, practices and programs.

To supplement this snapshot, we are also making available for purchase a full set of reports by market — 22 in all — that present each country's employee data by demographic subsets (e.g., age, gender, job level) and specific items (e.g., likelihood of turnover).

These reports can be a valuable resource in understanding how different groups of employees in a particular country view key elements of their employment experience, and what helps (or hinders) in retaining and engaging them and drawing out their full productivity. The reports can also provide a useful context for developing a customized study of a company's own employee population — highlighting areas to explore in detail for a particular population within the organization.

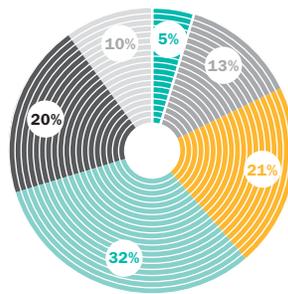
For more information about these reports or how to purchase them, please visit [www.towerswatson.com/global-workforce-study](http://www.towerswatson.com/global-workforce-study).

# Respondent Profile

## Country List

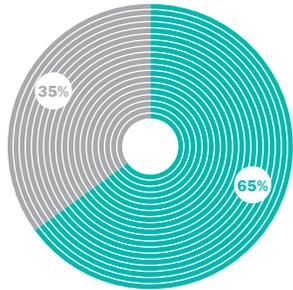
Australia	Japan
Belgium	Korea
Brazil	Malaysia
Canada	Mexico
China	Netherlands
France	Russia
Germany	Singapore
Hong Kong	Spain
India	Switzerland
Ireland	U.K.
Italy	U.S.

## Job Level



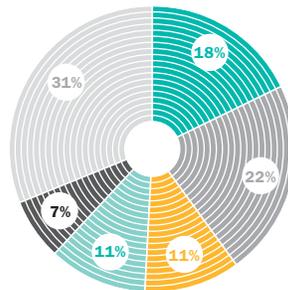
- 5% Senior management
- 13% Mid-level management
- 21% Supervisor/foreman
- 32% Professional, technician, specialist
- 20% Nonmanagement — salaried
- 10% Nonmanagement — hourly

## Gender



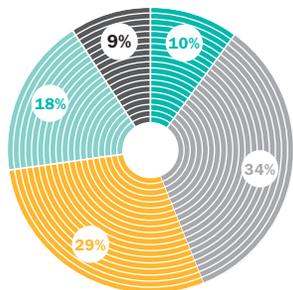
- 65% Male
- 35% Female

## Organization Size (number of employees)



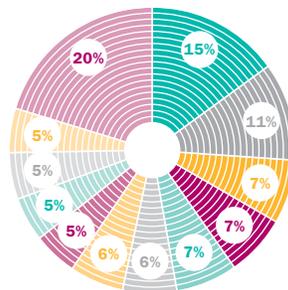
- 18% 250 to 999
  - 22% 1,000 to 2,499
  - 11% 2,500 to 4,999
  - 11% 5,000 to 9,999
  - 7% 10,000 to 14,999
  - 31% 15,000 or more
- Mean: **7,214 employees**

## Age



- 10% 18 to 24
  - 34% 25 to 34
  - 29% 35 to 44
  - 18% 45 to 54
  - 9% 55 or older
- Mean: **38 years old**

## Industry



- 15% Technology and telecommunications
- 11% Financial services
- 7% Energy and utilities
- 7% Heavy manufacturing
- 7% Retail
- 6% Education
- 6% Transportation
- 5% Automobiles
- 5% Business/professional services
- 5% Consumer products
- 5% Hospital and health care
- 20% Other



## 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.