



# Inside Employees' Minds

Navigating the new rules of engagement

Australia survey summary – September 2011





## **About What's Working™**

Mercer's proprietary What's Working™ survey, which examines employee views on work, was conducted among more than 1,000 Australian workers in early 2011. The survey, last conducted in Australia in 2003, includes more than 100 questions on a range of work-related topics and reflects the overall demographics of the Australian workforce in terms of age, gender and job level. This research has also been conducted in 16 other markets worldwide.

# Mercer research confirms employee attitudes have improved, but workers are still likely to leave

*Four in 10 workers are seriously considering leaving their organisation; figures are higher for younger workers*

New Mercer research shows that on the surface, Australian employees are showing greater commitment to their employers and higher satisfaction with many aspects of the work experience compared to seven years ago. But look below the surface and the research shows that key employee segments are not happy and, in fact, four in 10 Australian workers are seriously considering leaving their organisation.

Other warning signs that many Australian workers are not as engaged as employers may like to think or hope include:

- employees aged 25-34 imply they are engaged yet are not satisfied with their work and are looking to leave
- older workers say their organisations have passed on their development and career opportunities
- female employees are less satisfied on a number of areas due to lack of communication, and opportunities to manage and develop their careers.

On top of all of this, there is a substantial apathetic segment of the employee population – one-fifth of all workers – that did not commit to staying or leaving and are the least satisfied and engaged of all.

The business consequences of this erosion in employee sentiment are significant, particularly concerning attraction and retention. Employers risk losing valued talent and face productivity and morale issues among workers who remain. In this great challenge, however, there are a number of opportunities for organisations to differentiate from the competition.

Mercer’s *What’s Working™* survey confirms the employment relationship is currently at a critical

inflection point. An engaged and motivated workforce is more necessary than ever but, at the same time, more difficult to achieve. This is due in part to ongoing financial pressures that limit organisations’ investments in potential solutions.

## Employee consideration

The takeaway of this research for employers is that a clear understanding of what’s inside their employees’ minds is a critical first step in developing a blueprint that skillfully combines existing approaches with innovative ideas to improve engagement, performance and productivity in their workforce.

Following are highlights of Mercer’s new *What’s Working™* Australia survey findings, organised into seven content areas that represent the way employees view the employment relationship.



## Engagement by numbers

Overall, 40% of Australian workers are seriously considering leaving their organisation, up from 25% in 2003. However, this figure is even higher among younger workers: 52% of those aged 25-34 are seriously considering leaving their organisation, despite reporting the highest level of satisfaction with their organisation (72%).

In addition, more men (42%) than women (37%) are considering leaving, and far more senior managers and managers (50%) than non-managers (36%) are considering leaving.

Besides the increase in those considering an exit, other engagement scores remained relatively flat from 2003:

- 64% feel a strong sense of commitment to their organisation, up from 62% in 2003
- 70% are satisfied with their job, up from 68% in 2003
- 67% are satisfied with their organisation at the present time, about the same as the 66% in 2003
- 68% are proud to work for their organisation, about the same as 67% in 2003

### The enigmatic 25-34- year-olds

Despite saying they want to leave their organisation, 25-34-year-olds scored highest on other motivation and engagement measures: they are the most likely to promote their organisation as a good place to work (72% versus 65% overall), feel a strong sense of commitment to their organisation (66% versus 64%), and are the most willing to go beyond the requirements of their job to help their organisation succeed (73% versus 69%).

This group also rates job satisfaction as very important, yet scores low on satisfaction with their job. They show indicators of being the most engaged, but are also most likely to leave. To improve the retention of this group and maximise their productivity, employers need to address career paths and development opportunities. With many organisations now boasting a flatter, yet potentially more complex organisational structure, there should be more opportunities to develop an individual across an organisation rather than simply up.

Apathy is also evident among one-fifth of Australian workers. While 40% are seriously considering leaving and 39% said they are not, 21% did not commit to either option. Surprisingly, low engagement scores are even more pronounced for this disaffected group. (See Exhibit 1.)

Exhibit 1: Disaffected workers post lowest engagement scores

	Percentage who agree		
	Among those not seriously considering leaving	Among those seriously considering leaving	Among those who responded "neither"
Personally, I feel that I am treated fairly in my organisation	84%	66%	55%
I am proud to work for my organisation	81%	63%	50%
I would recommend my organisation to others as a good place to work	82%	61%	44%
I feel a strong sense of commitment to my organisation	80%	61%	38%
I believe that I have a long-term future with my organisation	81%	61%	45%

## My pay

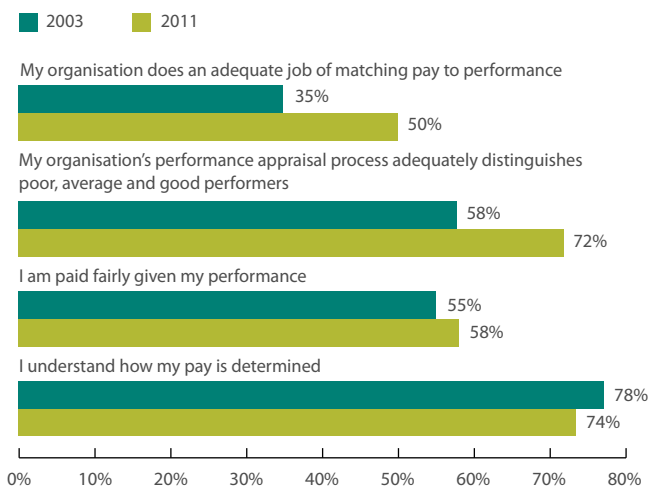
Base pay ranks as the most important element of the employee value proposition for Australian workers, with incentive pay coming in fifth. However, questions regarding pay saw some of the biggest score increases in the Mercer survey, due in part to a growing popularity in incentive pay, demonstrating that base pay alone is not enough to keep employees satisfied and engaged.

One of the biggest jumps from 2003 concerns rewards: though only 42% say they are rewarded when they do a good job, this doubled from 21% in 2003.

Still, pay structures are increasingly complex, although close to 74% of employees understand how their pay is determined this was a decrease from 2003. To increase employees' knowledge and acceptance even more, organisations should further enhance communication efforts.

While only 51% of Australian employees say they are satisfied with their base pay and 39% with incentive pay, 71% are personally motivated by their organisation's incentive compensation plan, compared with 52% in 2003. Respondents also cited numerous improvements in performance management. (See Exhibit 2.)

### Exhibit 2: Employees cite improvements in performance management



### By age and gender

Both men and women select base pay as their most important reward element, but women place an even greater value on it than men. As for satisfaction, males and 25-34-year-olds score higher than other groups. As employees age, there is a downward trend in satisfaction levels. The group most satisfied with pay is 25-34-year-olds, 66% of whom say they are paid fairly, contrasted to the 49% of 55-64-year-olds who agree.

Regarding pay equity, males scored slightly above average, with 60% stating they are paid fairly, in comparison to 55% of females. Forty-nine percent of 25-34-year-olds agree that their performance is rewarded, while only 31% of 45-54-year-olds agree.

 **My benefits**

Eighty-four percent of employees state benefits are “very important” or “important.” Still, there exists a gap in employee demand and employer supply. As a result, organisations should consider benefits as a valuable tool in attraction and retention efforts, especially for young and middle-age workers.

Thirty-four percent say benefits played a significant role in their decision to join their organisation and 39% say benefits play a significant role in their decision to continue to work there. In Australia, workers are not exposed to the same level of flexible benefits as in many other countries, however, Australian workers appreciate the option of wellness benefits. For example, only 47% say that their current benefits meet their needs, and 35% are willing to use their own money to fund benefits they want.

Older workers, and consequently employers, could gain from enhanced communication regarding the value of benefits. Fifty-nine percent of all employees say they can easily find answers to their benefits questions. However, 67% of 16-24-year-olds can, but only 51% of 55-64-year-olds can. Not surprisingly, this lack of knowledge results in the older age group reporting the lowest satisfaction of their benefits package.

While older employees say they are not receiving adequate communication, there are improvements for workers overall. Fifty-three percent say their organisation has done a good job of informing them about benefits, up from 44% in 2003. Still, other scores remain quite low: 51% rate their overall benefits package as good or very good, compared to 48% in 2003.

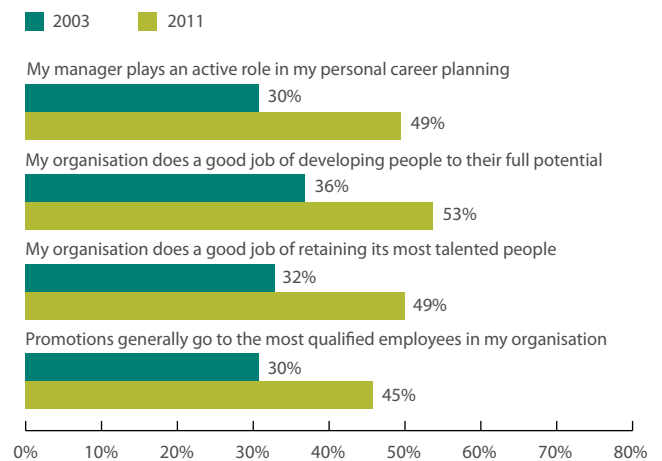
 **My career**

Career development is another area where Australian employees note sharp improvements in recent years, but older workers and, to some degree, women, are feeling left out. Older workers show lower satisfaction in their company’s efforts to develop them and to provide career opportunities. Consider these numbers: 64% of 25-34-year-olds believe they have sufficient opportunity for growth and development, while only 40% of 55-64-year-olds do. Meanwhile, 53% of workers believe their organisation is doing a good job of developing its people to their full potential. This includes 60% of 24-34-year-olds, but only 43% of 45-54-year-olds.

As a result, older workers are showing low confidence in reaching their long-term career objectives within their existing organisation. Females also say they are not receiving the information, assistance and opportunities they would like to manage and develop their careers.

And while career advancement is the seventh most important reward element for Australian workers overall, it is rated most important among those aged 16 to 44. Exhibit 3 outlines other improvements in career developments.

*Exhibit 3: Career development scores show improvement*



Despite these positive changes, only 55% of respondents are confident they will be able to achieve their long-term career objectives in their organisation (up from 44% in 2003). This includes a high of 62% among 25-34-year-olds. While on the increase, these scores do not bode well for companies that increasingly are emphasising “building” talent, rather than “buying” talent, in order to gain control over their talent pipelines.

## My job

Australian workers say “type of work” is their second most important reward element, and survey results demonstrate that organisations might be answering this demand: 78% are satisfied with the type of work they do, and 71% say the type of work they do is very important.

Again, by age, these statistics show a different story. While 78% overall are satisfied with their work, 81% of 55-64-year-olds are satisfied and 83% are satisfied with the people with whom they work. On the flip side, 25-34-year-olds report the highest level of motivation and highest opinion of their organisation but are the least satisfied with the type of work they do (75%). Worryingly, this age category places a higher importance on satisfaction with type of work than all other age segments.

Eighty-two percent of all employees state they can see how their work contributes to achieving the organisation’s overall goals; only 77% of those aged 25-34 agree.

Seventy-eight percent say their job makes good use of their skills and abilities (70% in 2003), and 79% say they have access to the equipment or tools to do their job well, about the same as 80% in 2003.

Managers receive relatively low scores in Mercer’s latest survey, but these scores still are higher than in 2003. For example:

- 57% say their manager does a good job of setting work objectives (up from 50% in 2003)
- 56% say their manager understands their problems, up from 52% in 2003
- 56% say their manager does a good job of building teamwork within the department or workgroup

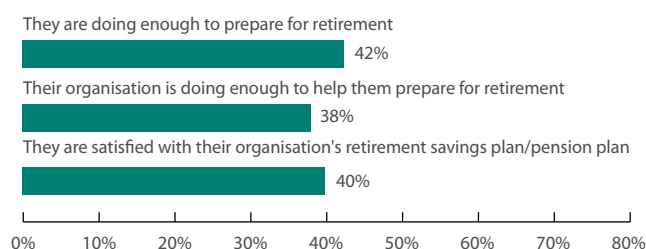
There are opportunities for organisations to improve engagement by:

- reviewing career planning, training and development for older employees
- providing better line of sight to show how individuals’ work contributes to overall company goals (especially important for 25-34-year-olds)
- better aligning skills to jobs, particularly for those workers aged 25-34

## My retirement

A good retirement savings or pension plan ranks only as the ninth most important reward for Australian workers, but this finding is somewhat contrary to other retirement-related scores (Exhibit 4). Australian workers give low scores for their ability to retire and their organisation’s efforts to aid in their retirement readiness. Among the lowest scores: only 25% of workers older than 45 are optimistic about their retirement prospects.

Exhibit 4: Retirement readiness in doubt



Plus, older age segments, who place a higher value on retirement plans, are considerably less satisfied with their organisation’s assistance in helping them prepare for retirement and in their retirement and pension plans. This may be alleviated by providing more information and support to older employees about retirement and pension plans.

By gender, 44% of males believe their organisation is doing enough to help prepare them for retirement, whereas only 31% of females agree. Of all workers, 53% of 25-34-year-olds are confident their organisation is doing enough to help them retire and this declines rapidly as employees age until only 24% of 55-64-year-olds are confident.



## My company

Employee attitudes toward their organisation have improved substantially since 2003, though levels are still somewhat low. Trust in senior management declined 3% since 2003, and contrary to common perceptions, the youngest workers expressed the highest level of trust, which declines as workers age.

Working for a respectable organisation is respondents' fourth most important reward. While scores for senior management performance still hover around the midpoint, they represent a significant improvement over 2003:

- 45% say that teamwork and cooperation are rewarded, up from 24% in 2003
- 52% say senior management does a good job confronting issues before they become problems, up from 35% in 2003
- 58% say senior management at their organisation communicates a clear vision, up from 47% in 2003
- 52% believe senior management does a good job explaining reasons behind important business decisions

Sixty-five percent of all respondents would recommend their company to others as a good place to work, up from 60% in 2003. The highest response was 72% for those aged 25-34 and the lowest was 57% for those aged 55-64.

### **25-34-year-olds hold the highest views of their company**

*Though younger workers are often viewed as being out for themselves and not engaged in their company's wellbeing, Mercer's survey results show a different kind of worker. Those aged 25-34:*

- *have the strongest belief in their organisation's strategy and direction*
- *believe senior management communicates a clear vision for the future direction*
- *hold the belief their organisation is well managed*
- *believe senior management does a good job of explaining the reasons behind business decisions*
- *say that organisation values are consistent with what it actually rewards*
- *are most likely to recommend its products or services to a friend*
- *say their organisation's commitment to quality is a high priority*
- *believe that pay in their organisation is as good, or better than, the pay offered in other organisations*
- *are the most secure in their jobs*



## My life

Australian workers show a high appreciation for flexible work schedules. In fact, a flexible schedule is the third most important element in their value proposition.

Sixty-one percent say their organisation provides them with the opportunity to work flexibly, 69% say the amount of work they are asked to do is reasonable (up from 67% in 2003), and 67% say they are able to maintain a healthy balance between work and personal lives, up from 54% in 2003. Workers aged 35-44 and 45-54 report the lowest opportunity to work flexibly (51% and 54%, respectively).

Flexible work arrangements are more important to females (69%) compared to males (60%). By age, 67% of 24-35-year-olds say it is important while only 57% of 55-64 year olds agree. Work-life balance is also very important to females, with 79% rating it as very important in comparison to 68% of males. The 45-54 age category has the greatest percentage of employees who say it is very important.

**Key considerations for employers**

<p><b>Engagement</b></p>	<p>High levels of engagement and motivation among younger workers do not necessarily translate into job satisfaction and therefore will not prevent workers from leaving. Employers need to consider all aspects of the employment relationship, and primarily talent management and development opportunities, to retain workers aged 25-34.</p> <p>Older employees (55-64) also present an opportunity for employers. This group reports low levels of motivation with their organisation, and so in order for organisations to get the most out of their most experienced, they need to look at communication and development strategies for this group.</p>
<p> <b>Pay</b></p>	<p>Base pay is important in attracting and retaining staff. However, it has to be complemented with an attractive benefits package and effective communication to ensure employees understand how their pay is structured.</p>
<p> <b>Benefits</b></p>	<p>Benefits are an extremely important tool in attracting and retaining staff. Employers need to ensure their benefit packages are tailored to the various segments in their workforce so that they are valued. Also, they must communicate more clearly the benefits available, particularly to older employees.</p>
<p> <b>Career</b></p>	<p>An effective talent management and development programme is essential to retain particularly younger workers, but also to maximise the potential and productivity of older workers.</p>
<p> <b>Job</b></p>	<p>Solutions for organisations may include career planning, training and development for older employees to improve engagement; better line of sight to show how individuals' work contributes to overall company goals (especially important for 25-34-year-olds); and alignment of skills to jobs, particularly for workers aged 25-34.</p>
<p> <b>Retirement</b></p>	<p>All employees, but particularly older employees, are looking to their employers for more communication and support in understanding their needs and preparing for retirement. Like other benefits, such support is likely to be highly valued by many employees and therefore improve engagement and retention.</p>
<p> <b>Company</b></p>	<p>Transparency in relation to business goals and how employees can contribute to achieving these goals is important.</p>
<p> <b>Life</b></p>	<p>A flexible working life is important to Australian employees, and employers need to consider flexibility across all age groups within the workforce.</p>

**A final word: segmentation**

Employee needs vary as they enter different stages of their work life, and organisations can continue to motivate and retain key workers through workforce segmentation. This allows companies to fully understand their workers' needs at different points in their careers and to invest differently based on those segments that drive business results.

For more information, or to see *What's Working™* survey findings for other countries, visit [www.mercer.com/insideemployeesminds](http://www.mercer.com/insideemployeesminds).

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AU-02311E-HC-120911