

WorkAsia™ Country Report: Australia

Introduction

Employee commitment is critical to business success. Committed employees are proud to work for their companies and are motivated to help their companies succeed. However, high-performing companies recognise that commitment alone isn't enough. They seek to build employee engagement. Engagement combines commitment with focus and direction—what Watson Wyatt calls 'line of sight'. Engaged employees understand the organisation's business goals, the steps required to achieve those goals and how their contributions drive business success. Moreover, they have a strong desire to participate in company success.

WorkAustralia™ found Customer Focus, Hiring and Advancement, and Compensation and Benefits to be the top three drivers of engagement in high-performance organisations. Organisations that focus on these three drivers have enjoyed greater total financial returns. WorkAustralia™ results indicate that a high proportion of workers rate their organisations favourably in Customer Focus. On the other hand, WorkAustralia™ found that a much smaller proportion of employees rate their companies favourably on the other two critical drivers, being Hiring & Advancement, and Compensation & Benefits.

Country Specific Economic and Labour Market Data

The Australian economy continues to be one of the strongest in the developed world. According to the 2006 Economic Survey by the Organisation of Economic Cooperation and Development, living standards in Australia now surpass those of all Group of Eight countries except the United States.

Since 1990, Australia's economy has grown by an average of 3.3 per cent annually. Australia's GDP in 2006 was approximately \$1 trillion. Inflation has remained stable over the past 15 years, averaging approximately 2.5 per cent during the period. However, fuelled by a world-wide acceleration of food and energy prices, CPI began to exceed 3% on an annualised basis toward the end of 2007.

Australia's historically centralised award based industrial relations system has given way to a more decentralised one in recent years, with many employees now working under workplace agreements tailored to meet enterprise needs.

Australia is the home to citizens from some 200 countries, making it the most multilingual workforce in the Asia-Pacific region. More than 4 million Australians speak a second language.

Australia is facing a shortage of trained workers, particularly in the medical and information technology sectors. Unemployment, which peaked at nearly 11 per cent in 1992, has fallen steadily to less than 4.2 percent in October 2007, the lowest unemployment rate in 33 years.

Key Drivers of Engagement

	Australia	Asia-Pacific
Top Driver	Customer Focus	Customer Focus
2nd Driver	Hiring and Advancement	Compensation and Benefits
3rd Driver	Compensation and Benefits	Communication

Trends in Australia vary only slightly from Asia-Pacific overall with regards to the top three drivers which create engagement in employees and produce increased value to organisations. Customer Focus and Compensation and Benefits are within the top three drivers. However, in Australia Hiring and Advancement replaces Communication in the top three key drivers compared to Asia-Pacific overall.

Customer Focus

Employees want to feel good about the products and services their employer offers. They generally believe that companies offering high-quality products and services are more likely to be successful. Consequently, customer focus affects an employee's sense of pride and job security. Employee perceptions about the company's customer focus tie in closely to their perceptions about leadership. Watson Wyatt research shows that engagement is high when senior management demonstrates a commitment to customer service and satisfaction, focuses on employees and processes around the customer and holds people accountable for the quality of products and services. Customer focus is strong when employees:

- clearly see how the work they do impacts external customers
- have autonomy to tailor their own solutions to specific customer needs
- believe that the company truly makes customer satisfaction a top priority.

For those companies that struggle, it is important to ensure that employees are aware of product and service attributes which demonstrate superior quality and to create programmes that are built around ensuring quality deliverables to customers.

Hiring and Advancement

In an increasingly tight labour market, successful attraction and retention strategies have now become essential not only for success but also for the very survival of organisations in Australia. With an ageing workforce, the need to hire and retain the right talent is becoming critical. Employees who perceive their employers as providing appropriate hire and advancement opportunities have a stronger coherence with their organisations and are more engaged.

Compensation and Benefit

When employees believe they are compensated fairly, they are more engaged. When employees are rewarded for their contribution to business success, they increase both commitment and line of sight. This indirectly increases engagement, improves individual performance and links individual objectives to corporate goals.

Watson Wyatt research shows that it is important to have a competitive compensation and benefits offering and to communicate the value of the offering effectively. Companies should focus on communicating the competitiveness of their compensation packages and acting on intrinsic instead of extrinsic elements of compensation to improve engagement and retention.

Moreover, companies should communicate the value of their total rewards package, which includes not only compensation and benefits but also work environment, culture, development opportunities and training.

This expanded view helps companies differentiate themselves where salaries are rising rapidly. It also address the interest of high-performing employees in such benefits as career opportunities, training and development. A disconnect occurs when companies make a promise but fail to deliver. Unless companies follow through with compensation that aligns with the promise, employees become disillusioned and cynical.

Clearly communicating the value of the employee's total compensation package and showing how it compares with what other companies offer can significantly impact employee engagement, as can working with managers and supervisors to make clear the link between performance and pay.

Figure 1 | Key Drivers of Engagement in Australia

Drivers	High Engagement % Favourable	Low Engagement % Favourable
Customer Focus		
The link between day to day work and the impact on external customers is clear	98%	63%
The quality of company's products/services is high	94%	47%
The quality of customer service provided to external customers (those who purchase the company's products and services) is high	94%	45%
Hiring and Advancement Items		
My company does a good job of informing employees about open positions within the company	88%	36%
Employees know what is needed to advance in their company	88%	27%
Employees will be seriously considered for another job within the company for which they are qualified for	87%	27%
Compensation and Benefits Items		
Employees are satisfied with their pay (relative to their job position)	85%	22%
Employees know the value of my "total compensation package"	85%	46%
Employees are satisfied with their employee benefits	87%	29%

Norms: Relative Ranking of Favourable Attitudes by Category

Figure 1 above shows example survey items applicable to the top three drivers of engagement in Australia. Our research indicates that improvements in these drivers are associated with improvements in business performance. Understanding these drivers helps organisations focus and prioritise their change and business improvement programmes.

A comparison of Australian and Asia-Pacific rankings from the survey are shown in figure 2 below:

Figure 2 | Relative Rankings of WorkAsia™ Categories in Asia-Pacific and in Australia

Category	Australia	Asia-Pacific
Respect in the Workplace	1	2
Line of Sight	2	1
Customer Focus	3	4
Engagement	4	3
Work Environment and Team	5	8
Integrity	6	5
Enablement	7	9
Supervisor	8	10
Performance Management	9	6
Commitment	10	11
Process Improvement & Innovation	11	7
Compensation & Benefits	12	14
Hiring & Advancement	13	12
Training & Development	14	13
Strategic Direction & Leadership	15	16
Communication	16	15

Australian employee perception closely follows that of Asia-Pacific employees, although rankings are significantly different for Work Environment and Team, Performance Management, and Process Improvement and Innovation. A greater proportion of Australian employees rate their organisations favourably for Work Environment and Team, while a lesser proportion rate their organisations favourably in Performance Management and Process Improvement and Innovation. This may suggest that there is greater emphasis in Australian organisations in group and team collaborations which have greater autonomy to manage their own performance and process improvement.

Australian employees gave the highest ranking to the category of Respect in the Workplace. This suggests that employee's value being able to give their opinions and feedback, an essential element of engagement. The second highest ranking was for Line of Sight, indicating that understanding the business goals and objectives and having accountability to improve products/services are very important to Australian employees. The third highest ranking of Customer Focus suggests that Australian employees look for their organisations to offer and deliver high quality products and services.

Conversely, the categories with the three lowest favourable ranking by Australian employees included Training and Development Programmes, Communication and Strategic Direction and Leadership. Australians value information and dialogue. They want to be informed about current issues and the challenges their companies face and what management is doing to address them. Employees want to have a say and an impact, especially on issues that will directly affect them.

Conclusion

Watson Wyatt's WorkAustralia™ study is a key diagnostic tool that helps businesses in two important ways. Firstly, it analyses the top drivers of employee engagement. Engagement levels have been repeatedly linked to business financial performance, and this information will enable the organisation to take targeted action to increase its competitiveness in the marketplace.

Secondly, it analyses key categories of the workplace culture, so that the organisation can develop an employer brand that is compelling and competitive in the labour market.

Drivers of employee engagement vary across industries, organisations and employee groups. Managers and senior leaders need to measure engagement within their own organisations and identify the factors contributing to engagement within their own employee workforce. Only when this information is obtained can they make the correct gap analysis, design the appropriate interventions, and prioritise action steps to tackle their most pressing issues.

Finally, one of the most important things Watson Wyatt research shows is that there is a gap between the design of programmes and how well these programmes are implemented. By measuring engagement over time, organisations can leverage their own data to implement programmes that have real impact on engagement. They can also pinpoint differences among employee groups, business units and locations so they can better tailor and target these programmes. The results of this measurement process is an enhanced ability to design human capital programmes that achieve desired results and deliver a solid return on investment.

If you are interested in conducting an Employee Opinion Survey in your organisation, please contact our Watson Wyatt office in Sydney on +61 2 9253 3333.