

WorkAsia™ Country Report: Philippines

Introduction

Employee commitment is an important factor in business success. Committed employees are proud to work for their companies and motivated to help their companies succeed. High-performing companies, however, recognize 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 goals. Moreover, they have a strong desire to participate in company success.

Customer Focus is the top driver of engagement in the Philippines. Filipinos believe that organisations that focus on customer service and satisfaction will be more successful in engaging their employees more fully. On the other hand, WorkPhilippines™ shows that Filipino employees rated their companies unfavorable on two of the three critical drivers of engagement - Compensation & Benefits and Strategic Leadership & Direction. Filipinos need to be confident of the decisions made by their business leaders as they are dependent on their companies for job stability and security. Furthermore, an attractive "total rewards" package remains highly desirable due to the daily economic challenges faced by the Filipinos.

Philippine economic and labor market data

The Philippines economy is steadily improving. Unemployment has gone down to below 8% during the 1st quarter of 2007. The Peso has appreciated significantly against major currencies. Overseas Filipino Workers (OFWs) remittances have increased, now totaling over US \$12 billion per year. The services sector is the main contributor to the GNP with agriculture and construction also significant. Business Process Outsourcing firms and Contact Centers are still setting up new facilities and hiring thousands of Filipinos to service clients worldwide.

However, despite these positive indicators, the Philippines still has its own myriad of challenges. A large segment of the population still lives below the poverty line. This makes consumers extremely price sensitive and workers dependent on their employment income for sustaining their livelihood. On the other hand, for employers, hiring and retaining qualified employees is still a perennial task. More Filipinos are going abroad to seek work and better standards of living. Due to the increasing manpower demands especially from the BPO/Contact Center industry, qualified new graduates are in short supply as well as other younger generation workers.

Key Drivers of Engagement

	Philippines	Asia-Pacific
Top Driver	Customer Focus	Customer Focus
2 nd Driver	Compensation and Benefits	Compensation and Benefits
3 rd Driver	Strategic Leadership and Direction	Communication

Customer Focus Items

Customer focus is important for promoting employee engagement because when employees observe their organisation taking good care of customers, they are more likely to be proud of their company, feel greater job security and want to bring others into the organization as well. Employees with high engagement are significantly more likely to say their company makes customer satisfaction its top priority. Moreover, they hold their employees accountable for the quality of their products/services by also providing them the decision making authority to assess and meet their customers' needs. This is an area where employees in the Philippines feel their company is doing quite well (3rd highest favorable out of 12 categories). For those companies that struggle, it is important to communicate the importance of customer service in employee performance management and reward accordingly.

Customer Focus	High Engagement % Favorable	Low Engagement % Favorable
People are held accountable for the quality of products/services provided to customers.	97%	69%
Customer satisfaction is a company's top priority.	98%	59%
Employees have the decision making authority to meet customers' needs.	93%	49%

Compensation and Benefits Items

In the Philippines, allowances, fixed and guaranteed bonuses and LTI are important components for employees as well as the basic fixed pay and the various elements in a Benefits program. Increasingly, pay for performance is being implemented in organisations to drive productivity, competency and effectiveness at work. Hence, highly engaged employees are products of companies who truly value and reward employees based on their performance. Not only do they know the value of their total compensation package, its components and how it is determined, but they also know that it is competitive and fair to the market. Companies who scored low in this area need to assess their compensation and benefit levels to assess their market position. Furthermore, a communication and implementation plan must be crafted to ensure that employees have the correct information regarding compensation issues and the utilization of their various benefit entitlements.

Compensation and Benefits	High Engagement % Favorable	Low Engagement % Favorable
High performing employees in my company are rewarded appropriately for their performance.	84%	23%
My company does a good job providing information on the way my pay is determined.	82%	30%
I know the value of my "total compensation" package	91%	43%

Strategic Directions & Leadership Items

Alignment and accountability especially to top level goals, strategies and execution is critical in today's competitive corporate environment. Employees who are highly engaged have more than three times the level of confidence in the long term viability of their companies versus lower engaged employees. This faith instills loyalty and determination that the company will be there as they progress in their careers. Management need to demonstrate that they are capable of growing the business and achieving its business goals in order to instill confidence within the ranks. Low scores in these areas can be improved by a deliberate process that management must undertake to increase visibility, trust and alignment.

Strategic Leadership and Direction	High Engagement % Favorable	Low Engagement % Favorable
I have confidence in the long term business success of my company.	94%	44%
Management creates a sense of urgency about achieving business goals.	97%	53%
How would you rate the job senior management is doing to grow the business?	86%	24%

Norms: Relative Ranking of Favorable Attitudes by Category

The drivers of engagement are most important because the research shows that improvements in employee engagement are associated with improvements in business performance. This helps organizations focus and prioritize their change and business improvement programs.

However, it is also useful to understand employees' views of their workplace culture, by reviewing the relative rankings of key categories of workplace culture.

Table 1 | Relative rankings of WorkAsia™ categories in Asia Pacific and in the Philippines

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

Filipino employees rated Line of Sight, Respect in the Workplace and Customer Focus as the 3 highest favorable categories. Understanding the business goals and objectives, having a respectful working environment and having accountability to improve products/services are important to the Filipino employee. Companies need to continue and capitalize on these areas to leverage and empower their employees to the betterment of the organization and its customers.

On the other hand, Filipino employees have low favorability ratings on Strategic Direction & Leadership, Communication and Compensation & Benefits. These results should concern employers in Philippines because 2 of the 3 – Strategic Direction & Leadership and Compensation & Benefits – are also key drivers of engagement. Filipinos value information and 2-way dialogues. Their employers, unfortunately, have to do better not only disseminating information but also in educating and engaging the workforce in meaningful discussions about their concerns.

Compensation and Benefits in the Philippines as in other Asian countries is rated one of the lowest favorable. Given the perception that the compensation and benefit levels are generally low in the Philippines, Filipinos are continuing to migrate to other countries in pursuit of higher wages and better standards of living. Companies should inform their employees on the components of their total remuneration to heighten appreciation and awareness. More importantly, they should also try to provide a clearer link and reward top performers in order to attract and retain key talents.

Conclusion

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

Secondly it analyses key categories of 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 from one industry to another, from one organization to another and even from one employee group to another. Organisations need to identify and understand their drivers of engagement within their own organisations. Only when this information is obtained can they make the correct gap analysis, design the appropriate interventions, and prioritize 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 programs and how well those programs are implemented. By measuring engagement over time, organisations can leverage their own data to design programs 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 programs. The results of this measurement process is an enhanced ability to design human capital programs that achieve desired results and deliver a solid return on investment.

If you are interested in conducting an Employee Opinion Survey at your organisation, please feel free to contact Watson Wyatt Philippines.

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