

# DISENGAGED NATION

## HOW AUSTRALIAN WORKERS AND THEIR BOSSES CAN REVERSE THE PRODUCTIVITY SLUMP

Low productivity is threatening Australia's living standards and businesses across many industries are struggling with weak productivity often caused by disengaged workforces.

A new study by organisational consulting firm SACS Consulting shows the variance in engagement levels of Australia's workers across different industries.

Worker engagement is recognised in business and psychology as a proxy for productivity at the organisation level - engagement is causally tied to profitability and customer satisfaction.

SACS Consulting in collaboration with Deakin University researchers Simon Albrecht and Emil Breidahl surveyed more than 2600 Australian employees from a range of organisations and employment sectors. The number of employees involved makes this one of the biggest studies into workplace engagement in Australia's history.

# WHY ENGAGEMENT MATTERS

Across the globe stagnating productivity rates are not only having a detrimental effect on economies, they also threaten living standards. Chancellor George Osborne, has nominated productivity as the United Kingdom's most important economic priority. In Australia, Australian Bureau of Statistics data shows that productivity has been sluggish since 2011. Unless our economic productivity retreat is reversed, even the 'Lucky Country' is facing a long dry future of flat-to-weak growth in living standards.

Nobel Prize winning economist, Paul Krugman's famous phrase rings truer now than ever - "Productivity isn't everything, but in the long run it is almost everything.... a country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

Closer to home, Australian Human Resources Institute Chairman Peter Wilson concurs, saying last year that "worker engagement is the continuing Achilles heel of modern organisational life".

Policy-makers too are concerned that companies are operating less efficiently than they could, yet in Australia partisan politics is getting in the way of ushering in productivity-enhancing reforms. With government's hands tied, it's arguably up to employers to eke out the productivity improvements the economy so desperately needs.

**Engagement is a useful proxy for productivity at the organisational level. Employers can make productivity gains by unlocking the discretionary effort that employees put into their work when they are engaged.**

## WORKER ENGAGEMENT IS A PRODUCTIVITY LEVER

Gallup studies, a US consultant, found that organisations with high levels of employee engagement have superior productivity, customer satisfaction, staff turnover, absenteeism, safety incidents and quality defects. These studies also attribute a causal link between high employee engagement and improved profitability of as much as 22 per cent.

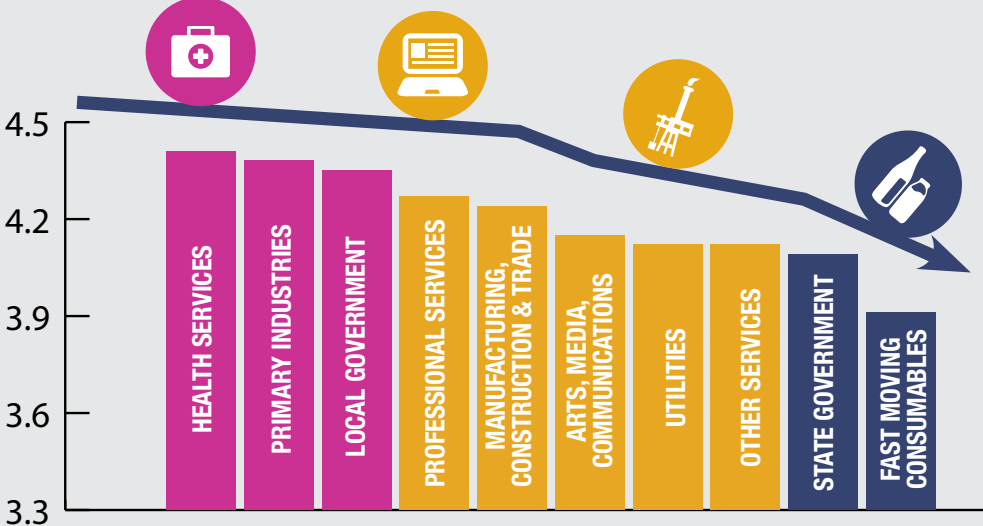
Likewise, a recent report<sup>1</sup> by AiGroup found that Australian workplaces with more effective leadership and management capability are more productive and innovative.

**Australian employers need to take steps to improve productivity and this report provides insights into the ways employers can enhance employee engagement to that end.**

<sup>1</sup> Addressing Enterprise Leadership in Australia, Australian Industry Group, June 2015.

# WHICH INDUSTRIES HAVE THE MOST ENGAGED WORKERS?

The SACS research compared the engagement levels of staff across ten industries. The study shows that the healthcare sector has the happiest employees, while the FMCG sector has the most disaffected staff.



\*The differences between industries are statistically significant, based on the sample size of more than 2600 employees across Australia.

## WHY DO SOME INDUSTRIES STRUGGLE WITH A DISENGAGED AND DISAFFECTED WORKFORCE AND OTHERS DON'T?

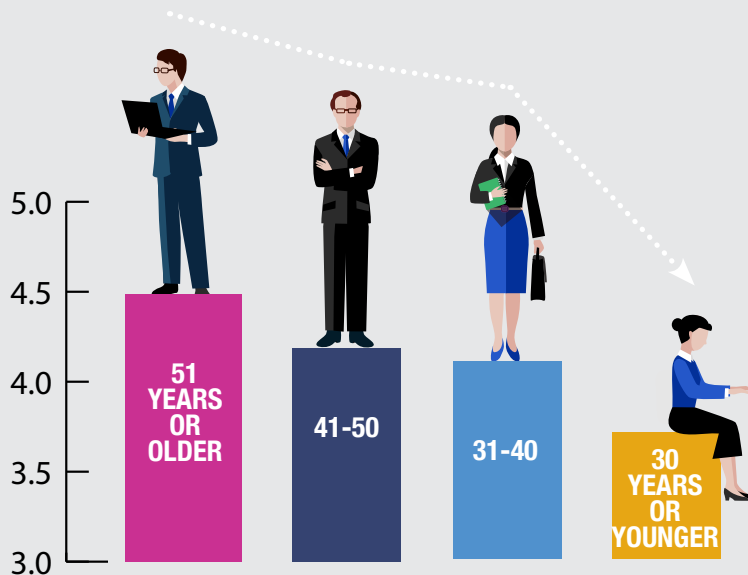
There are many factors that mean some industries attract more engaged workers. One important reason is that people with particular qualities and values are attracted to sectors that reflect those values. For example, those attracted to work in health care are drawn to the sector because it is underpinned by values like selflessness and a belief in the idea that they can make the world a better place. People who have a will to improve the world and a generosity of spirit to help others are likely to have more optimistic personalities. This research shows that optimists and those with positive personality traits are more likely to be engaged at work.

Interestingly, the study shows that local government employees are much more engaged in their jobs than state government employees. This may be because local government staff are closer to the communities and places their work aims to improve compared with state government staff and so have more opportunity to be meaningfully engaged.

**Another way to explain the differences in engagement levels is HR practices. Recruiters have only two ways to influence the engagement culture of their workforce.**

- 1. Improving the quality of those they hire into the organisation by testing their likelihood to be engaged.**
- 2. The leadership behaviours they implement to manage existing staff.**

# ARE MILLENNIALS AS DISENGAGED AS THEY SEEM? **YES.**



Many employers are preoccupied with how to attract and retain younger workers in their existing workforces. The SACS research shows that employers should be worried that those under 30 are far less engaged in their work than their older colleagues.

\*The differences between industries are statistically significant, based on the sample size of more than 2600 employees across Australia.

Of course younger people just starting out in their careers with few family or financial commitments, and often still living with their parents, can afford not to take work too seriously.

For many employees, climbing the career ladder over the years means a more senior role and more certainty around finding the work they enjoy. And this may be the reason older staff are more engaged at work than their younger counterparts.

THE SACS DATA ALSO SHOWS THAT

THE HIGHER AN  
EMPLOYEE IS  
EDUCATED



THE MORE LIKELY  
THEY WILL BE  
ENGAGED IN  
THEIR WORK

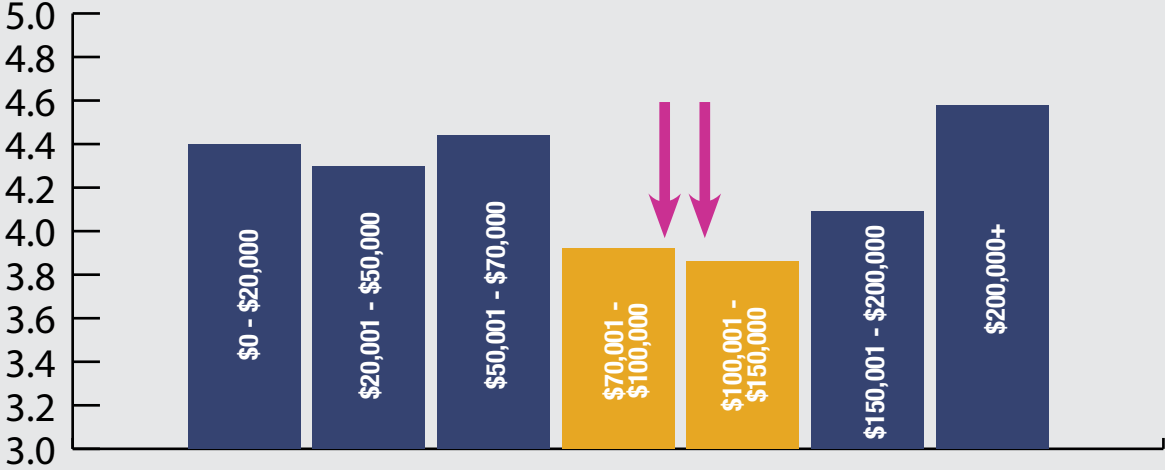
# THE SAD STORY OF MIDDLE MANAGERS

SACS RESEARCH SHOWS THAT THOSE EARNING BETWEEN



This dip in engagement among mid-tier staff earning salaries at the middle management level, may be explained by the nature of their work. Those on lower salaries may be working directly with the customers and products at the operational coalface of the organisation, giving them greater meaning in their work. While those on higher salaries, who are significantly more engaged than the middle tier, are more likely to be in executive positions setting the objectives and strategy of their organisation, giving them autonomy and meaning in their work.

**Middle managers are sadly the meat in the sandwich. They get neither the gratification of delivery at lower levels of the organisation, nor the satisfaction of seeing their strategies carried out at the top.**



# BEWARE THE 'MISERABLE MIDDLE MANAGER' TRAP

THE SACS DATA SHOWS THAT MIDDLE MANAGERS FEEL THEY HAVE

**LESS AUTONOMY IN THEIR DECISION MAKING**

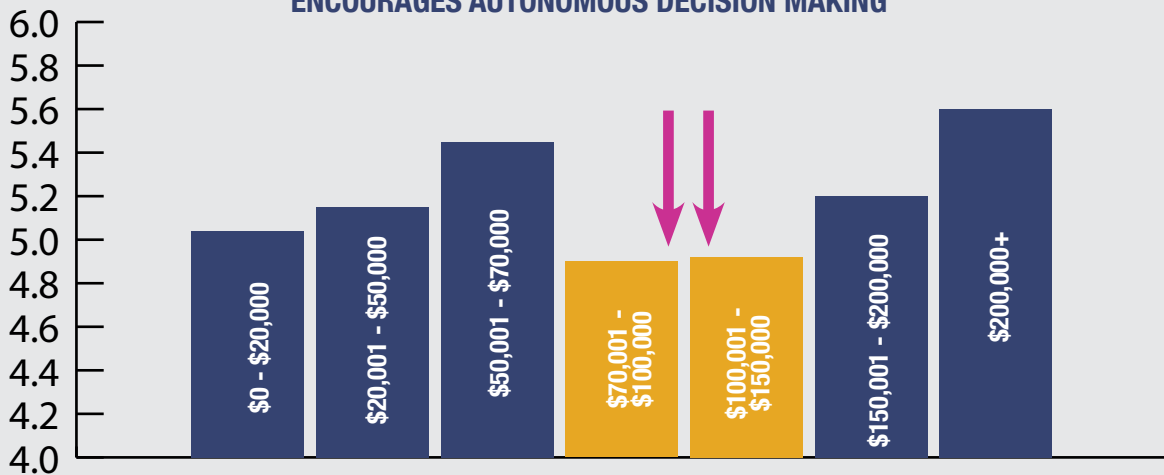
THAN EITHER THOSE AT THE TOP OR BOTTOM OF THEIR ORGANISATIONS, WHICH LEADS TO

**DISENGAGEMENT WITH THEIR WORK**

AND COSTS ORGANISATIONS DEARLY IN TERMS OF PRODUCTIVITY.



## ENCOURAGES AUTONOMOUS DECISION MAKING



## CASE STUDY



SACS Consulting was brought in to help an organisation re-engage its staff. This public sector organisation was struggling with a disaffected workforce and rising incidence of OHS issues. The staff were unhappy, disengaged with their work and behaving badly to each other. SACS diagnosis of the organisation's corporate culture found that the organisation's leaders were not providing clarity for staff around behaviour and work expectations. SACS worked with the organisation to change its leaders' behaviours which in turn directly improved the staff behaviours and consequently their engagement and productivity levels. This real life example, reflects the findings of SACS study which demonstrates the contagion effect of good leader behaviours on staff and their productivity.

# WHAT IS ENGAGEMENT?

Among psychologists, work engagement is defined by three characteristics<sup>2</sup>:

## VIGOUR

- **Vigour** – Having high levels of energy and mental resilience at work.

## DEDICATION

- **Dedication** – Being committed and involved in work, with a sense of significance and enthusiasm about one's work. For example, employees demonstrate their dedication by doing things they don't have to do such as reading material outside of hours that will assist in their job.

## ABSORPTION

- **Absorption** – The degree to which people are fully engrossed in their work such that time passes quickly.

It might seem obvious, but by measuring traits associated with these characteristics we can tell which people will be more likely to be engaged and do a better job than those who lack energy, dedication and are disinterested in their work.

## BUSINESS IS PREOCCUPIED WITH ENGAGEMENT, FOR GOOD REASON:

As organisations lift the engagement levels of their workforce tasks become easier to do, staff become more open to change and try harder in their jobs. Engaged employees release their discretionary effort which boosts the organisation's productivity.

Engaged employees tend to:

- Focus on outcomes rather than emotions
- Build resources such as cooperation, support, skills, processes, systems
- Redesign their jobs to do them better
- Manage and proactively acquire necessary resources
- Collaborate, which in turn creates higher morale
- Increase their job demands with added initiatives and higher standards

**Employees who are energetic, dedicated to what they're doing, and are so absorbed by their work that time flies are considered 'engaged'.**

**The impact of a disengaged workforce is well known. Studies in psychology and business have repeatedly shown a direct causal relationship between levels of engagement and profitability, customer satisfaction and occupational health and safety outcomes<sup>3</sup>.**

<sup>2</sup> Bakker, A.G. (2011). 'An evidence-based model of work engagement', Current Directions in Psychological Science, 20(4),265-269.

<sup>3</sup> Söderlund, Magnus; Rosengren, Sara. Dismantling "Positive Affect" and Its Effects on Customer Satisfaction: An Empirical Examination of Customer Joy in a Service Encounter. Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior. January 1, 2004.

## WHAT CHARACTERISTICS DO ENGAGED EMPLOYEES HAVE?

By comparing employees' personality traits and values with their reported levels of engagement at work, the SACS research found that there are six psychologically measurable predictors of employee engagement. These are:

- **Diligence**
- **Liveliness**
- **Greed Avoidance**
- **Social Boldness**
- **Altruism**
- **Conformity**

Measuring these factors in combination with the behaviours of respondents' managers' and colleagues gives researchers the ability to predict which employees are likely to be more engaged than others with 64% accuracy.

**Previous research has shown that an employees' boss has up to a 60% impact on their engagement levels. But this study shows that an individual workers' personality, which is largely genetically determined, also plays an extremely important role in their engagement – about 25%. This means that no matter what managers do to engage some people, they will never be as deeply engaged with work as they'd like. The good news is that it is possible to measure these characteristics in prospective employees so organisations can recruit people who will add to the levels of engagement in their organisations.**

## WHAT LEADER BEHAVIOURS DRIVE ENGAGEMENT MOST?



Employers must not only hire the right type of people with existing potential to be engaged, they must also encourage managers to practise those leader behaviours that trigger staff engagement. The four most powerful leader behaviours that cause engagement are listed on the left, but there are an additional six that also have a significant effect on engagement. SACS has found that measuring leader behaviours in these ten areas can assist managers to modify their own performance to generate higher levels of engagement.

**To find out more about measuring leader behaviours and testing engagement click here to view SACS 360**



## ABOUT THIS RESEARCH

**SACS Consulting in collaboration with** Simon Albrecht and Emil Breidahl from Deakin University surveyed more than 2600 Australian employees from a range of organisations and employment sectors. The number of employees involved makes this one of the biggest studies into workplace engagement in Australia's history.

In an anonymous questionnaire respondents were asked about their engagement with their jobs and the leadership behaviours of their supervisors and co-workers. In addition, the same respondents completed a personality questionnaire, the HEXACO, as well as the Schwartz Personal Values Questionnaire.

The study measured respondents:

- Levels of engagement
- Perceptions of their leaders' behaviours
- Perceptions of their jobs
- Perceptions of colleague behaviours
- Perceptions about their organisations
- Demographics – industry sector, age, gender, etc.

The key finding of this study is that the combination of personality and values proved particularly effective in the prediction of employees' level of engagement with their work.

## ABOUT SACS

SACS Consulting is an organisational psychology consulting firm which is heavily involved in executive recruitment and psychological assessment. SACS has hundreds of clients to whom they provide psychological assessment services in a range of different organisational sectors and at different levels of seniority, from the most senior positions to volume positions such as call centre operators.

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