

The Engagement Advantage

Navigating Tight Labor Markets with the Power of Employee Engagement

The Stepstone Group Report

the
stepstone
group



About the Survey

The goal of the study was to identify potential drivers of employee engagement. Employee engagement was surveyed using two scales: commitment to the employer and its goals, and positive and fulfilling work experience. The survey was administered to 6,200 individuals in Germany, the USA, and the UK, providing insights into how companies can promote employee engagement and retain their employees. The results offer valuable insights for creating a work environment that fosters employee loyalty and dedication.

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The Why

As the job market continues to evolve, with new trends like the “Great Resignation” or “Quiet Quitting” emerging in the wake of the demographic development, employee engagement has become an increasingly pressing concern for employers.

Employees realize their rising power on the job market and seek more fulfilling work experiences. These trends have put the spotlight on the importance of employee engagement, as companies must work harder than ever to retain their top talent and maintain a competitive edge.



At the heart of this challenge lies the need to understand what drives employee engagement, and how companies can prioritize those factors to create a culture of engagement and motivation.

By taking a strategic approach to employee engagement, companies can improve retention rates, boost productivity, and drive long-term success. Moreover, according to current research, engaged employees experience more positive emotions and better health ^[1,2].



In this white paper, we will explore the **key drivers of employee engagement**, and provide practical insights and strategies for employers looking to build a more engaged and motivated workforce.

Methodology

The study on **employee engagement** and its possible drivers was conducted using a rigorous methodology to ensure reliable and informative results. To begin with, expert interviews were conducted to identify potential drivers of employee engagement. These drivers were then operationalized into survey questions in both German and English.



Employee engagement is defined in a narrower sense as a positive and fulfilling work experience and in a broader sense as commitment to the employer and its goals ^[3].

To ensure the highest possible construct validity, employee engagement was therefore operationalized and surveyed using two scales: commitment to the employer and its goals was assessed on the basis of commonly used NPS items in three aspects (attraction, commitment, and promotion) and a mean value was calculated on the basis of which respondents were classified as emotionally attached and engaged and which were not. The positive and fulfilling work experience (enthusiasm) was surveyed according to the Ultra-Short Work Engagement Scale by Schaufeli et al. ^[4] A mean value was calculated based on which the respondents were classified as emotionally attached and engaged and which were not.



The survey was administered to a total of **6,200** individuals in Germany, the USA, and the UK, providing a diverse sample of participants from different regions. The survey questions were designed to gather data on various aspects of employee engagement, including job satisfaction, motivation, and commitment to the organization.

The results of the survey provide a basis for discussion on how companies can effectively promote employee engagement and retain their employees. By identifying the key drivers of engagement, the study offers insights into what companies can do to create a work environment that fosters employee loyalty and dedication.

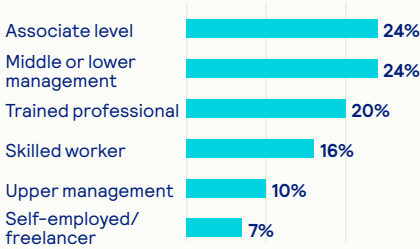
Demographics of Survey Respondents

Industry

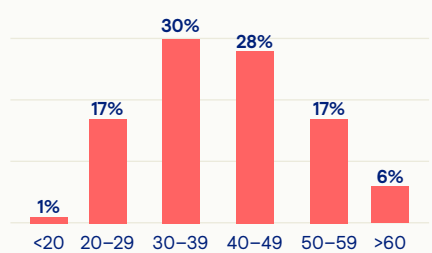
IT & technology	10%
Healthcare & Nursing	10%
Customer service	10%
Administration & secretarial	8%
Education or Social Work	8%
Sales	6%
Financial & auditing	6%
Manual work & manufacturing	5%

Service sector	5%
Management	4%
Human Resources	4%
Purchasing & logistics	3%
Law	3%
Science & research	3%
Other	9%

Job role



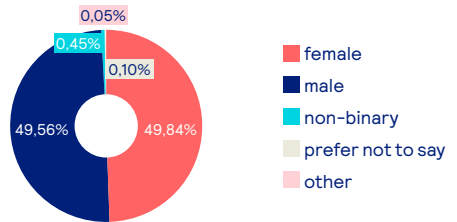
Age distribution



Participants per country

Germany	2057
UK	2079
US	2064

6,200 Workforce Respondents



Note: Some percentages do not total 100 because of rounding.

Engagement in the US, Germany, and UK

Building a culture of engagement is crucial for attracting and retaining top talent, and creating a workplace that people want to be a part of.

	Employer related	Job related
US	33%	46%
Germany	23%	29%
UK	20%	35%
Total average	25%	37%

Gamechanger engagement: Our results indicate that fostering employee engagement is crucial not only for retaining top talent but also for enhancing organizational performance.

However, only round about 25% of employees demonstrate a strong commitment to their employers, recommending them as a desirable workplace and promoting their products or services to others.

Only 37% are enthusiastic about their job; *“enthusiastic” meaning they are fully absorbed in their job or task, and they experience a sense of flow.*

This state can be a positive experience, as it can lead to increased productivity and a sense of fulfillment in one's work.

Where Do the Most Engaged Employees Work?

Most committed to their employer

Arts, Design, Creative Work, Architecture	32%
Financial & Auditing (incl. Insurance)	31%
IT & Technology	31%
Management	28%
Healthcare & Nursing	28%

Most enthusiastic about their job

Management	46%
Marketing, Advertising, and Communication	41%
Healthcare & Nursing	40%
Education or Social Work	40%
Financial & Auditing (incl. Insurance)	40%

According to recent survey results, employees in Arts & Design, Financial & Auditing, IT & Tech, Management, and Healthcare industries are the most committed to their employers.



One reason might be that most of these industries are very likely to offer self-determined working ^[5].

Besides salary, this is the most important factor for employees, according to our latest survey results ^[5].

Moreover, our results suggest that employees in Management, Marketing, Healthcare, Education, and Financial & Auditing industries are the most enthusiastic about their jobs. The high enthusiasm among managers could be due to the nature of their roles, allowing them high autonomy and influence over their work. People in Healthcare and Education also report the highest purpose in the work they do, which can be highly motivating.

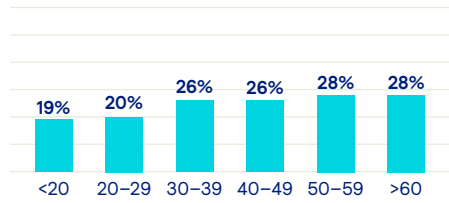
The fact that the two areas of engagement each have different occupations at the top underscores the importance of also looking at enthusiasm about work.

Engagement Across the Generations

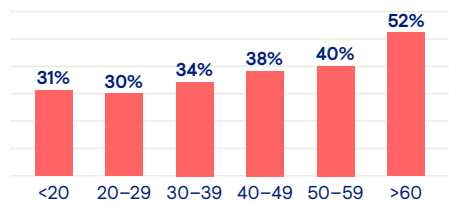
Our results indicate that commitment to the employer and enthusiasm about the job both tend to increase with age.

As employees progress in their careers and gain experience, they may become more invested in their work and develop a deeper sense of loyalty towards their employer. One reason for this could be that older employees may have a better understanding of their job responsibilities and the impact of their work, leading to a greater sense of purpose and fulfillment. These results emphasize that employers need to recognize the value of more experienced employees. By investing in their older workforce, companies can benefit from their experience, knowledge, reliability, and commitment, while also fostering a positive and productive work culture. However, the results also show that there remains a high potential to improve engagement among the younger generations. While 58% of employees under 30 rate career and development opportunities as the most important factor when deciding on a new employer, the most important factor for employees over 50 is the meaningfulness of their work.

Commitment to employer per age group



Enthusiasm about job per age group



Employers must get used to the lower commitment of the younger generation. The Gen Z is the first generation to grow up in a time when demand for labor exceeds supply. Therefore, they are more likely to switch jobs if a better offer comes along and are less tied to their employer. In terms of enthusiasm about work, employers should consider the wish for career and development opportunities as well as the mind shift in the younger generation.

Most important factors when deciding on a new employer per age group ^[5]

Under 30	30 to under 40	40 to under 50	50 to under 60	Over 60
Good career and development opportunities (58%)	Work-Life Balance and family friendliness (66%)	Work-Life Balance and family friendliness (58%)	Meaningful work (59%)	Meaningful work (59%)
Flexible working hours (57%)	Flexible working hours (60%)	Flexible working hours (57%)	Flexible working hours (54%)	Flexible working hours (52%)
Work-Life-Balance and family friendliness (55%)	Flexible working (e.g. remote work) (58%)	Flexible working (e.g. remote work) (56%)	Leadership style and supervisors (52%)	Leadership style and supervisors (49%)

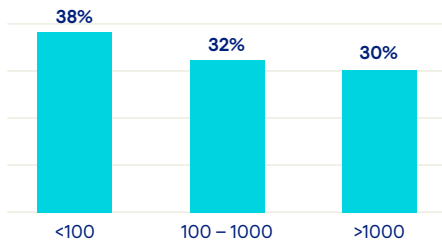
Why Engagement Thrives in Small Companies

Working at a large company can be beneficial for employees, as these companies often offer attractive social benefits such as company pension plans, childcare, or job tickets.

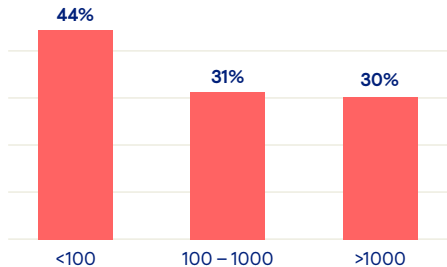
However, employees working in small companies (0–14 employees) show significantly higher commitment towards their employer (36% are highly committed) than employees working in larger companies (24% are highly committed). There are a couple of factors that might lead to these results. For example, employees in small companies are more likely to report being able to engage in meaningful work at their company.



Share of people stating that the work they do is meaningful to them by company size



Share of people stating that they can make independent decisions about how they do their work by company size



There are also differences in work and organization:

More than 40% of employees in smaller companies (fewer than 100 employees) say that they can make independent decisions about how they do their work, compared to round about 30% of employees in larger companies.

What Makes Employees Emotionally Committed?

We asked more than 6,000 people what makes them emotionally committed to their employer. What did they say?

The analysis of all answers reported in an open text-field indicates: According to our respondents, emotional commitment to one's employer is largely driven by appreciation, teamwork, and salary.

„Communication at eye level, both with my supervisor and with my team. Goal-oriented discussions, values according to which action and work are taken“

„Appreciation from both the management and colleagues, a friendly supportive interaction with humor“

„Flat hierarchies, clear company communication“

„The collaboration in a team with different skills and interests to achieve a meaningful goal“

	Germany	UK	US
1.	Feeling valued	Feeling valued	Team
2.	Team	Team	Pay
3.	Pay	Management	Appreciation
4.	Communication	Respect	Goal
5.	Cooperation	Support	Management
6.	Cohesion	Pay	Values

Unlocking the Symphony of Employee Engagement:

Insights and Strategies from The Stepstone Group's Approach – An Interview with Chief People Officer Natalie Matalon

How important is employee engagement and what would be your advice on how to optimize it?

Employee engagement is not just important; it is the lifeblood of successful organizations. Our greatest strength lies within our people and creating the conditions that allow them to thrive is key to leveraging their capabilities, maximizing contributions and achieving long-term results.

Still, optimizing engagement is highly complex, as there is no one-size-fits-all approach that works consistently across the board. We think about it as a delicate balance across multiple elements. It's akin to orchestrating a symphony, where each instrument plays its part to create a harmonious whole.

Of particular importance is ensuring strong leadership that sets a compelling vision, enables meaningful work that has an impact, focusing on recognition as well as feedback, and fostering a sense of belonging. Striking the right balance in these areas can transform your organization into an epicenter of engagement, where every individual thrives and flourishes. The pursuit of perfection may be unattainable, but it's the commitment to relentless progress that truly matters.

Engagement seems to decrease with company size. What does that mean for fast growing businesses?

The observation that engagement may decrease as a company grows does not surprise me. It's often the case that the natural harmony that is created across

engagement elements when the company is small, gets disrupted as it scales and grows. As the number of employees increases, leadership becomes more complex, and strategies that work successfully on a smaller scale may no longer work. Autonomy is often disrupted as leaders feel the need to maintain a sense of control where visibility is no longer clear, and moving fast is then hindered by new layers of decision making and controls. This is why it is so imperative to invest in leadership development and ensure that the skills required to lead larger teams effectively are quickly acquired.

„Our greatest strength lies within our people“

For instance, consider the importance of meaningful work and personal impact. Feeling that your role matters, that it is critical for the success of the mission and that your unique skills and expertise are pivotal to team success. These aspects significantly boost engagement, yet as an organization grows, it's frequent that team members can feel lost in the shuffle. Strong leadership ensures sound organizational design – it avoids role duplication and maximizes individual potential by enabling stretch opportunities that allow skills to grow and evolve.

The importance of recognition and feedback cannot be overstated. When you work hard and get no input on your performance in return – whether it is positive recognition or constructive feedback –

your work will feel less fulfilling. Ensuring mechanisms are in place for this despite growth and direct visibility into one's work is critical. And of equal importance is creating and authentically maintaining a psychologically safe environment where structured feedback is encouraged. If an organization fails to create such an environment, it could negatively impact the magic of engagement.

These factors are often naturally embedded in small businesses, without needing dedicated communication efforts, overly complex structures, or programs. In larger companies, however, it is more challenging to make every employee feel valued and integral. But let's remember, every employee matters. If they did not, we would not have hired them. It is therefore crucial to invest in strategies and actions that make every team member feel significant.

Our research reveals a strong correlation between high employee engagement and a clear sense of purpose. How does this insight resonate with, and impact, The Stepstone Group's approach?

Today, more than ever, individuals need to relate not only to their organization's mission, but also to its societal contribution, and to the relevance of their specific role within it. The Stepstone Group's commitment is to make societies work better. We unlock opportunities for people to join great teams and for companies to attract the right talent. With shrinking workforces becoming the norm, our mission is more critical than ever – securing 'the right job for everyone'. This isn't just a goal, it's a responsibility that our leader's shoulder, ensuring that this powerful purpose reverberates throughout our organization, resonating with every employee, each and every day. Following our broader mission, we delve into the essence of

our organization – our values. At The Stepstone Group we have shaped our values through participative processes, embedding them at the core of our daily operations. One example is our commitment to foster a culture with a revolutionary heart. We firmly believe in the power of challenging work and personal growth that arises from overcoming these challenges.

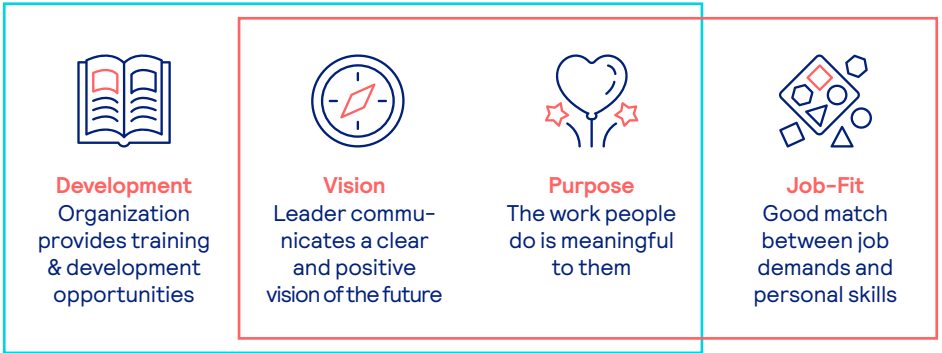
Inclusion is another fundamental tenet we stand by. We radically include fostering a sense of belonging, where individuals can bring their whole selves to work, regardless of gender, age, or other characteristics. This is not only essential for engagement but also enriches our organization with diversity of backgrounds and perspectives.

Still, all our values and actions are underpinned by a crucial factor: meaningful work. This sense of purpose, which I spoke about at the beginning, is what binds our employees to the broader mission and the societal impact we're striving for. Our employees need to feel that their contributions are significant and that they are part of something bigger. Without this sense of purpose, everything else falls flat. This is why we, at The Stepstone Group, continually strive to ensure that our strong sense of purpose is not only understood but truly lived by every member of our organization.



Natalie Matalon,
*Chief People Officer (CPeO)
of The Stepstone Group*

Breaking Down the Key Drivers of Engagement



■ Employer related

■ Job related

What makes people committed to their employer and what makes them enthusiastic about their job?

We found that people who are the most committed to their employer say that their organization provides them with sufficient training and development opportunities, and their leader communicates a clear and positive vision of the future. In contrast, people who are the most enthusiastic about their job state that the work they do is meaningful to them, and they report a good match between job demands and personal skills.

01. Training & Development Opportunities



51% of employees who are offered development opportunities are committed to their employer compared to 8% who are not offered these opportunities.

*Employers can achieve **training and development** opportunities for their employees by creating a culture of continuous learning and development. According to our survey on future skills and future learning, employers should offer opportunities for self-directed learning; Employees are seeking support, transparency, and autonomy in the design of learning and development opportunities ^[6].*

02. Communicating a Vision of the Future



50% of employees whose leader communicates a positive vision of the future are committed to their employer compared to the **6%** whose leader does not.

*Effective leaders create a **vision of the future** that guides and motivates employees [7]. However, only one out of four employees sees this quality in their manager. By communicating a vision, leaders provide a common purpose for employees to work towards.*

03. Purpose



66% of employees whose work is meaningful to them are enthusiastic about their job compared to **5%** whose work is not.

*Only one out of three employees finds a sense of purpose in the work they do. One out of four employees says that more meaningful work would motivate them to switch jobs. Employers can promote a **sense of purpose** among their employees by communicating a clear and compelling mission and vision for the company.*

04. Job-Fit

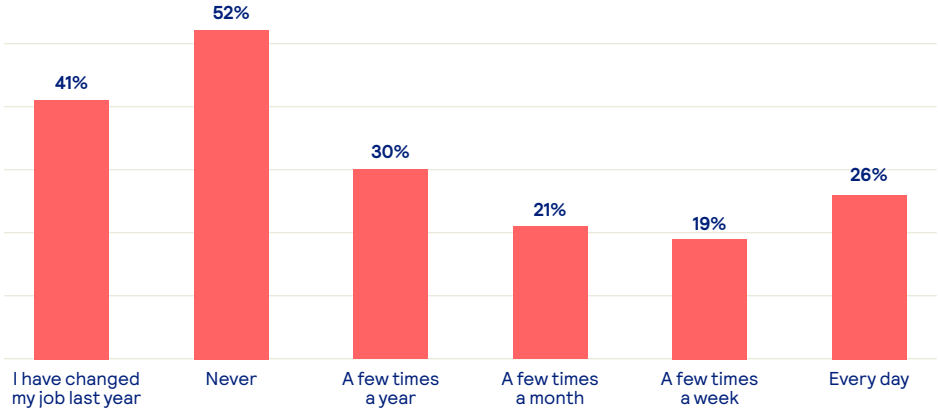


64% of employees whose skills match the demands of their job are enthusiastic about their job compared to **8%** whose match is not as good.

***Job-fit** can be achieved by ensuring that employees are placed in roles that match with their skills, interests, and career goals. Only one out of three employees is very satisfied with how their personal skills and the requirements of their job match.*

Job Change to **Unleash** Unused Potentials

Person–Job Fit and Job Change Consideration



Note: Percentages indicate the share of persons with a very good match between the demand of their job and their personal skills, grouped by how often they think about changing their job.

Especially since the so called “Great Resignation” and the rising power of employees, job change is a common phenomenon in the modern workforce.

Our results show that **52%** of people who never think about changing their job also say their personal skills match very well with the demands of their job – very similar to people who changed their job last year (**41%**). Changing jobs can fix the misfit and lead to better matches between skills and demands. In this sense, companies should make use of the job changes and position themselves more flexibly.

Changing jobs can also be beneficial for employers and the labor market.

The better the job requirements match the competencies of employees, the more potential of the employees can be activated and utilized. From a macroeconomic perspective, turnover serves a supportive function to improve resource allocation in the labor market. Our results show that there is a high proportion of employees who would change their jobs because of higher pay (**64%**) and better career opportunities (**32%**); in fact, these factors are among the top three to motivate people to change jobs. Furthermore, employees who changed their job last year show a comparatively high level of satisfaction with the opportunities to apply their competencies and skills (**41%** compared to **21%** who think about changing their job every month).

Conclusion and Implications

What makes employees **committed** to their organizations and **enthusiastic** about their jobs?

Our study provides insights on the key drivers of employee engagement in the US, UK, and Germany. Our results show that approximately **25%** of employees across all three countries are highly committed to their employer. Round about **37%** of employees are enthusiastic about their jobs – with the most potential for improvement in Germany.

Interestingly, there are differences in engagement across the generations. Companies need to address the desires of the younger generation for further development, by providing career opportunities and flexibility. The results also underline the importance of the older generation as they are motivated above average and show high commitment towards their employer. For this reason, they represent an invaluable resource for companies, which should focus on it more strongly. Also worth mentioning is that the group of older employees is disproportionately larger than the younger.

In general, our results suggest that a culture of appreciation, a good relationship to team members and supervisors, as well as an appropriate salary are the key factors that make employees feel emotionally committed to their employers.

Apart from that, our results reveal that companies should focus on different factors depending on whether they want to improve commitment to the company or enthusiasm about the job. For the former, companies should provide sufficient learning and development opportunities, and follow a leadership approach that communicates a clear and positive vision of the future. To strengthen enthusiasm, companies should ensure an appropriate fit of their employees' personal skills and job demands, as well as identifying and establishing a purpose.

In conclusion, an investment in engagement pays off twice for companies and allows them to decisively set themselves apart from the competition. This is through higher productivity and by attracting and retaining more employees. In times of a looming shortage of employees, this advantage cannot be overstated.

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