

HEALTH WEALTH CAREER



INSIDE EMPLOYEES' MINDS

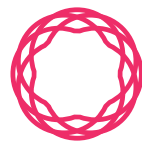
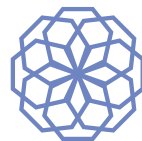
THE TRANSFORMING
EMPLOYMENT EXPERIENCE

PART 1

UNITED STATES
SEPTEMBER 2015

MAKE TOMORROW, TODAY





INTRODUCTION

INSIDE EMPLOYEES' MINDS THE TRANSFORMING EMPLOYMENT EXPERIENCE

At Mercer, our purpose is to help people and organizations create their most important asset – their future – by taking the right steps today.

That's why, over the past 15 years, Mercer has conducted regular research to gauge employee views and perceptions of work and to measure overall engagement levels. This research has provided a comprehensive look into what employees think about their jobs, their employers, and their pay and benefits, as well as what motivates them to excel and what convinces them to stay. Our research is designed to help employers stay on top of key trends and adjust their own value propositions in order to attract and retain the workforce they need for success, and also to advance the health, wealth, and careers of their people.

This year, we have brought together questions and insights from two powerful Mercer surveys to create our **2015 Inside Employees' Minds™ Survey**, conducted across North America. The findings provide a fascinating look into the transforming world of work in the US and Canada from the employee perspective.

ABOUT THE SURVEY

In early 2015, Mercer conducted a random sample survey of more than 3,000 US employees and 1,000 Canadian employees. Survey questions were drawn from our *Inside Employees' Minds™ Survey*, last conducted globally in 2011, and our *Mercer Workplace Survey*, last conducted in the US in 2013. The survey findings shed light on critical components of the evolving employee value proposition.

The survey captures employees' views on:

- Pay.
- Benefits.
- Careers.
- Engagement.
- Leadership.
- Performance.
- Culture.
- And more.

The research also included conjoint analysis, which allows us to identify which value proposition elements are most valued by employees — and to look at these findings by various workforce demographics to help us more precisely identify who values what.

RESEARCH HIGHLIGHTS

What's on employees' minds today? For nearly 40% of US employees, their minds have turned to leaving their current employers. Though the incidence varies by demographic, across the board a significant number – regardless of their age, position, or even level of satisfaction and engagement – is considering other employment.

This is a dramatic turn of events. Traditionally, the value proposition has been predicated on the notion that engaged, happy employees are more productive and committed to their jobs, and that these loyal employees comprise the ideal workforce. Today, the balance of this equation is shifting, as reflected in three trends that emerged from the research:

- **Engagement Paradox**, in which even happy employees are looking to leave.
- **Seniority Split**, in which higher-level workers see the world of work in a vastly different light compared with their nonmanagement colleagues – and also are at a substantially greater risk of leaving.
- **Generational Divide**, a gap in views between older and younger workers, in which younger employees want different things out of the employment relationship and are more positive about many aspects of work but are still more likely to be looking to leave.

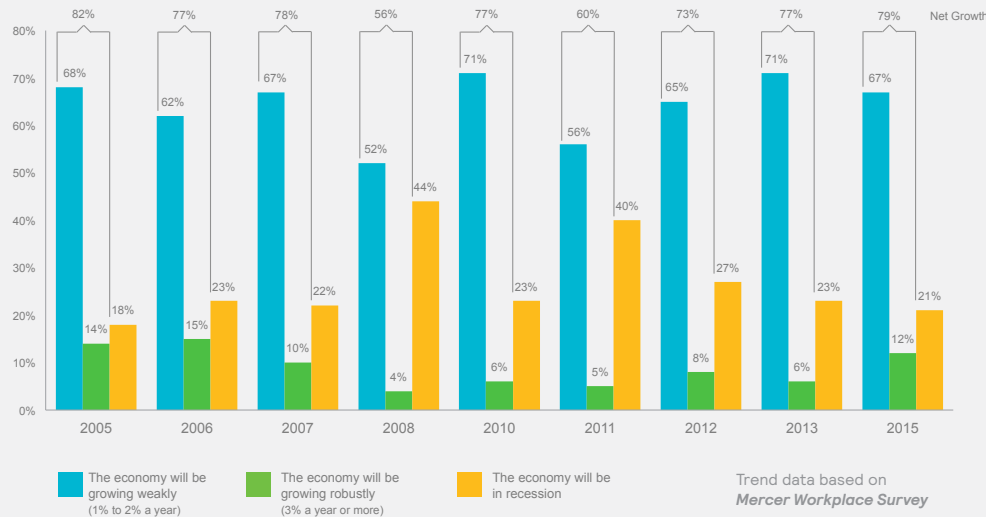
As if to confound employers further, Mercer's survey also found that employees are fairly content with a number of elements of the value proposition. This includes many aspects of health care, pay, careers, and retirement.

ECONOMIC OUTLOOK

Mercer’s survey asked questions about employees’ economic outlook to establish context for their views and perceptions of work. In another sharp contrast, employees feel more optimistic about the overall economic picture but less optimistic about their own job security. Confidence about the economy is not reflected in how they see their personal financial situation. But at the same time, they appear to be adjusting to the “new normal” at work — or at least be accepting of it.

This year, 79% of survey respondents said they expected the economy to grow at either 1% to 2% per year or 3% or more per year. This is the most positive economic outlook Mercer has seen in 10 years. Likewise, the percentage of employees expecting recession has decreased substantially in recent years, from 40% in 2011 to 21% in 2015.

Highest expectation for growth of market in 10 years



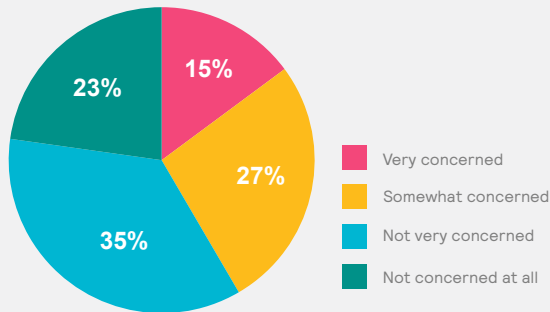
CONCERNED ABOUT JOB SECURITY

While US workers feel somewhat better about overall economic prospects, they appear to be losing confidence in their own job security. In the past two years, employees' concern about losing their jobs within the next 12 months has increased from 38% to 42%. One demographic segment, in particular, expressed strong concern about job security: While 15% of US workers overall are very concerned about job loss, that figure rises to 37% among senior managers.

The new normal

Divergence between what people perceive about the economy and what they feel personally

How concerned are you that you may lose your job in the next 12 months?



Trend data based on *Mercer Workplace Survey* and *Inside Employee's Minds 2011*

38%

In 2013, 38% were concerned or very concerned about losing their job, compared with 42% today.

37%

Among senior management, 37% are very concerned about losing their job now, compared with 15% of workers overall.

ENGAGEMENT PARADOX



ENGAGEMENT PARADOX

Mercer's research shows that engagement is becoming disconnected from retention. Satisfaction does not equal staying. Employees are committed — for now. Employers are facing the loss of valued talent, even among those who are most satisfied. And then there's the issue of disaffected workers — those not committed to either staying or leaving. These employees can create a further drain on workforce productivity and morale.

In 2011, 33% of all US workers were seriously considering leaving their organization. That was a surprising number four years ago, but today, the number has increased to 37% in the US. As might be expected, the share of workers seriously considering leaving is highest among younger workers.

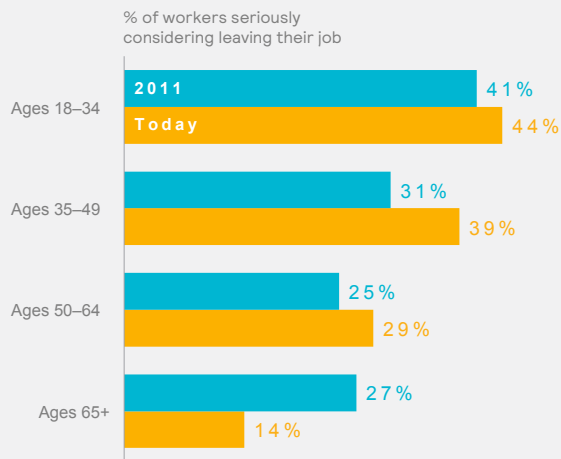
Significant number seriously considering leaving at present

33%

In 2011, 33% of workers were seriously considering leaving.*

37%

Today, 37% of workers are seriously considering leaving.*



Trend data based on *Inside Employee's Minds 2011*

* This number was reported as 32% in 2011, but has been restated in 2015 to reflect current eligibility criteria for the survey. Most specifically, the figure no longer includes respondents from organizations with fewer than 200 employees.

HAPPY BUT LEAVING

But here's what's more surprising. Mercer's research finds that many of America's most satisfied workers are seriously considering leaving their job. The 37% who are seriously considering leaving their job today include:

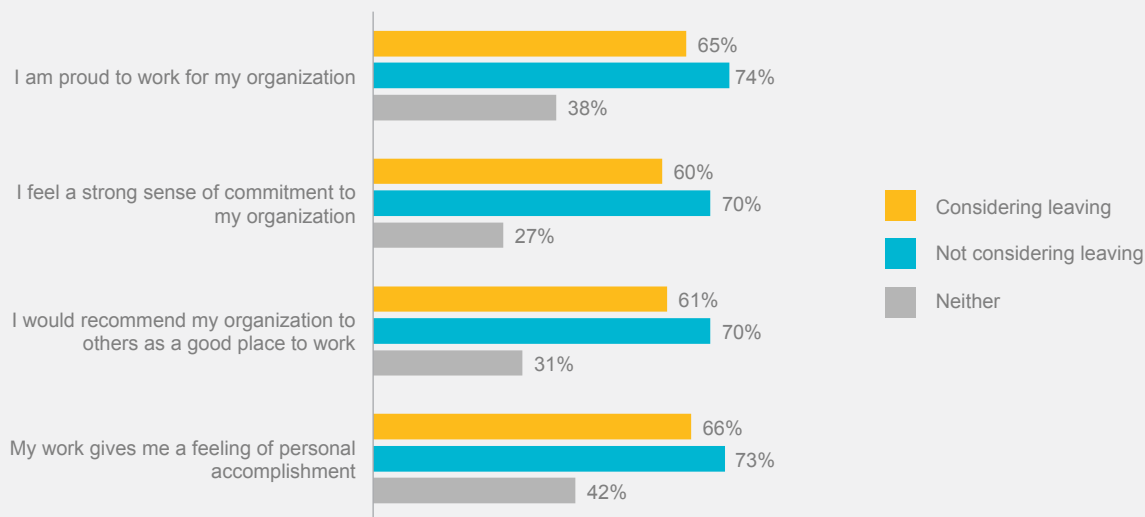
- 45% of those who are very satisfied with their organization.
- 42% of those who are very satisfied with their job.
- 45% of those who rate their benefits package as very good.
- 46% who strongly agree that they have sufficient opportunity for growth and development in their organization.
- 48% who strongly agree that their organization as a whole is well managed.
- 48% who strongly agree that they are paid fairly given their performance and contributions to their organization.

CHECKED OUT AT WORK

Historically, employers have had to be concerned about disaffected or “checked out” workers — not just their propensity to leave but also their potential drain on productivity and morale when they stay. That element of the workforce still exists — and, in fact, accounts for about one-fifth of the employees surveyed. Engagement scores across a number of dimensions are lowest for these disaffected workers.

Significant numbers are checked out

Engagement scores for employees lowest of all



SENIORITY SPLIT



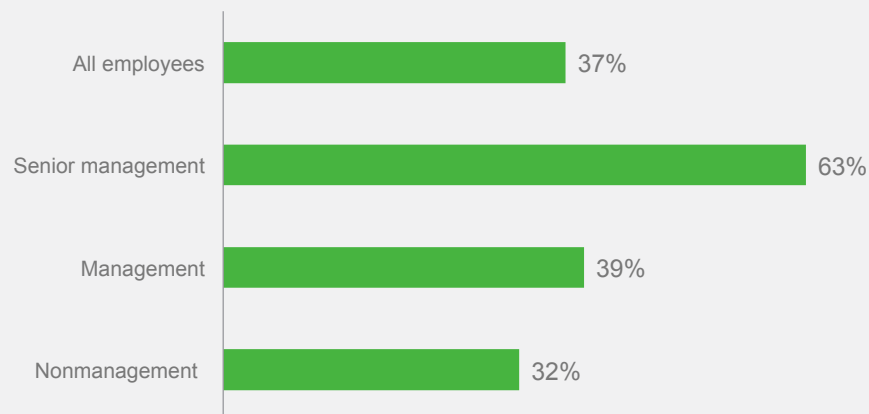
SENIORITY SPLIT

Mercer's research found a sharp split between the views of senior management employees and other employees — both management and nonmanagement — on most topic areas.

While two out of five employees overall are considering looking for a new employer, among senior managers, it's three out of five. Employers generally have devoted considerable time and resources to develop their top management, so departures at this level can have a major impact.

Top management most at risk

Senior managers are almost twice as likely as nonmanagement employees to be seriously considering leaving their organization at the present time.



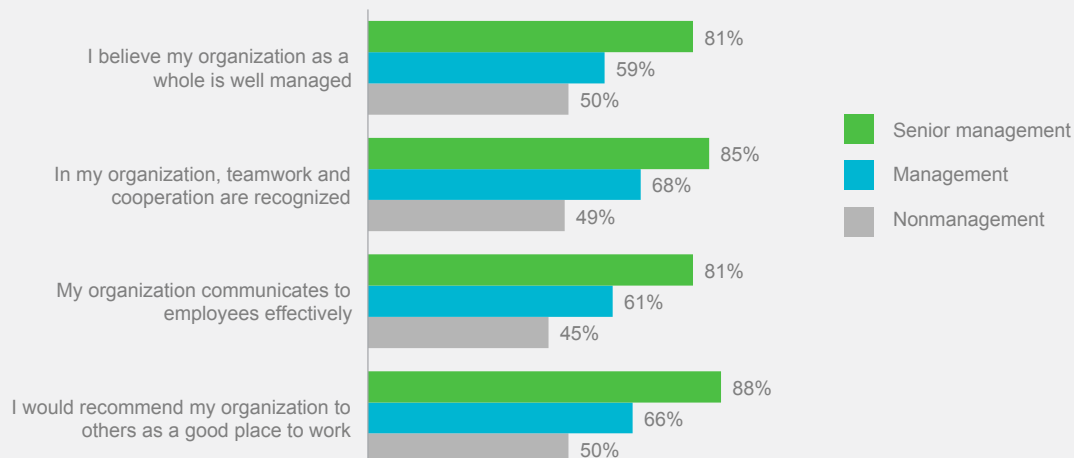
A MORE POSITIVE PERSPECTIVE

Another paradox: Senior managers are almost twice as likely as nonmanagement employees to be seriously considering leaving their organizations, even though they view many aspects of work much more positively. They are more likely to believe the organization is well managed and that teamwork and cooperation are recognized. They think highly of organizational communication and are very likely to recommend their organization to others as a good place to work.

In short, senior managers tend to be much more satisfied with their organizations and jobs, compared with the overall workforce, but still are the demographic most inclined to leave.

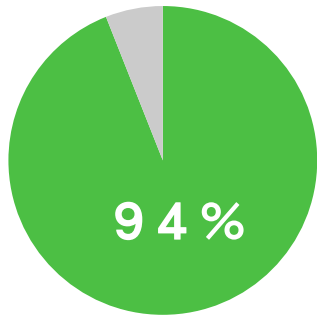
A more positive perspective

Senior managers view many aspects of work much more positively than do both managers and nonmanagement employees.

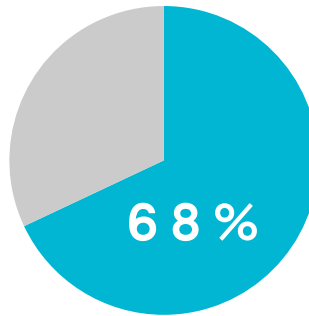


HAPPIEST OF ALL BUT STILL LEAVING

Senior management

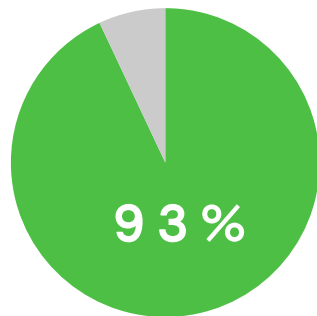


All employees

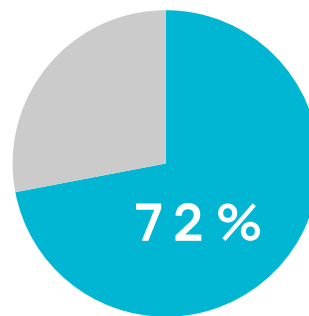


94% of senior managers are **satisfied or very satisfied with their organizations**, compared to 68% of all US employees

Senior management



All employees



93% of senior managers are **satisfied or very satisfied with their jobs**, compared to 72% of all US employees

GENERATIONAL DIVIDE



GENERATIONAL DIVIDE

Mercer's research also found a huge dichotomy in another area – perhaps one more expected. Though employees under age 35 are more positive about their work, 44% still are seriously considering leaving. In many ways, these findings are in line with other trends that have become so prevalent in the workforce, including millennials' increased job mobility and desire to fast-track their careers. On the flip side, older workers – age 50 and up – are much less positive about work yet more inclined to stay.

Today, the two youngest generations of workers make up an increasingly large share of the overall workforce, so their preferences and behaviors are driving the overall trends more strongly than in the past. With the youngest edge of the boomers still about 15 years away from retirement, meeting the needs of all demographics in the overall workforce is becoming a growing challenge for employers.

Younger workers have a more positive outlook regarding many elements of work. More than older workers, they feel promotions are fair, have more trust in senior management, think managers are looking out for their well-being, see room for growth, and would recommend their organization as a good place to work. Despite this, they are more likely to be considering leaving.

Generational divide

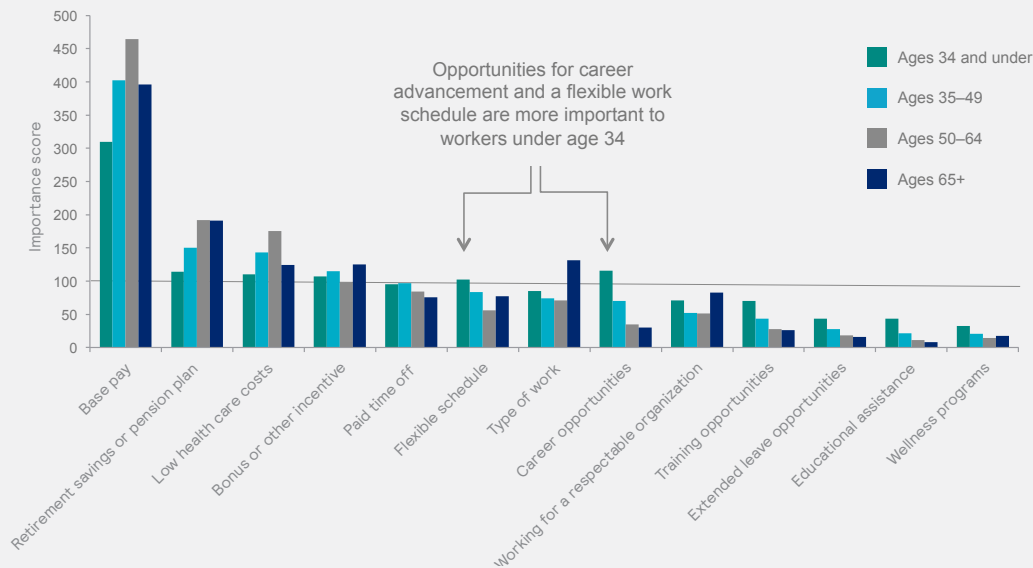
Youngest employees driving the happy but leaving trend

	Agree: All employees	Difference in score: Employees ages 18–34 yrs
Promotions are generally given to the most qualified employees in my organization	43%	+11
I trust senior management in my organization to always communicate honestly	48%	+9
Managers in my organization demonstrate concern for the well-being of employees	51%	+9
I believe that I have sufficient opportunity for growth in my organization	51%	+9
I would recommend my organization to others as a good place to work	58%	+6
My organization communicates to employees effectively	53%	+5
At the present time, I am seriously considering leaving my organization	37%	+7

WHO VALUES WHAT

As part of this research, Mercer conducted conjoint analysis, which ranks 13 value proposition elements in terms of their importance to employees. A very clear picture emerges when the analysis findings are viewed by age. The analysis shows that across all age groups, base pay is most important, but after that, older workers value the type of work they do, working for a respectable organization, and a retirement savings or pension plan. Younger workers, 18–34, care most about flexible work schedules and career advancement. This clearly underscores the fact that employers cannot offer one-size-fits-all rewards and expect them to meet the needs of all employee segments.

Most valued elements of the 'deal' vary significantly by age



ADDRESSING THE ISSUES

WHAT YOU NEED TO ASK

Given the findings of Mercer's 2015 *Inside Employees' Minds™ Survey* around engagement, commitment, and retention, employers should ask themselves the following questions:

- Do our own employee surveys reflect the “happy but leaving” trend? How concerned should we be?
- Should we try to get workers to stay longer or accept that the workforce of the future is more transitional — and adjust to that new reality?
- Do our reward programs reflect a more fluid/mobile workforce? Do they allow the flexibility that younger workers are seeking?
- Are we actively addressing the transition taking place in our workforce as baby boomers begin to retire and the younger generations become the dominant share of the workforce?

ACTIONS TO CONSIDER

If you don't know the answers, or are not satisfied with the answers, consider taking some of these steps:

- Analyze or update your employee survey findings to determine where you may be at risk.
- Survey employees to understand trade-offs they are willing to make among various reward elements and within benefit programs. Pinpoint the differences among different demographic groups.
- Create a plan to evolve your employee value proposition as your workforce continues to transition.

CONSEQUENCES OF NOT TAKING ACTION

Organizations face significant risks if they don't take the right actions or sufficient action to address these workforce issues:

- Flight of key employees/executives; impact on productivity and morale.
- Reward investments not delivering the best value/return.
- Not achieving business goals due to underutilization of talent.
- Losing ground competitively.



For further information, please contact your local Mercer office or visit our website at www.mercer.com.

For more information about the ***Inside Employees' Minds™ Survey***, visit www.mercer.com/inside-employees-minds.