

# Global Workforce Insights

**Q3 2014**

Your Quarterly  
Resource for the  
Latest Trends  
Affecting Your  
Workforce Plan

# KEY FINDINGS

## 1. Global Economy (p. 6)

CEB's Business Executive Sentiment Index has settled after increasing for five straight quarters. However, heads of HR are the most pessimistic about future revenue growth and cost pressures; 44% expect more unwanted turnover, a 5% increase in six months.

Compare your outlook on the business's future with those of your functional peers to ensure the assumptions used in your 2015 [HR strategic planning process](#) are correct.

## 2. Labor Market (p. 8)

While labor market perceptions of job opportunities in North America soared to their highest level since 2010, employees found desirable jobs more scarce in Europe, Australia and New Zealand, and Latin America.

Increase the business impact of recruiting in any market by creating [Talent Advisors](#)—strategic recruiters capable of managing complex talent pipelines and advising the business on talent needs and labor market conditions.

## 3. Recruiting (p. 9-10)

Globally, a multitude of potential job candidates (47%) continue to passively search for new employers. Employees in Brazil, India, and Canada helped increase the number of active candidates in the marketplace, which increased for the first time since 2013. This trend suggests that the reduction in last quarter's job-seeking activity will be temporary.

Tailor your talent strategy to fill critical talent roles in the markets in which your organization operates. For example, in next-frontier cities, you can find [high-quality shared services talent for 31% less](#).

## 4. Engagement (p. 15-18)

Evidenced by regional drops, intent to stay has declined to 36% worldwide, ending five years of quarterly positive trending. A key segment to watch is millennials, who comprise 37% of the workforce today; they will greatly impact intent to stay because half of them will be looking for a new job within a year.

Understand the real generational differences, and leverage the right strategies to manage millennials using our latest brief, the [Millennial Myth](#).

## 5. Attraction and Attrition (pp. 12-13 and 19-21)

Employees crave better oversight and distance themselves from unskilled managers; in fact, 29% are driven away by an ineffective boss. Moreover, poor managers are threatening to break into the traditional top three reasons employees leave: dissatisfaction with compensation, future career opportunities, and work-life balance. Considerably, 33% of employees would switch jobs today knowing they would get a better boss.

Prioritize your investments in manager effectiveness as a discrete retention and recruitment strategy, using the [Manager Resource Portal](#) and [Performance Review Effectiveness Diagnostic](#) to boost manager-employee feedback conversations.

## 6. Compensation (p. 22-23)

The salary increase expectation for employees switching jobs returned to 15% this quarter, following a similar trend for a third consecutive year (an annual increase in Q2 following a drop in Q1). This spike is significant because if only offered a 15% salary increase, 52% of employees would change jobs.

Although 95% of HR leaders see value in integrating total rewards fully with their business, only 44% have successfully implemented this framework. Show employees the full value of their compensation and benefits and keep your top talent by using [Building an Actionable and Integrated Approach to Total Rewards](#).

This quarter, executive confidence about the global economy fell after reaching the neutral point for the first time in three years.

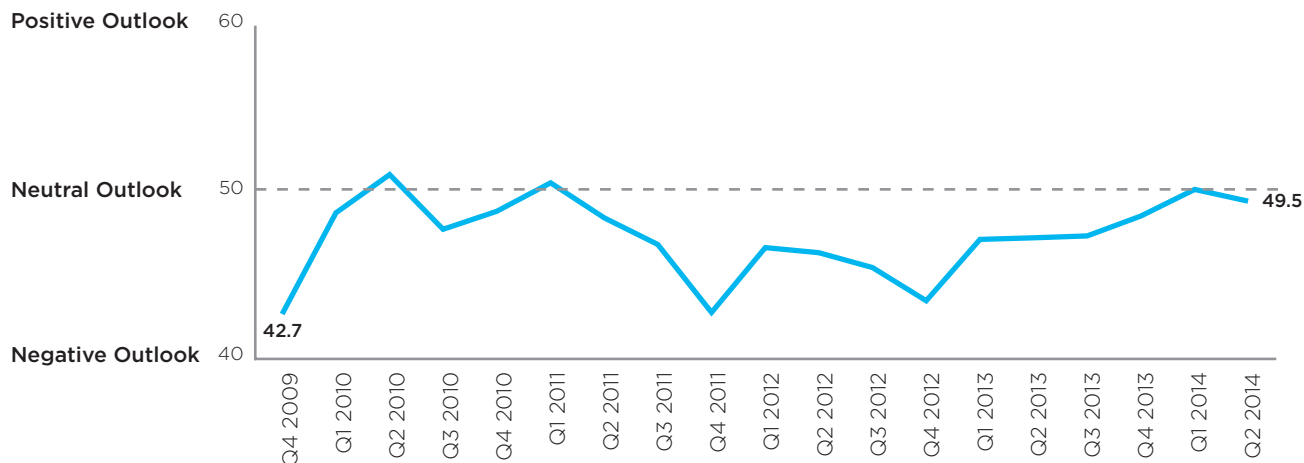
- Compared to downward trends over the course of 2011 and 2012, 2013 was a year of growing optimism among executives.
- Confidence among HR executives fell this quarter, but it remains well above the low a year ago in Q2 2013.
- Three distinct categories of executive views have emerged:
  - Positives (Marketing and Sales),
  - Neutrals (Finance and Supply Chain), and
  - Negatives (HR and IT).

**Definition**

The Business Executive Sentiment Index (BESI) measures senior executives' sentiment on revenue growth and cost pressure for the next 12 months in light of macroeconomic events.

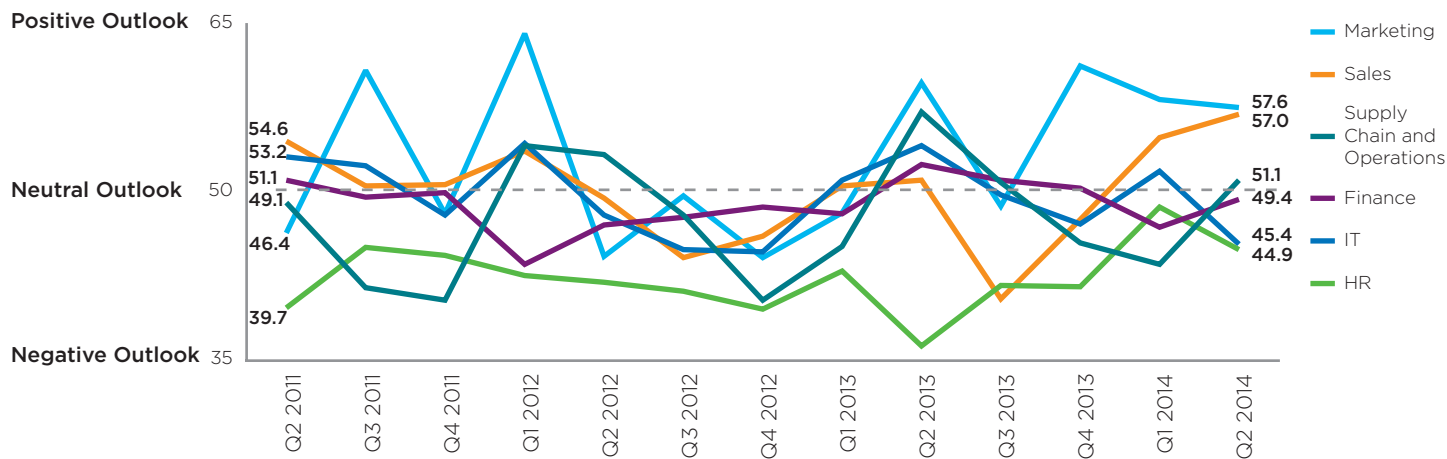
# EXECUTIVE OUTLOOK HAS SETTLED AFTER INCREASING FOR FIVE STRAIGHT QUARTERS

Business Executive Sentiment Index



Q2 2014 n = 2,067 executives.  
Source: CEB 2009–2014 Business Barometer Survey.

Business Executive Sentiment Index by Corporate Function



Q2 2014 n = 309 (Marketing); 225 (Sales); 367 (Supply Chain and Operations); 469 (Finance); 623 (IT); 570 (HR).  
Source: CEB 2011–2014 Business Barometer Survey.

Half of HR executives expect engagement to continue improving over the next year, whereas only one-quarter expect it to decrease.

- Forty-four percent of HR executives expect unwanted turnover to increase, compared to 39% six months ago.
- Nearly half of HR executives anticipate an increase in total hiring volume, compared to about one-quarter who expect a decrease.

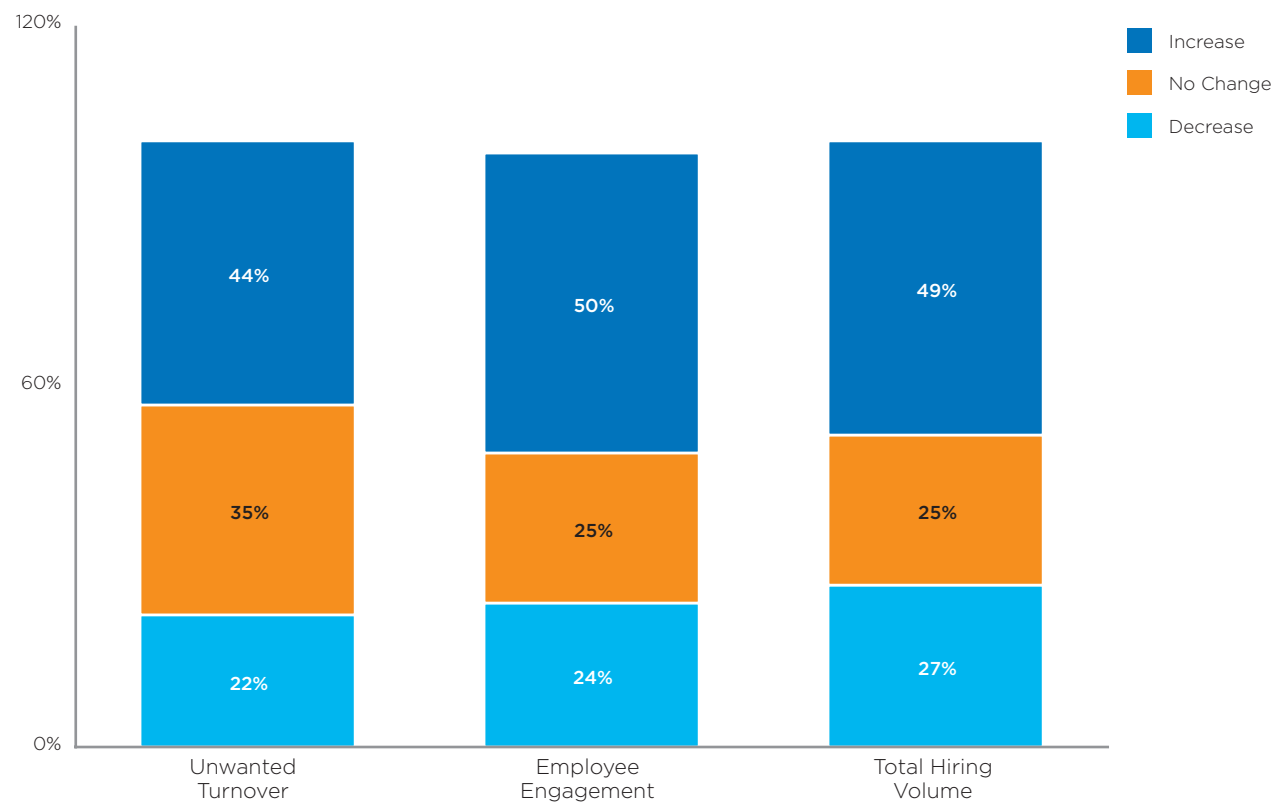
#### Additional Insight

HR executives who participate in the BES1 receive a quarterly report with more than 50 metrics capturing business executives' expectations. To participate, please contact Oleg Polishchuk at [polishco@executiveboard.com](mailto:polishco@executiveboard.com).

## HALF OF HR EXECUTIVES EXPECT ENGAGEMENT TO RISE IN THE NEXT YEAR

HR Executive Sentiment on Workforce Activity: Q2 2014

Percentage of Heads of HR Indicating Expected Change in the Next 12 Months



Q2 2014 n = 570 HR executives.

Source: CEB 2014 Business Barometer Survey.

Note: Percentages may not equal 100% due to rounding.

Employees in North America have increased confidence about their ability to find good jobs in their locations, industries, and functions.

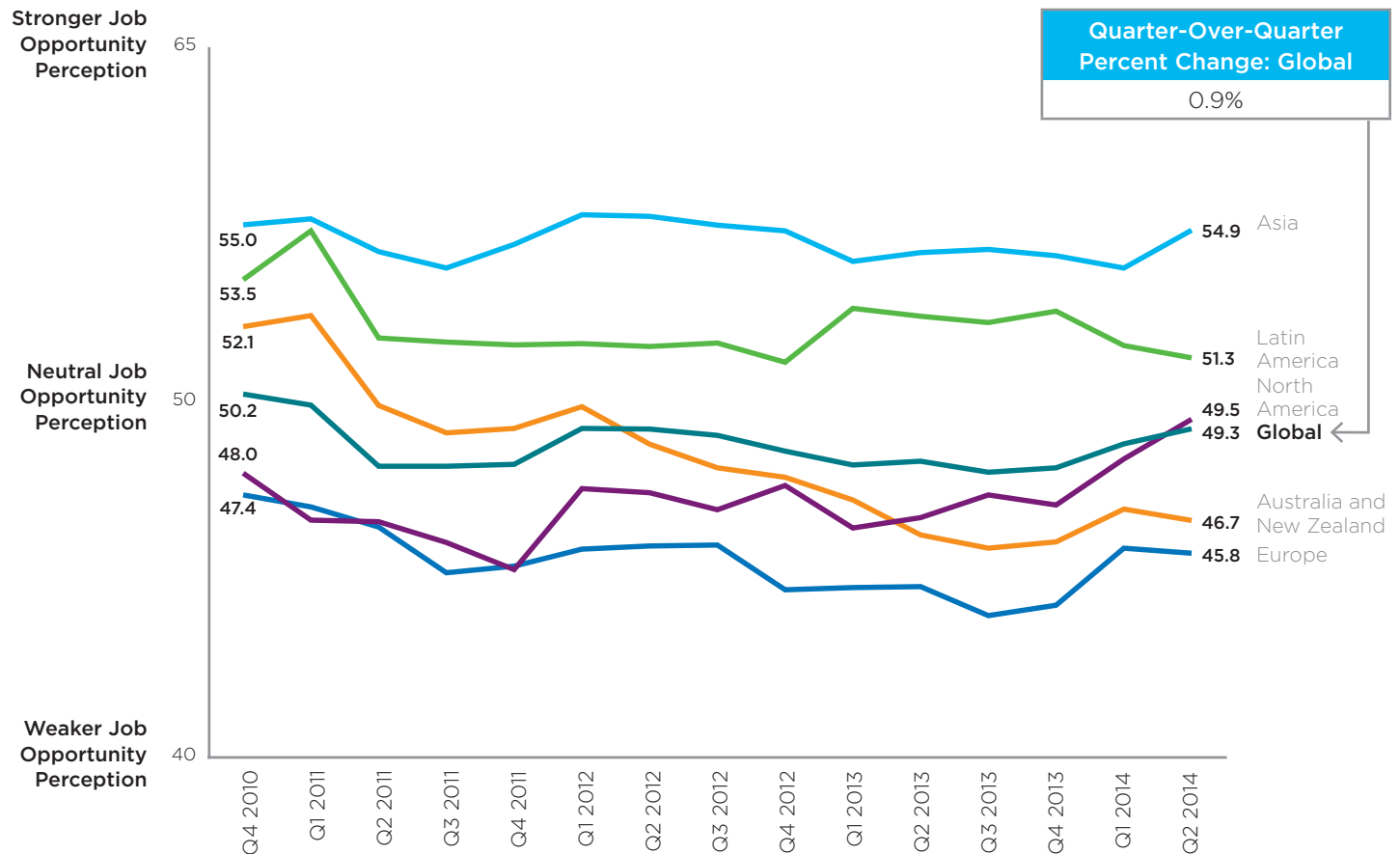
- Employees in Europe and Australia and New Zealand have reverted to the pessimism of previous quarters, which has defined those regions for the past decade.
- Job opportunity perceptions have declined among Latin American employees for the second straight quarter, although Latin America remains the second-most optimistic region.
- Employees in Asia increased their leading optimism for job opportunities, returning to nearly the highest levels of the past decade.

**Definition**

The Job Opportunity Barometer (JOB) measures employed individuals' perceptions of the availability and quality of other employment opportunities in their current locations, industries, and functions.

# PERCEPTION OF JOB OPPORTUNITIES IN NORTH AMERICAN SOARS HIGHEST SINCE 2010

Job Opportunity Barometer<sup>a</sup>  
Global Employed Labor Force



Q2 2014 n = 4,459 (Asia); 1,194 (Latin America); 3,286 (North America); 17,838 (Global); 1,493 (Australia and New Zealand); 6,409 (Europe).  
Source: CEB 2010-2014 Global Labor Market Survey.

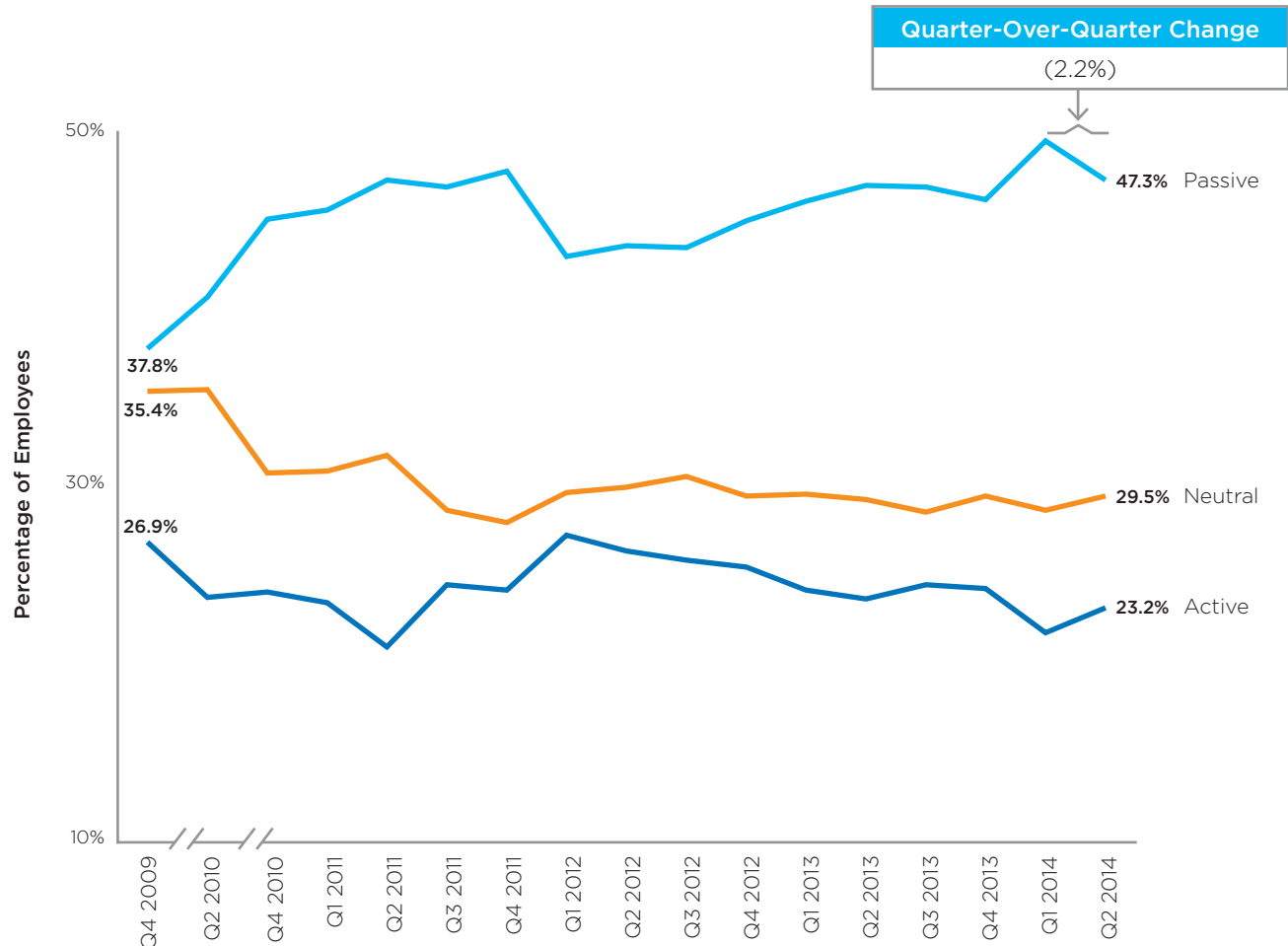
<sup>a</sup> The global JOB is an indexed score calculated from a battery of five questions posed to survey respondents. These answers are combined and converted to a 100-point scale, with higher values indicating stronger perceptions of job opportunities.

Although a multitude of employees are passive job candidates, since last quarter, the number of such candidates has decreased, mirroring a rise in the number of active job candidates.

- To acquire the best talent, constantly update your strategy so it proportionally balances approaches to all candidates.
- About one-half of employees are passive candidates, meaning they invest little to no effort in looking for new job opportunities.

# PASSIVE CANDIDATES CONTINUE TO DOMINATE THE GLOBAL WORKFORCE

Percentage of Employees by Degree of Job-Seeking Behavior<sup>a</sup>  
Global Employed Labor Force



Q2 2014 n = 17,838.  
Source: CEB 2009–2014 Global Labor Market Survey.  
<sup>a</sup> Active, neutral, and passive job-search behaviors are quantified based on the Active–Passive Score detailed on page 10.

**Additional Insight**  
Use our [Recruiting Effectiveness Dashboard](#) to ensure your recruiters effectively bring the best talent into your organization. (Requires a CEB Recruiting Leadership Council membership)

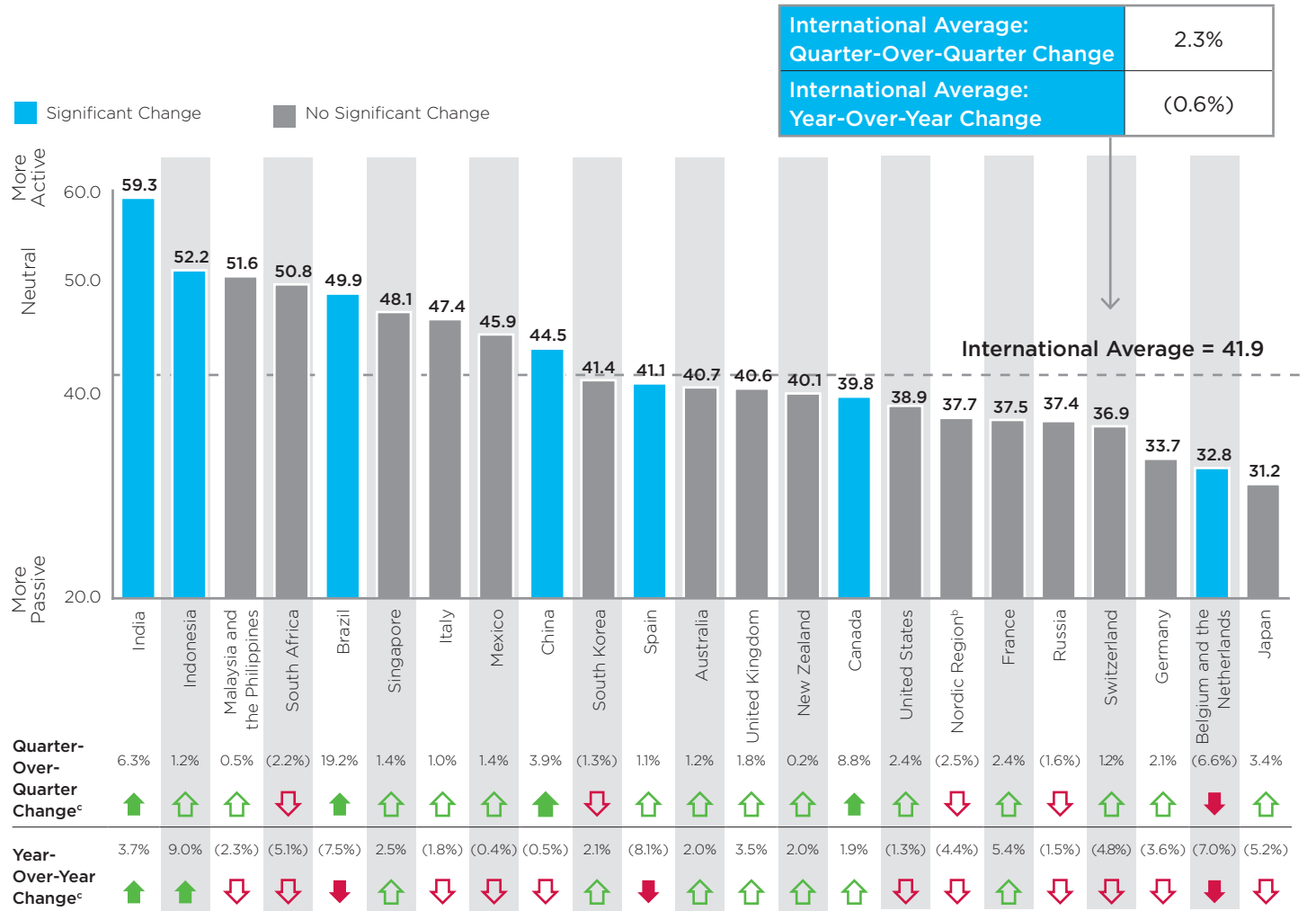
Job-seeking activity contracted in emerging markets in Q1, which appears to have been only a temporary shift, as job-search activity increased in India, Brazil, and China in Q2.

- In general, active job seekers remain very rare in developed markets, particularly in Europe and Japan.
- Solid arrows signify statistically significant changes in the Active-Passive Score.

**Definition**  
 The Active-Passive Score measures the extent to which employed individuals are inclined and demonstrate effort to look for new jobs.

# ACTIVE CANDIDATES RE-SURFACE IN EMERGING MARKETS

Active-Passive Score: Q2 2014<sup>a</sup>  
 By Region and Country



Q2 2014 n = 17,838.

Source: CEB 2013-2014 Global Labor Market Survey.

<sup>a</sup> The global Active-Passive Score is an index calculated from a battery of eight questions posed to survey respondents. These answers are combined and converted to a 100-point scale, with higher values indicating more active job-search activity.

<sup>b</sup> The Nordic Region includes Denmark, Finland, Norway, and Sweden.

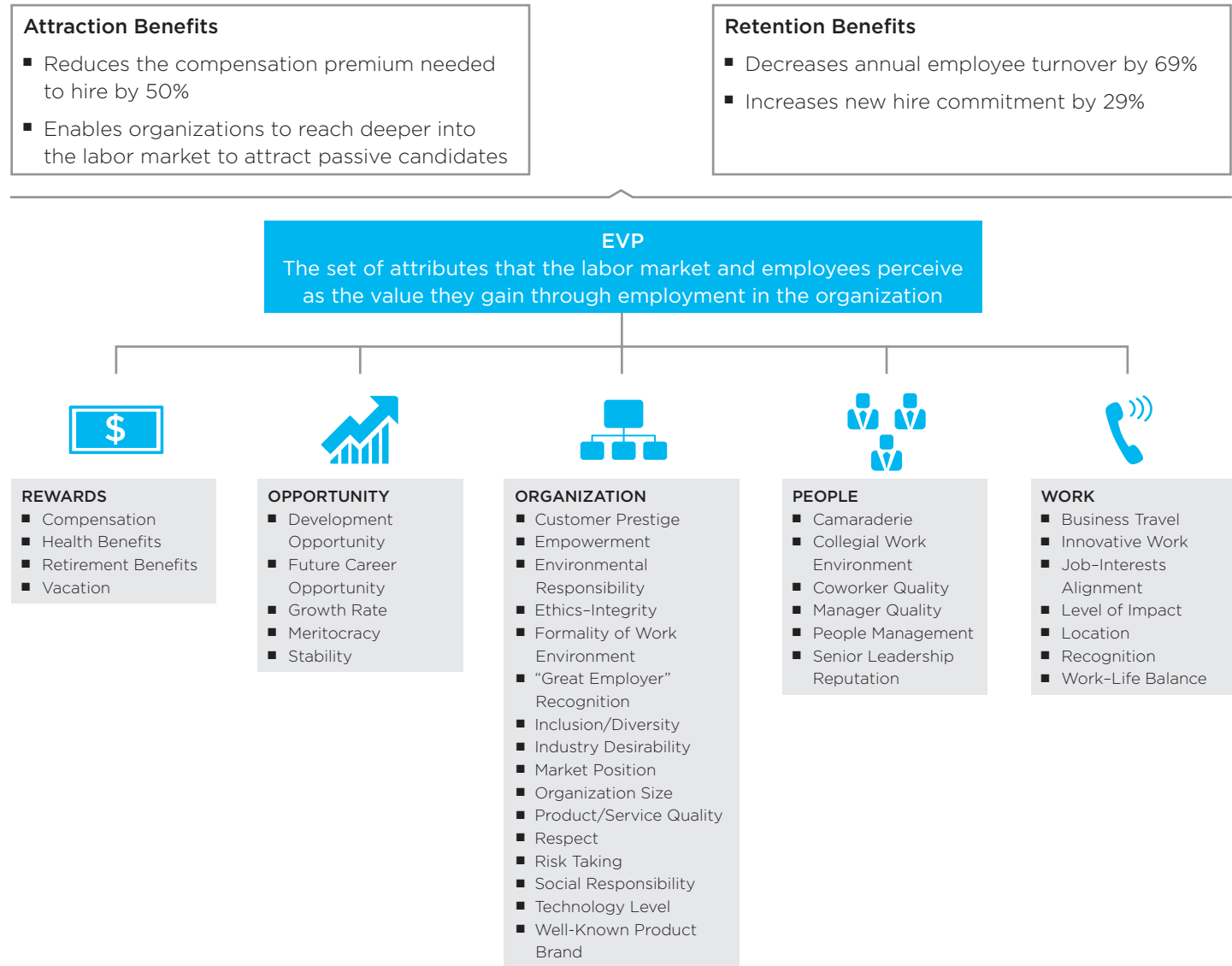
<sup>c</sup> Solid arrows indicate a statistically significant change at the 95% confidence level, whereas an outlined arrow indicates the change was not significant. This value is determined by response count and standard deviation; therefore, the solid arrows will not always be the highest or lowest absolute scores.

**An effective employment value proposition (EVP) allows organizations to source more deeply within the labor market by attracting passive candidates.**

- CEB's EVP model consists of 38 validated attributes that most significantly drive attraction and retention.
- When candidates in the labor market consider an organization's EVP attractive, they demand a lower compensation premium when deciding to join.
- Organizations with the most effective EVP delivery experience lower levels of employee turnover than do less effective organizations.

# CEB'S EVP FRAMEWORK

The EVP Framework and the Benefits of a Differentiated EVP



**Additional Insight**

Define the vision for your differentiated EVP with our insights and implementation tools in our [EVP Topic Center](#).

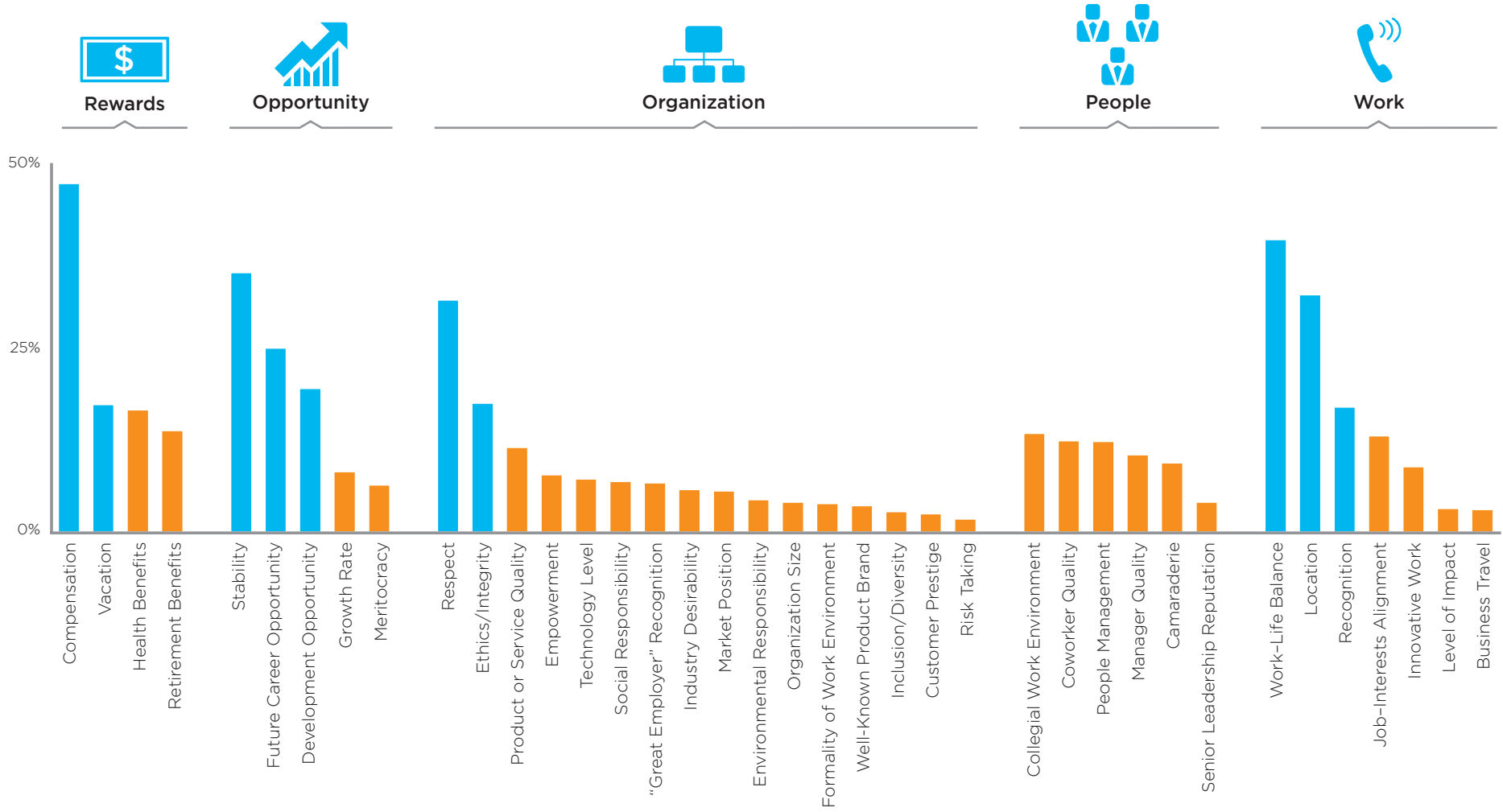
Source: CEB analysis.



# COMPENSATION AND WORK-LIFE BALANCE RANK MOST IMPORTANT FOR CANDIDATE ATTRACTION

Percentage of Global Employees Who Rank the Driver Among the Top Five Factors Influencing Selection of a Potential Employer  
*Global Employed Labor Force: Q2 2014*

■ 10 Most Commonly Cited Attraction Drivers by Employees Worldwide



Q2 2014 n = 17,838.  
 Source: CEB 2014 Global Labor Market Survey.

# COMPENSATION AND WORK-LIFE BALANCE REMAIN TOP PRIORITIES FOR POTENTIAL CANDIDATES IN MOST REGIONS

Top 10 Attraction Drivers for Select Countries or Regions: Q2 2014

Change in Rank Compared to Last Quarter and Total Percentage of Potential Candidates Selecting Attribute as One of the Top Five Reasons for Considering an Employer

Rank	Global	Australia	China	India	Southeast Asia <sup>a</sup>	United Kingdom	United States
1	Compensation 47.5%	Work-Life Balance 58.3%	Compensation 69.4%	Work-Life Balance 39.1%	Work-Life Balance 44.0%	Work-Life Balance 53.7%	Compensation 54.2%
2	Work-Life Balance 39.9%	Location 46.7%	Development Opportunity 37.8%	<b>+1</b> Future Career Opportunity 28.9%	Compensation 34.7%	Location 49.2%	Work-Life Balance 42.7%
3	Stability 35.4%	<b>+1</b> Respect 40.4%	Future Career Opportunity 37.1%	<b>+3</b> Growth Rate 28.6%	Stability 32.6%	Stability 33.8%	Stability 41.8%
4	Location 32.4%	<b>-1</b> Stability 38.7%	Respect 29.9%	Stability 27.6%	Future Career Opportunity 28.8%	Respect 32.8%	Location 40.3%
5	Respect 31.7%	Compensation 25.2%	<b>+2</b> Work-Life Balance 26.9%	<b>-3</b> Compensation 27.5%	Health Benefits 27.7%	<b>+1</b> Future Career Opportunity 28.0%	Health Benefits 38.9%
6	Future Career Opportunity 25.2%	Future Career Opportunity 23.5%	<b>-1</b> Stability 26.8%	<b>-1</b> Respect 26.0%	Location 26.8%	<b>-1</b> Compensation 25.7%	Respect 29.7%
7	Development Opportunity 19.7%	Ethics-Integrity 22.1%	<b>-1</b> Health Benefits 25.8%	<b>+1</b> Development Opportunity 22.1%	Respect 23.1%	Recognition 19.5%	Retirement Benefits 23.3%
8	Ethics/Integrity 17.7%	Recognition 18.0%	<b>+2</b> Retirement Benefits 17.0%	<b>+1</b> Recognition 21.5%	Development Opportunity 22.3%	<b>+3</b> People Management 18.9%	Ethics/Integrity 22.6%
9	<b>+1</b> Vacation 17.5%	<b>+3</b> Manager Quality 16.1%	<b>-1</b> Vacation 16.6%	<b>-2</b> Location 20.9%	Ethics/Integrity 21.6%	<b>-1</b> Development Opportunity 18.2%	Future Career Opportunity 22.4%
10	<b>-1</b> Recognition 17.2%	<b>+1</b> Development Opportunity 15.2%	<b>-1</b> Location 14.6%	Innovative Work 20.0%	Recognition 20.8%	Vacation 17.0%	Vacation 21.5%

Q2 2014 n = 17,838 (Global); 996 (Australia); 991 (China); 995 (India); 1,481 (Southeast Asia); 1,489 (United Kingdom); 2,290 (United States).

Source: CEB 2014 Global Labor Market Survey.

Note: The top drivers of attraction by country are calculated by asking survey respondents to indicate the five attributes in CEB's EVP Framework that they consider most important when evaluating a new job. The attributes selected most frequently by respondents are considered the top drivers of attraction in that country or region.

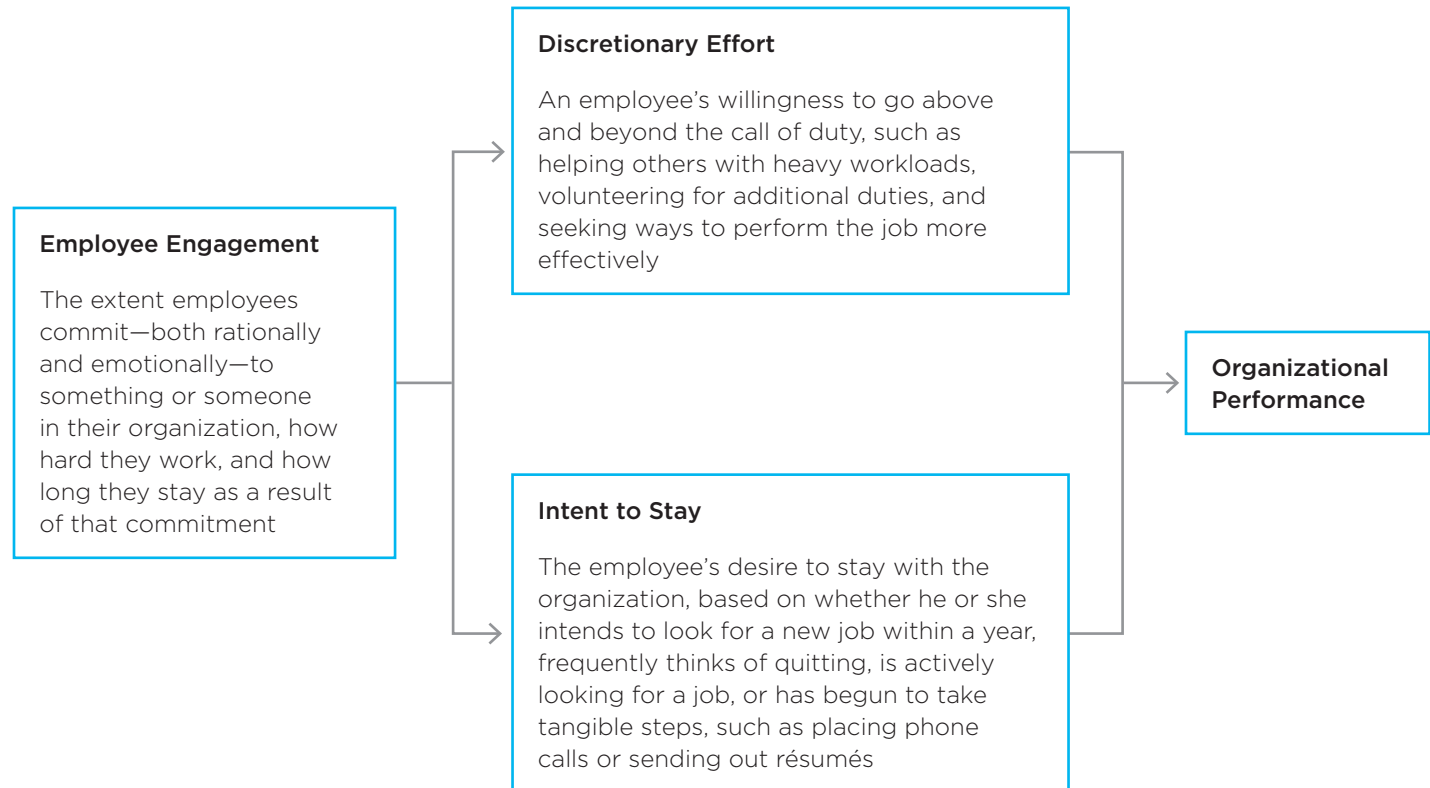
<sup>a</sup> Southeast Asia includes Indonesia, Malaysia, the Philippines, and Singapore.

Our employee engagement model links two key talent outcomes—discretionary effort and intent to stay—to organizational performance.

- The engagement metrics in this section of the report are based on the percentage of employees who display high or very high levels of discretionary effort and intent to stay.

# EMPLOYEE ENGAGEMENT DRIVES PERFORMANCE

CEB's Employee Engagement Model



Source: CEB analysis.

## Additional Insight

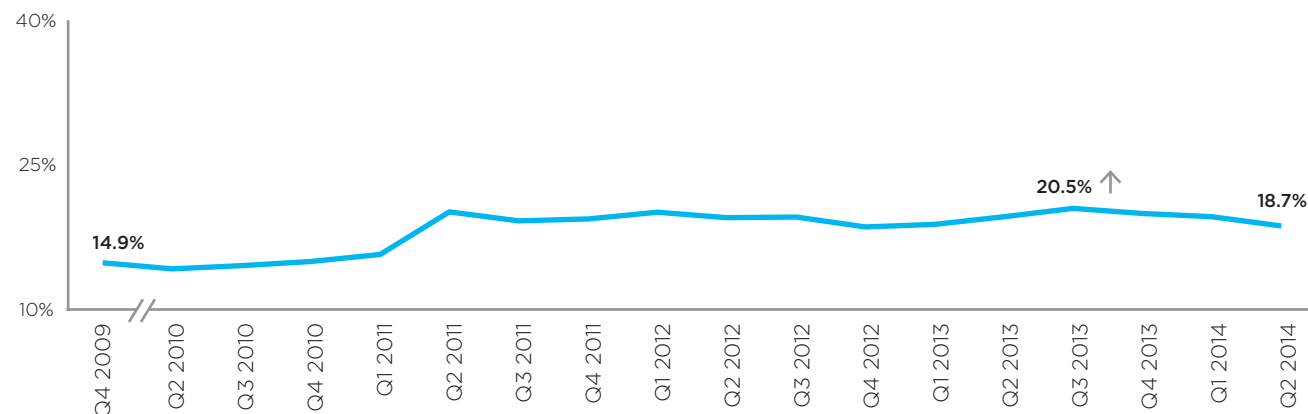
Visit the [Engagement Topic Center](#) for guidance on measuring and managing employee engagement at your organization.

Discretionary effort levels have decreased over the last year, from a high of 20.5% in Q3 2013 to 18.7% this quarter.

- Intent-to-stay levels remain higher than they were a year ago, despite the slight drop-off in Q2, because of the dramatic increase the previous quarter.
- Both metrics have trended positively since lows in 2009 to the current levels in 2014.

## DISCRETIONARY EFFORT LEVELS ARE DECLINING

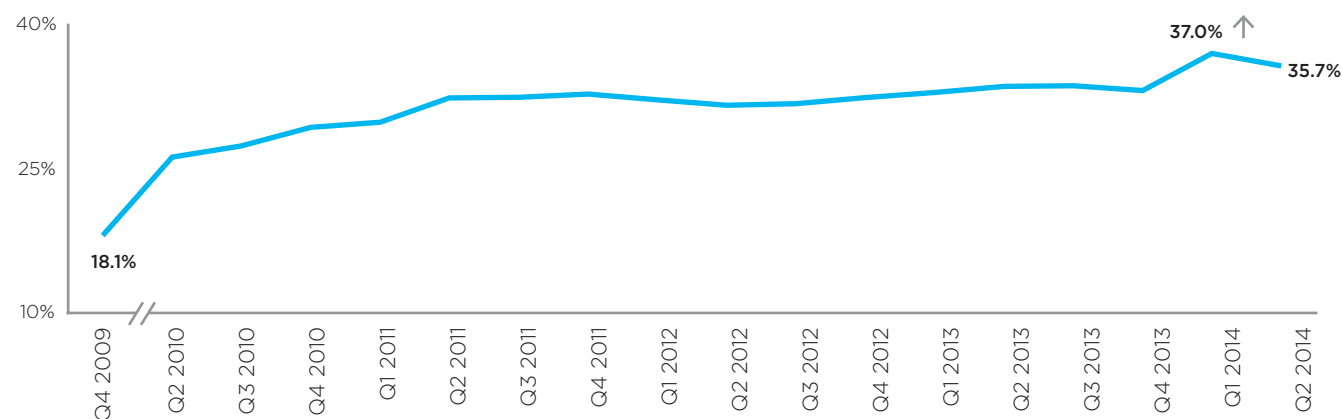
Percentage of Employees Reporting High Levels of Discretionary Effort



Q2 2014 n = 17,838.

Source: CEB 2009–2014 Global Labor Market Survey.

Percentage of Employees Reporting High Levels of Intent to Stay



Q2 2014 n = 17,838.

Source: CEB 2009–2014 Global Labor Market Survey.

Note: Global discretionary effort and intent to stay levels are calculated from five and four survey questions respectively. Values shown represent the international average, which is calculated as a straight average of participants. Due to the change in methodology, values differ slightly from previous quarters.

### Additional Insight

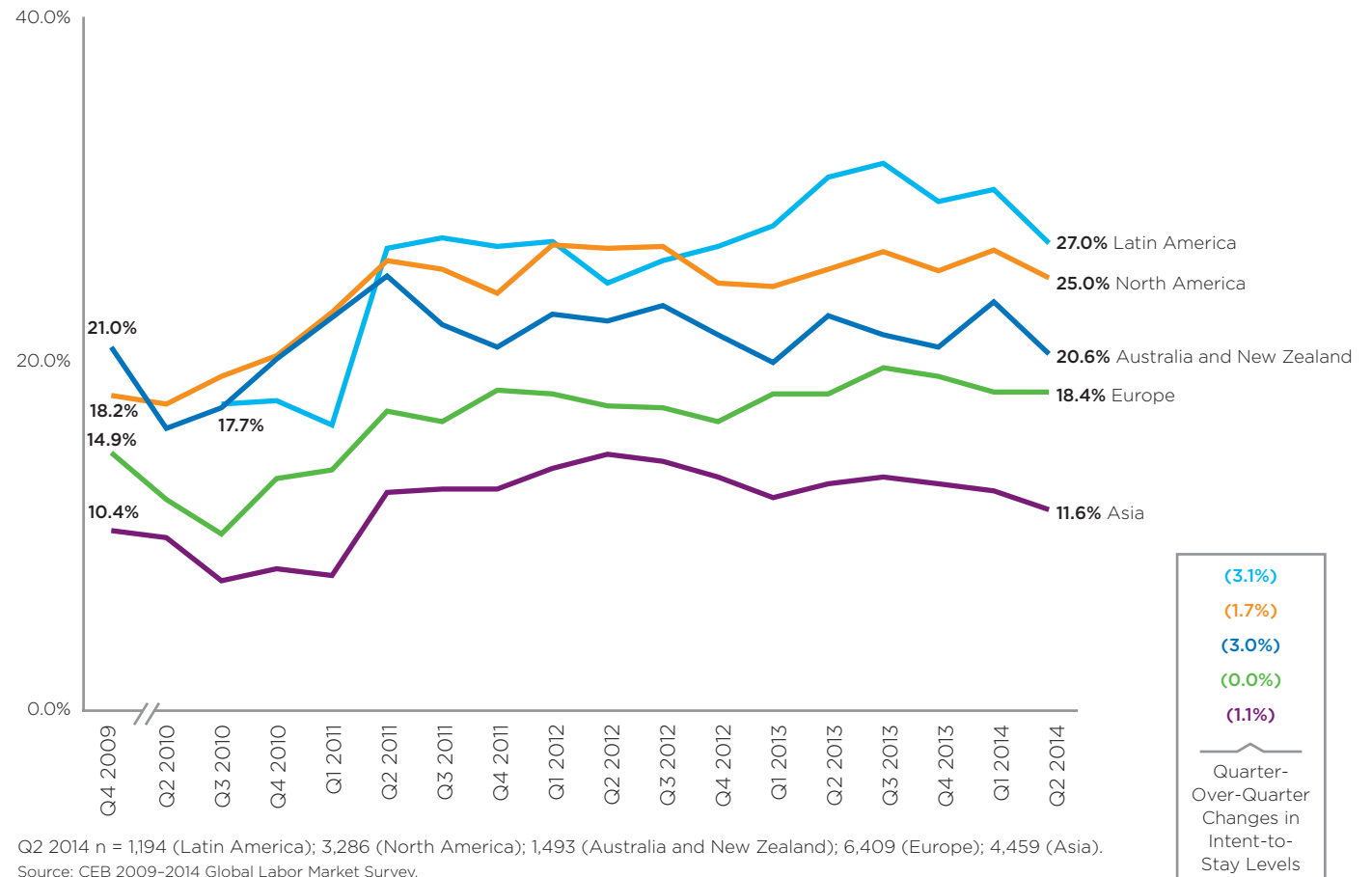
Learn more about how we can help you run a customized engagement initiative at your organization with CEB Workforce Surveys and Analytics, [here](#). (Additional fees apply.)

Discretionary effort levels declined between one and three percentage points in most regions this quarter; only levels in Europe remained unchanged.

- Almost one in four employees in Latin America and North America report going “above and beyond” at work, whereas only slightly over 10% report doing so in Asia.

## DISCRETIONARY EFFORT LEVELS TAKE SHARP HIT BUT HOLD IN EUROPE

Percentage of Employees Reporting High Levels of Discretionary Effort by Region

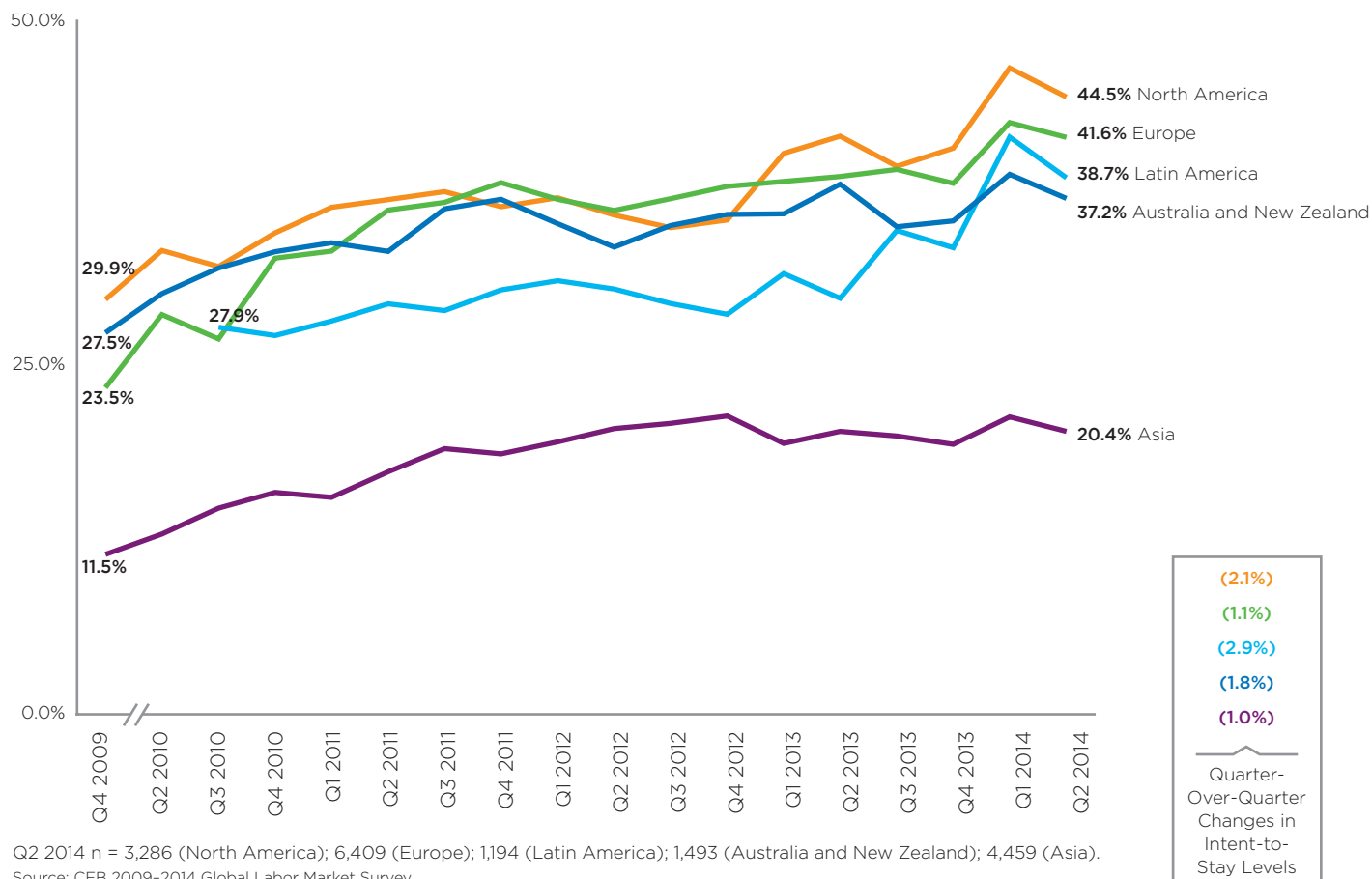


The dramatic increase in intent-to-stay between Q4 2013 and Q1 2014 marginalizes the current quarter's decline, as most regions still have higher levels than they did a year ago.

- Close to half of employees in North America report high intent to stay with their current employers, compared to about one in five in Asia.

## THE EARLY INTENT TO STAY HIGHS OF 2014 DROP OFF WORLDWIDE

Percentage of Employees Reporting High Levels of Intent to Stay by Region

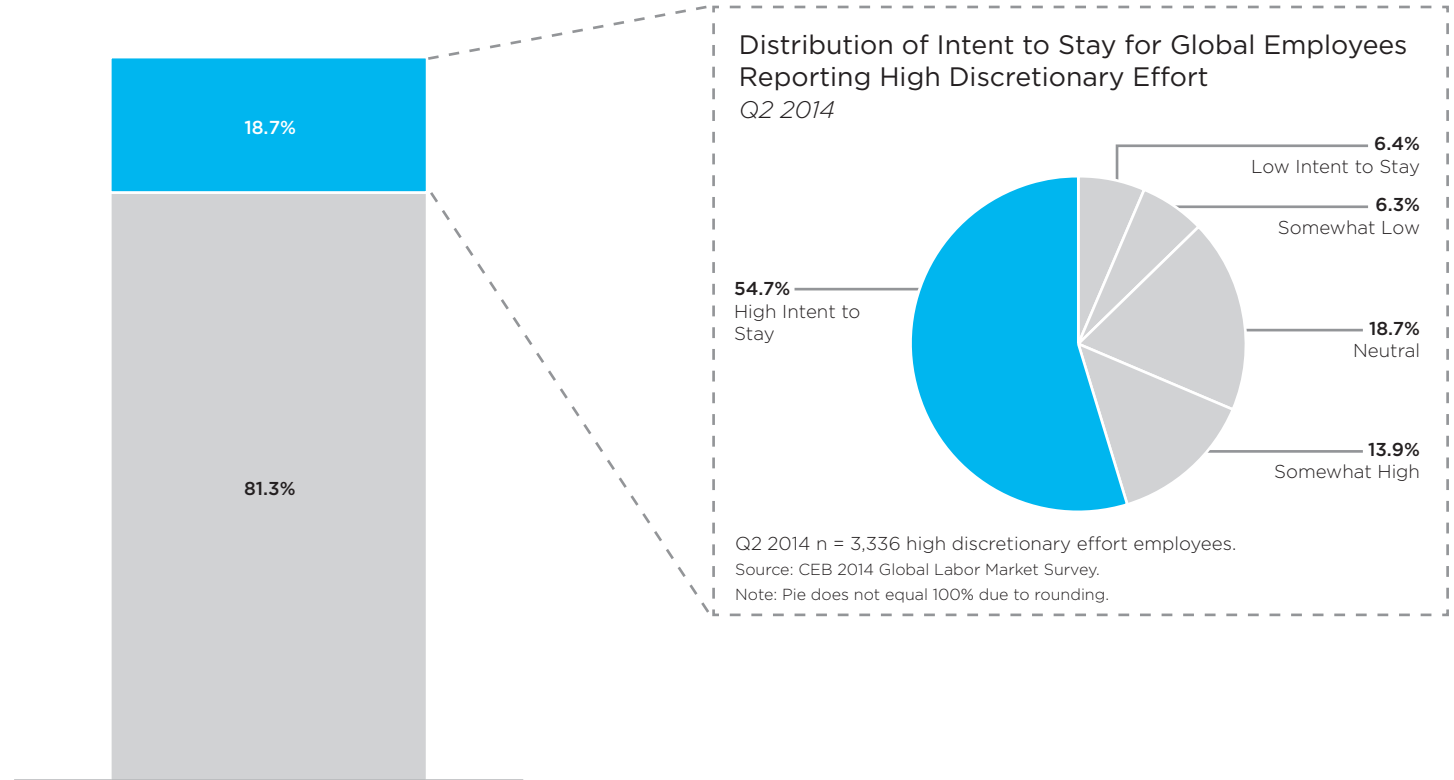


As fewer than one in five employees globally reports high levels of discretionary effort, HR leaders must focus on retaining those who do.

# FEWER OF YOUR HARDEST WORKERS ARE PLANNING TO STAY THIS QUARTER

Percentage of Employees Reporting High Levels of Discretionary Effort: Q2 2014

■ High Discretionary Effort  
■ Neutral or Low Discretionary Effort



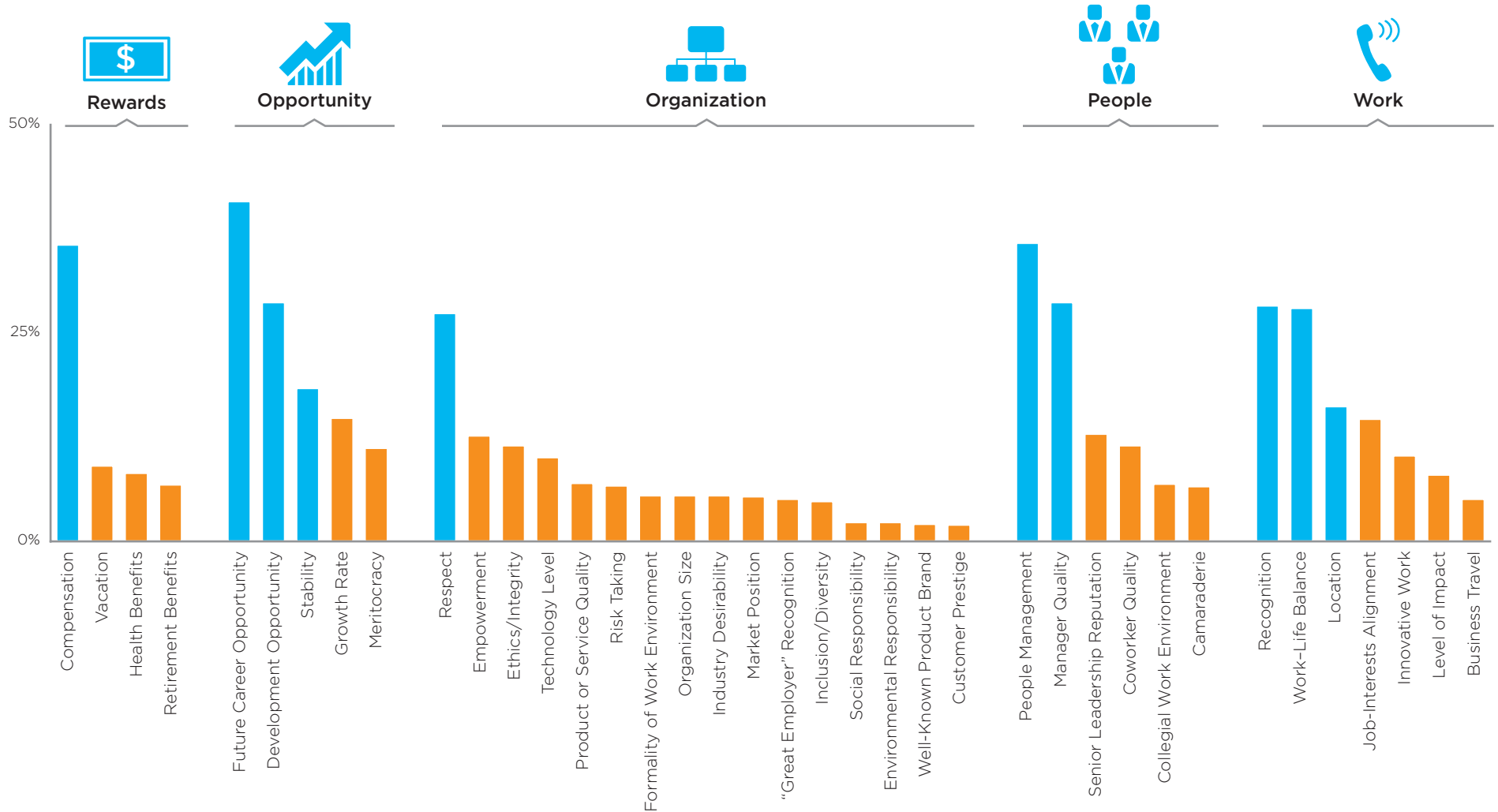
Q2 2014 n = 17,838.  
 Source: CEB 2014 Global Labor Market Survey.

Q2 2014 n = 3,336 high discretionary effort employees.  
 Source: CEB 2014 Global Labor Market Survey.  
 Note: Pie does not equal 100% due to rounding.

# EMPLOYEES WHO LEAVE CONTINUE TO BE FRUSTRATED BY THE SHORTAGE OF OPPORTUNITIES AVAILABLE

Percentage of Departing Employees Who Rank the Driver Among the Top Five Most Dissatisfying at Their Previous Jobs  
*Global Employed Labor Force: Q2 2014*

■ 10 Most Commonly Cited Attrition Drivers by Employees Globally



Q2 2014 n = 10,991.

Source: CEB 2014 Global Labor Market Survey and CEB 2014 Departure View Exit Survey.

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# DEPARTING EMPLOYEES CITE LACK OF OPPORTUNITY

Top 10 Attrition Drivers for Select Countries or Regions: Q2 2014

Change in Rank Compared to Last Quarter and Total Percentage of Departing Employees Selecting Attribute as One of the Top Five Most Dissatisfying Attributes at Their Previous Jobs

Rank	Global	Australia	China	India	Southeast Asia <sup>a</sup>	United Kingdom	United States
1	Future Career Opportunity 40.8%	<b>+1</b> People Management 47.8%	<b>+1</b> Future Career Opportunity 52.1%	Future Career Opportunity 38.5%	<b>+1</b> People Management 40.3%	Future Career Opportunity 45.8%	Future Career Opportunity 41.7%
2	<b>+1</b> People Management 35.8%	<b>-1</b> Future Career Opportunity 39.4%	<b>-1</b> Compensation 47.4%	<b>+3</b> People Management 30.7%	<b>+1</b> Compensation 37.7%	People Management 39.3%	<b>+1</b> People Management 36.5%
3	<b>-1</b> Compensation 35.6%	Recognition 34.1%	Development Opportunity 45.0%	<b>+4</b> Growth Rate 30.6%	<b>+3</b> Recognition 33.2%	<b>+5</b> Compensation 33.8%	<b>-1</b> Compensation 35.9%
4	Manager Quality 28.7%	Development Opportunity 30.7%	<b>+1</b> Recognition 29.5%	<b>-1</b> Recognition 30.5%	Work-Life Balance 31.9%	<b>-1</b> Recognition 32.8%	Manager Quality 31.1%
5	<b>+1</b> Development Opportunity 28.7%	<b>+1</b> Manager Quality 30.3%	<b>-1</b> Work-Life Balance 26.4%	<b>-3</b> Compensation 27.5%	<b>-4</b> Future Career Opportunity 29.7%	<b>+1</b> Development Opportunity 32.2%	<b>+1</b> Work-Life Balance 29.9%
6	<b>-1</b> Recognition 28.3%	<b>-1</b> Respect 29.0%	<b>+2</b> People Management 21.7%	<b>+2</b> Work-Life Balance 26.2%	<b>-1</b> Manager Quality 26.3%	<b>-1</b> Work-Life Balance 32.1%	<b>-1</b> Respect 29.4%
7	Work-Life Balance 28.0%	Work-Life Balance 28.2%	<b>-1</b> Respect 19.1%	<b>-1</b> Development Opportunity 22.0%	Development Opportunity 24.8%	<b>-3</b> Manager Quality 31.2%	Development Opportunity 26.5%
8	Respect 27.4%	Stability 23.4%	<b>+4</b> Innovative Work 19.0%	<b>+2</b> Respect 21.7%	<b>+1</b> Stability 20.9%	<b>-1</b> Respect 23.6%	Recognition 25.6%
9	Stability 18.4%	Compensation 21.5%	<b>+1</b> Manager Quality 18.0%	<b>-5</b> Manager Quality 20.6%	<b>+2</b> Job-Interests Alignment 19.5%	Location 19.9%	Stability 16.4%
10	Location 16.2%	<b>+4</b> Job-Interests Alignment 17.7%	<b>+9</b> Job-Interests Alignment 17.0%	<b>-1</b> Location 20.1%	<b>-2</b> Respect 19.2%	<b>+3</b> Meritocracy 16.5%	<b>+2</b> Growth Rate 16.0%

Q2 2014 n = 10,991 (Global); 523 (Australia); 310 (China); 526 (India); 407 (Southeast Asia); 476 (United Kingdom); 5,750 (United States).

Source: CEB 2014 Global Labor Market Survey; CEB 2014 Departure View Exit Survey.

Note: The top drivers of attrition by country are calculated by asking respondents to CEB's Departure View Exit Survey and newly hired respondents to CEB's Global Labor Market Survey to indicate the five attributes in CEB's EVP Framework with which they were most dissatisfied while at their former employer. The attributes selected most frequently by respondents are considered the top drivers of attrition in that country or region.

<sup>a</sup> Southeast Asia includes Indonesia, Malaysia, the Philippines, and Singapore.

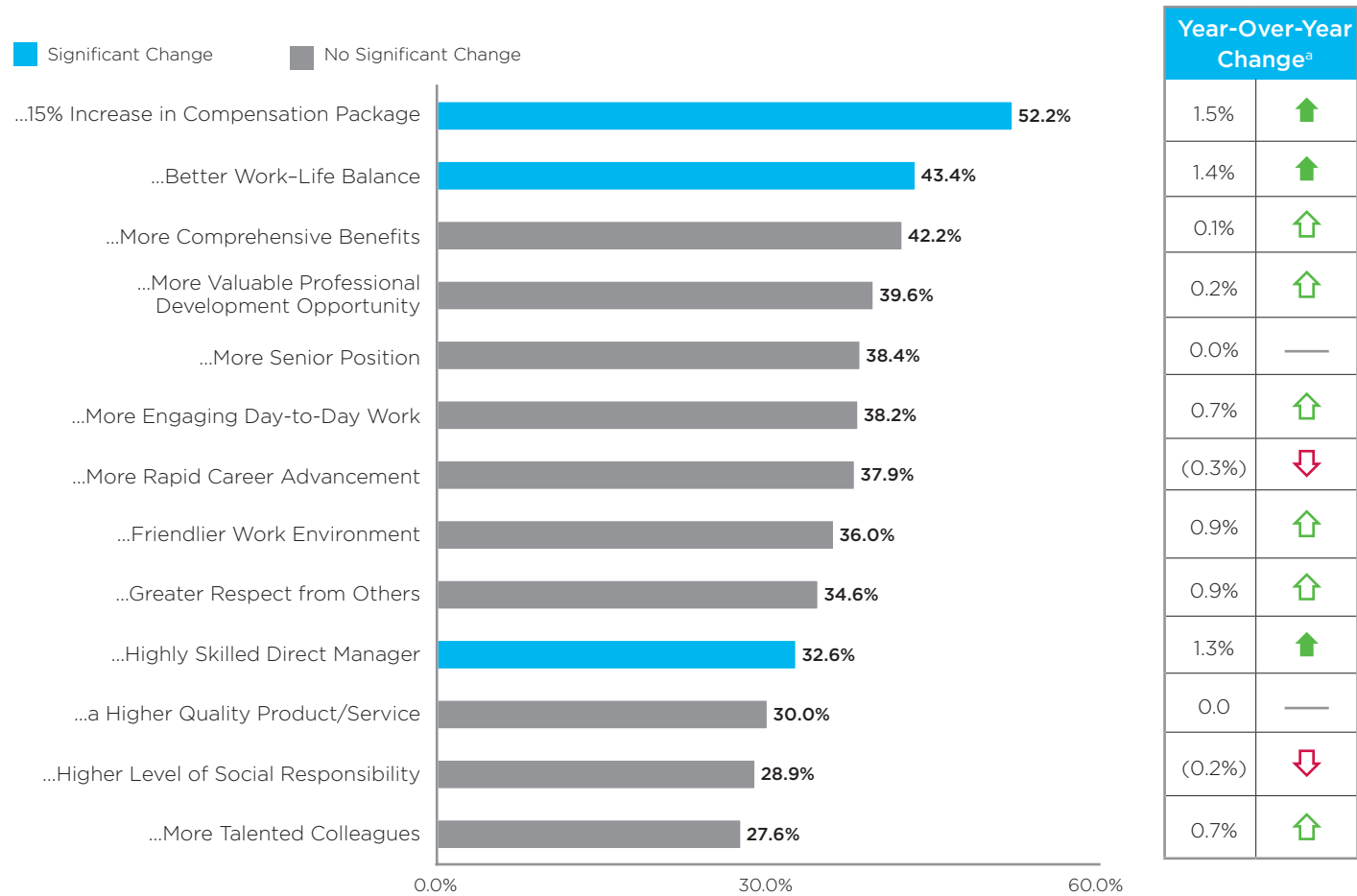
Given a set of scenarios, employees globally indicated they would most likely switch jobs for a 15% increase in their total compensation package.

- Shaded arrows signify statistically significant changes in employee responses compared to last year.

# WHAT COULD MAKE AN EMPLOYEE CHANGE JOBS?

Percentage of Employees Who Would Consider a Job Change Given a Specific Enticement  
Global Employed Labor Force, Q2 2014

“Assume you recently learned about a new job opportunity close to your home. All other aspects of this job opportunity are identical to your current job except the new opportunity promises...”



Q2 2014 n = 17,838 employees.

Source: CEB 2013-2014 Global Labor Market Survey.

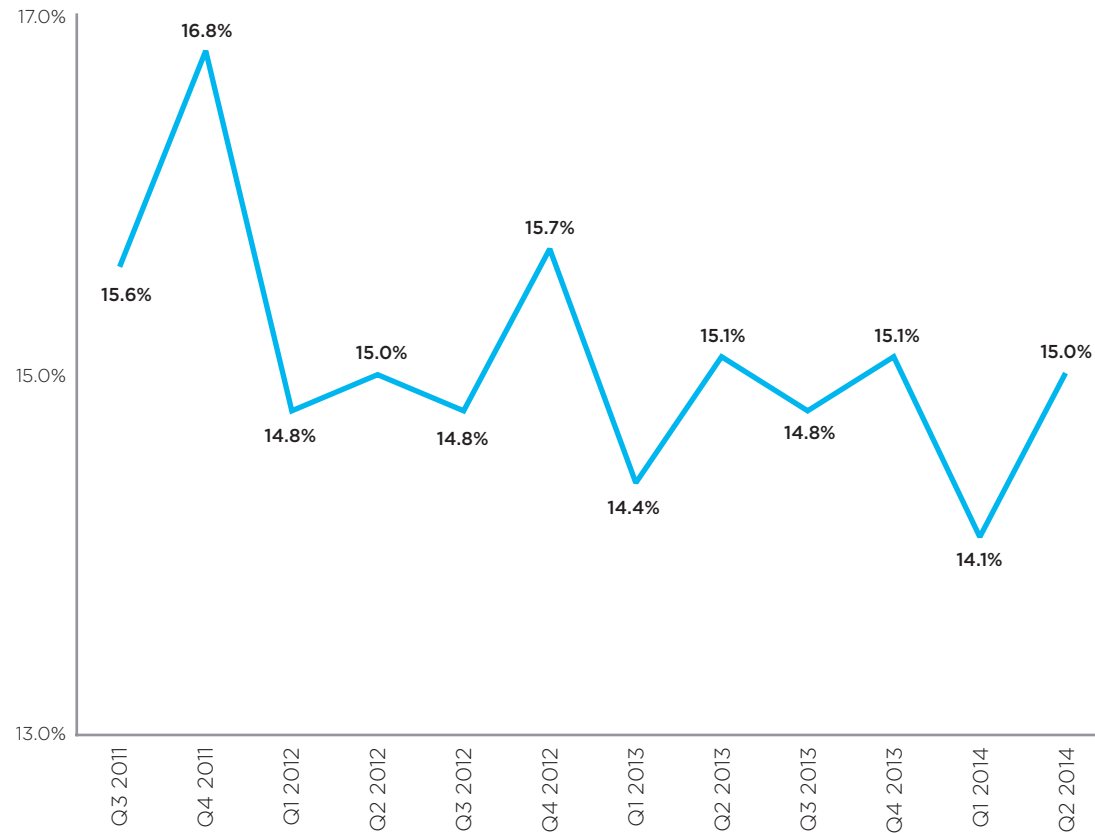
<sup>a</sup> Solid arrows indicate a statistically significant change at the 95% confidence level, whereas an outlined arrow indicates that the change was not significant. This value is determined by response count and standard deviation; therefore, the solid arrows will not always be the highest or lowest absolute scores.



Employees report receiving a 15.0% increase for switching almost this quarter, which is almost equal to the level a year ago.

## SWITCHING PREMIUMS RISE AFTER REACHING A LOW

Global Compensation-Switching Premium  
Percent Change in Total Compensation



Q2 2014 n = 5,230.  
Source: CEB 2011-2014 Departure View Exit Survey.

### Definition

The Compensation-Switching Premium measures departed employees' anticipated compensation changes at their new organizations.

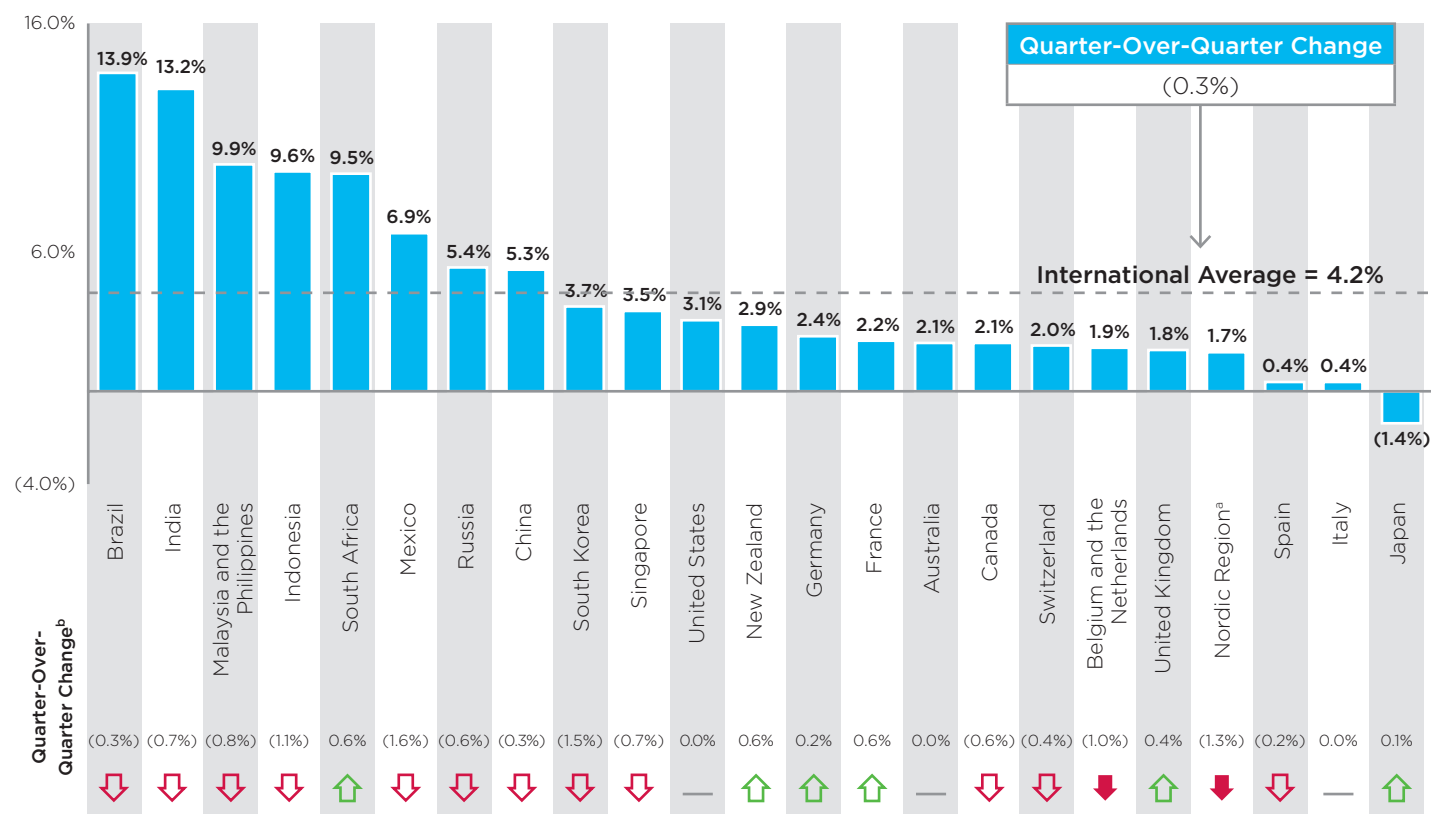
Merit pay expectations—already low throughout much of Europe—fell significantly further in the Nordic region and in Belgium and the Netherlands.

- On average, employees expect a 4.2% increase in merit pay this year.
- Employees in Brazil and India expect an increase of more than 10%.

## MERIT PAY EXPECTATIONS REMAIN LOW IN EUROPE

Employee Expectations for Merit: Q2 2014

By Country or Region



Q2 2014 n = 17,838.

Source: CEB 2014 Global Labor Market Survey.

<sup>a</sup> The Nordic Region includes Denmark, Finland, Norway, and Sweden.

<sup>b</sup> Solid arrows indicate a statistically significant change at the 95% confidence level, whereas an outlined arrow indicates that the change was not significant. This value is determined by response count and standard deviation; therefore, the solid arrows will not always be the highest or lowest absolute scores.

### Learn More

Find out how CEB can help improve your organization's pay design and management through [Total Rewards](#).



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