

# 2009 Rewards of Work Study<sup>SM</sup>

## Comparison of Public Sector and Private Sector

AZ IPMA – June 18, 2010

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# Rewards of Work<sup>SM</sup> Study Contents

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**1** Introduction to Rewards of Work<sup>SM</sup> Study

**2** Overview of Study Findings

**3** Implications and Actions for Employers

*Appendix*



## About the Rewards of Work<sup>SM</sup> Study

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- In 2009, Segal conducted the most recent installment of the ROW<sup>SM</sup> Study, which was a follow up to surveys conducted in 2006 (private sector) and 2007 (public sector).
- The purpose of the Rewards of Work<sup>SM</sup> study is to:
  - Assess attitudes and perceptions about the work environment using a sampling of the American workforce
  - Continue to validate a model of “total rewards”
  - Provide a reliable methodology by which to compare an individual organization to the national trend
- Almost 4,000 American workers participated in the surveys (about 2,000 private sector and 1,900 public sector), representing a variety of demographic backgrounds, levels of responsibility, as well as diverse geographies
- Findings from the study show how favorably employed people see their total rewards and what rewards most drive employee engagement, job satisfaction, and turnover intentions



# How Do Employees See Their Total Rewards?

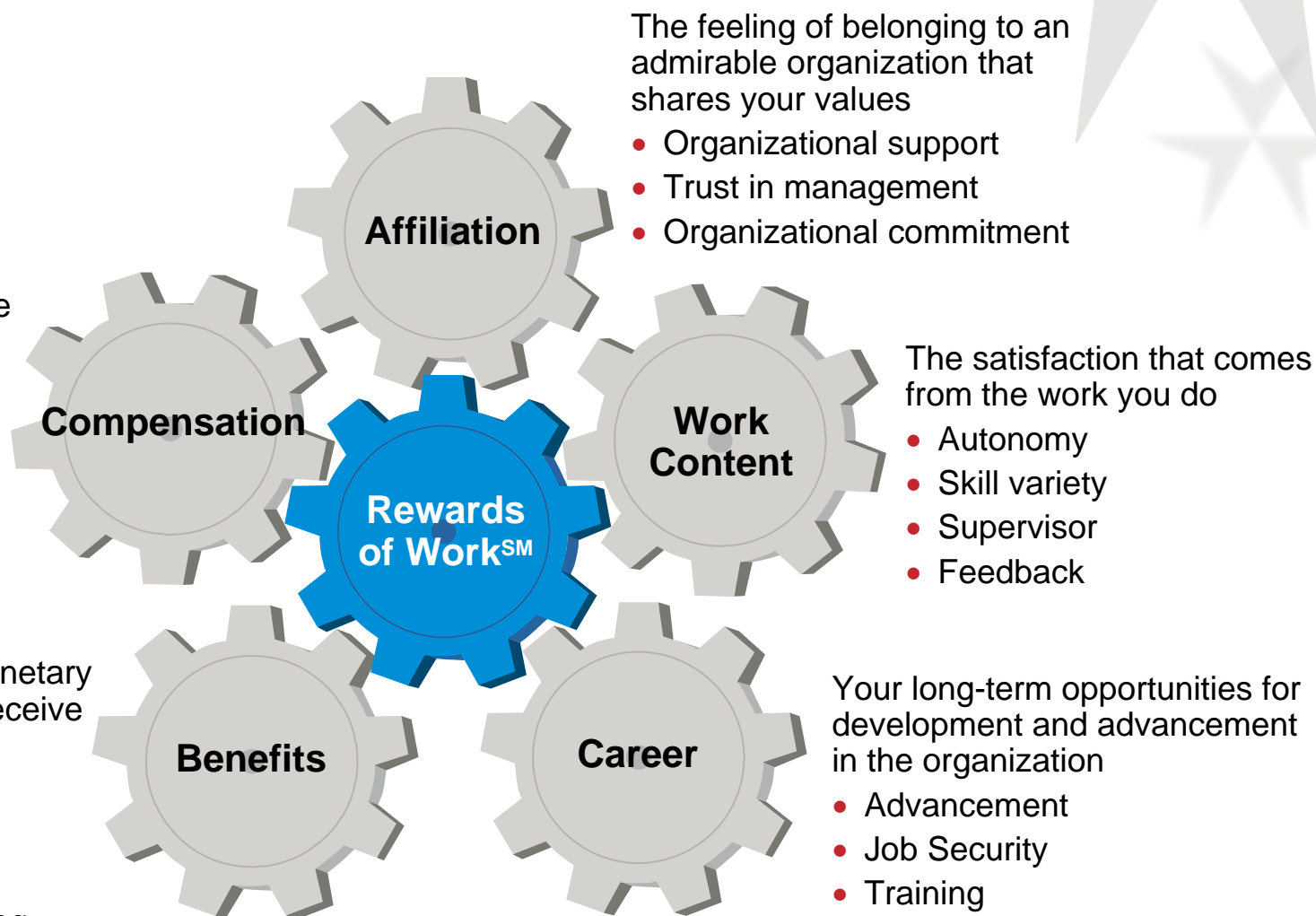
## The Rewards of Work<sup>SM</sup> Model

All the monetary rewards you receive

- Pay level
- Pay process
- Pay raise
- Pay system knowledge

All the non-monetary rewards you receive

- Healthcare
- Retirement
- Time off
- Benefit level understanding



# The Goal of Understanding the Rewards of Work<sup>SM</sup> Is to Drive Key Organizational Outcomes



These employee outcomes are critical issues for today's organizations and can be addressed through the Rewards of Work<sup>SM</sup> framework

**In periods of tight talent supply the focus tends to shift away from a balanced exchange and more on competitive rewards.**

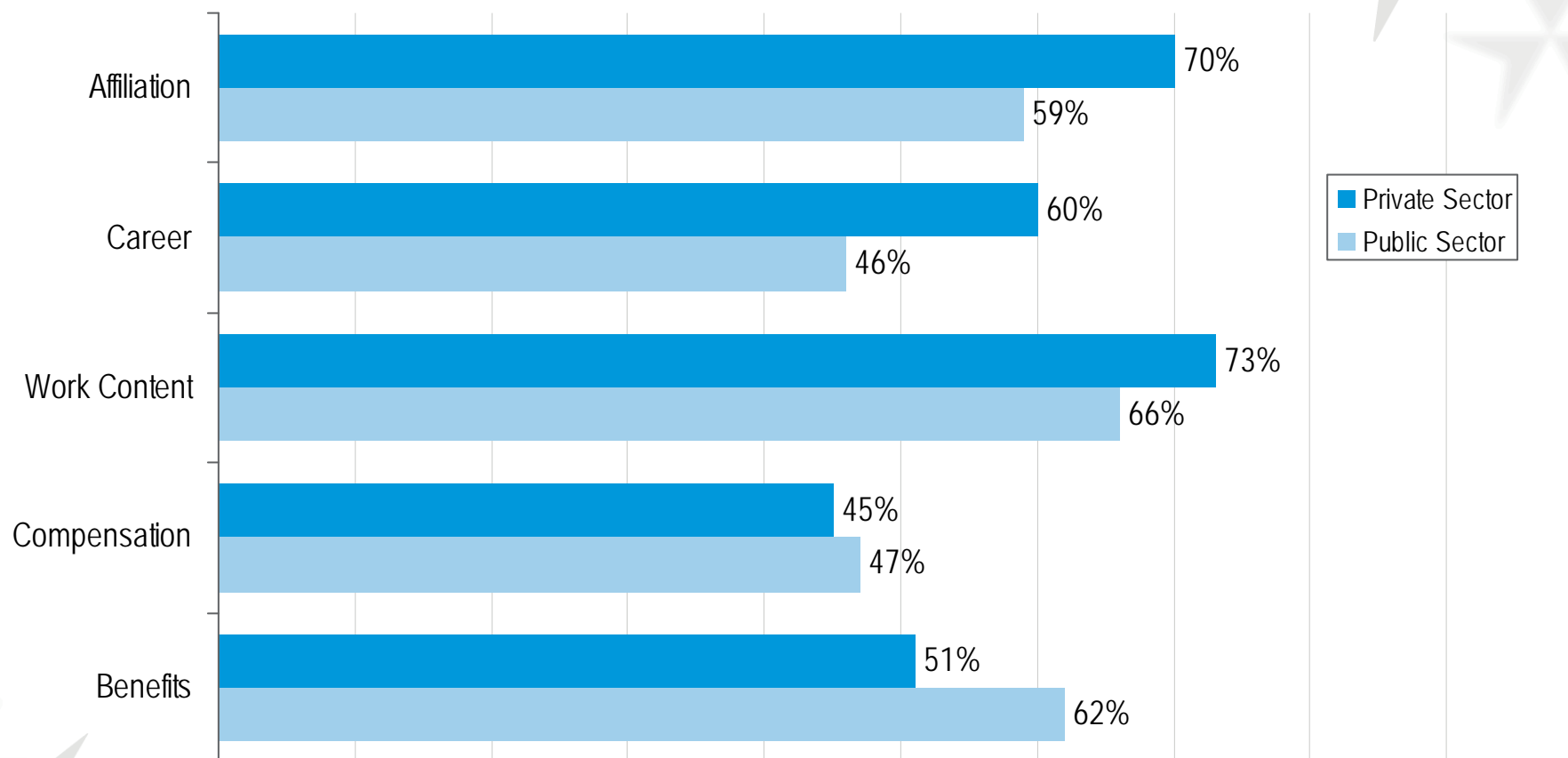
## Findings

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- 1. Perceptions of the Rewards of Work (Public vs Private)**
2. Employee Engagement
3. Job Satisfaction
4. Turnover Intentions

## How Employees Feel About Their Rewards of Work<sup>SM</sup>

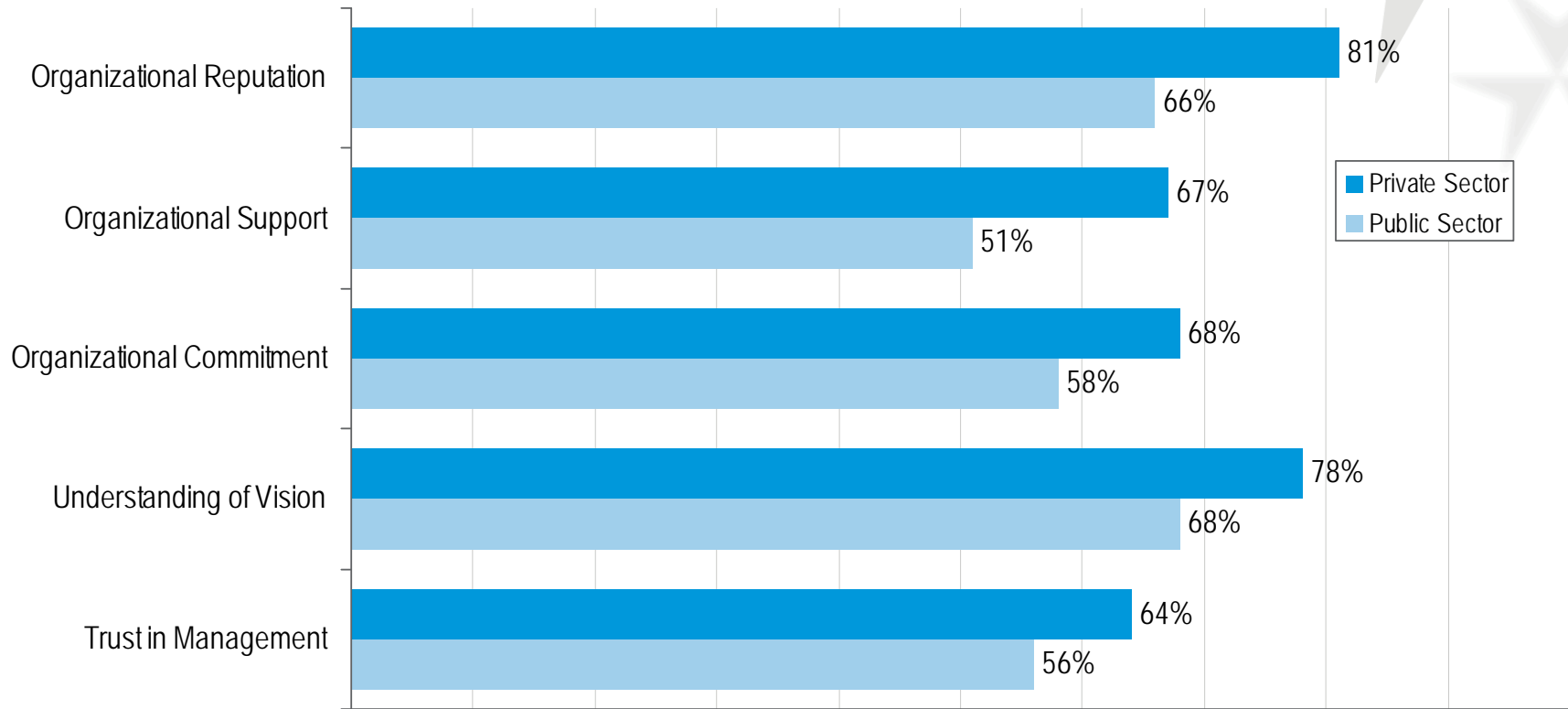
- Private sector employees are more likely to have a positive Affiliation with their organization and to have a more favorable view of career and work content
- Public sector employees are more likely to be satisfied with their benefits and compensation



\* Numbers reflect an aggregation of the percentage of respondents who provided a favorable answer, such as "agree" or "satisfied".

# Affiliation

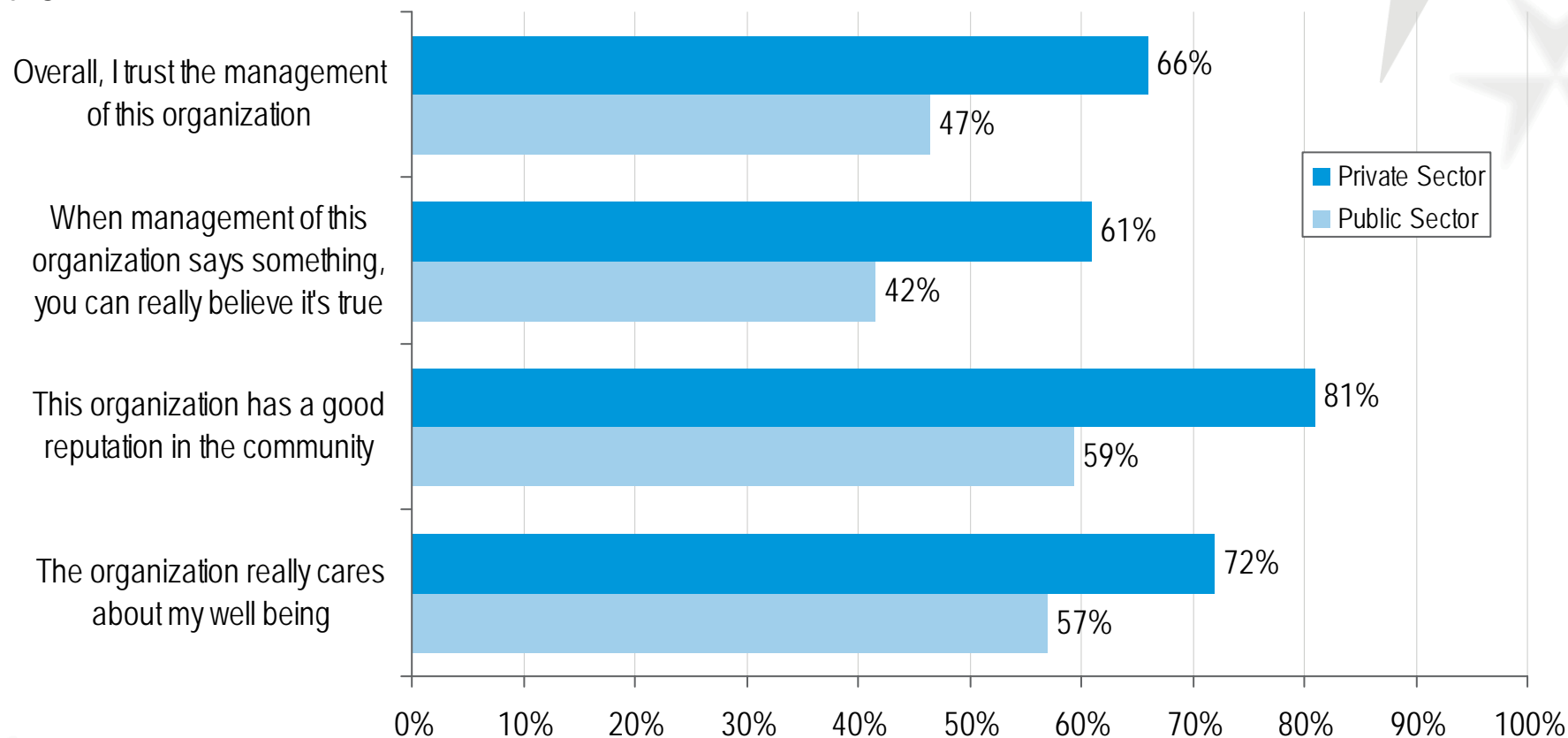
In all categories of Affiliation, public sector workers expressed lower favorability and lower satisfaction than private sector employees.



\* Numbers reflect an aggregation of the percentage of respondents who provided a favorable answer, such as “agree” or “satisfied”.

## Affiliation—Examples

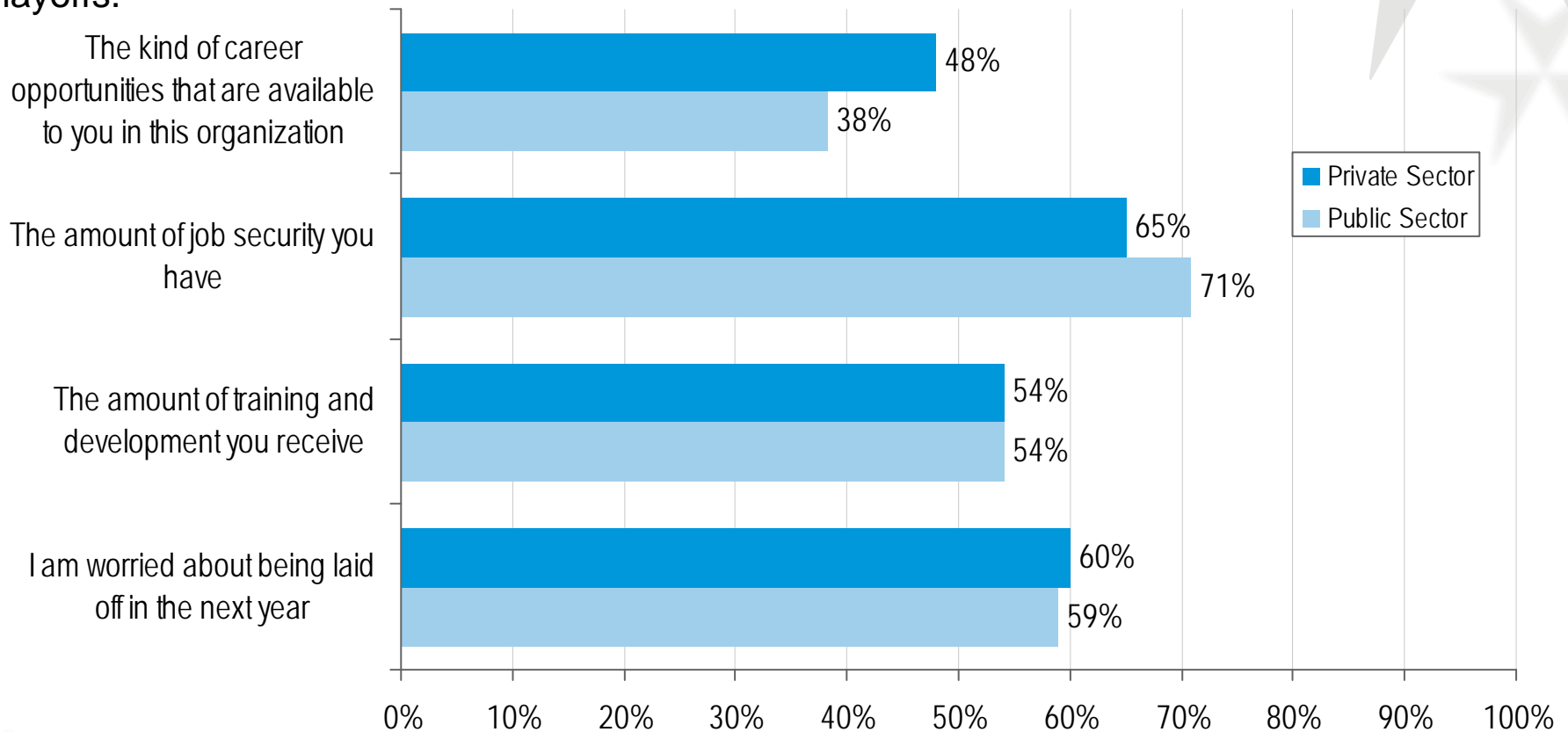
For example, public sector employees are less likely to trust their management, less likely to think their employer has a good reputation, and less likely to think their employer cares about them.



\* Numbers reflect the percentage of respondents who provided a favorable answer, such as “agree” or “satisfied”.

## Career—Examples

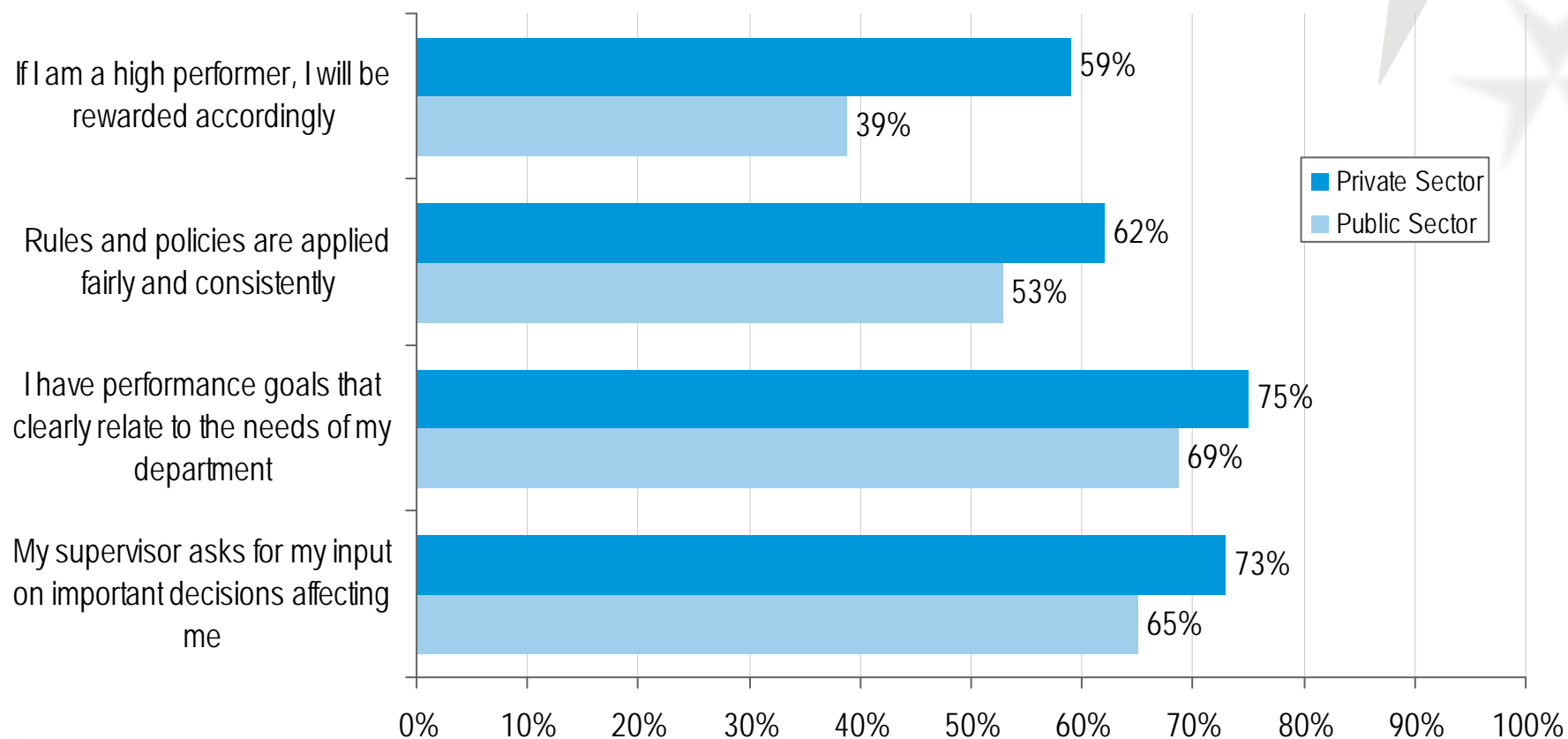
Public sector employees are less satisfied with their career opportunities, but somewhat more satisfied with their job security. Interestingly, employees in both public and private sectors are equally satisfied with their training and development and are similarly likely to be worried about layoffs.



\* Numbers reflect the percentage of respondents who provided a favorable answer, such as “agree” or “satisfied”.

## Work Content—Examples

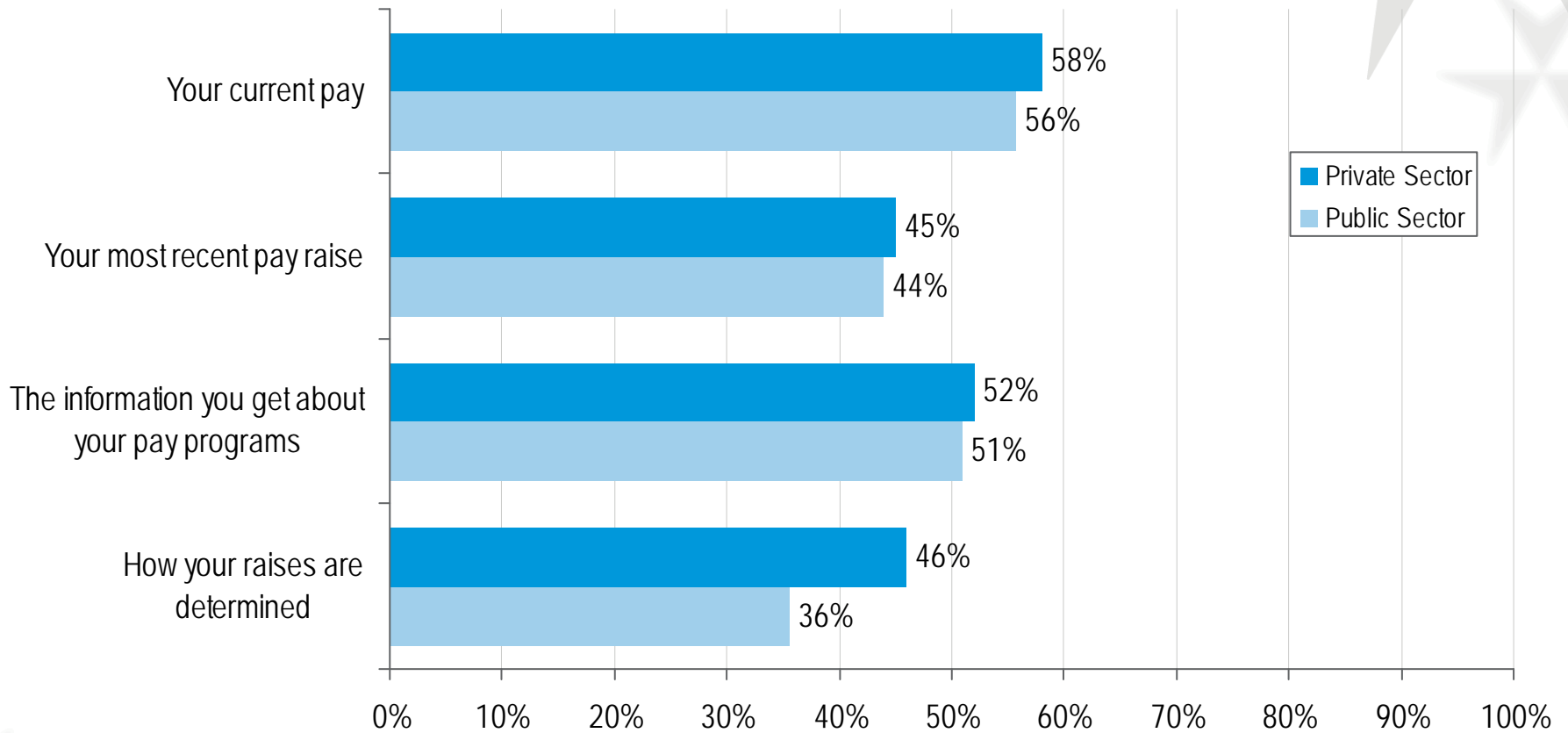
Public sector employees are less likely to think that they will be rewarded if they perform well. They also have less favorable views of the fairness in their organization and less likely to see their performance goals related to the department goals.



\* Numbers reflect the percentage of respondents who provided a favorable answer, such as "somewhat agree" or "strongly agree".

# Compensation—Examples

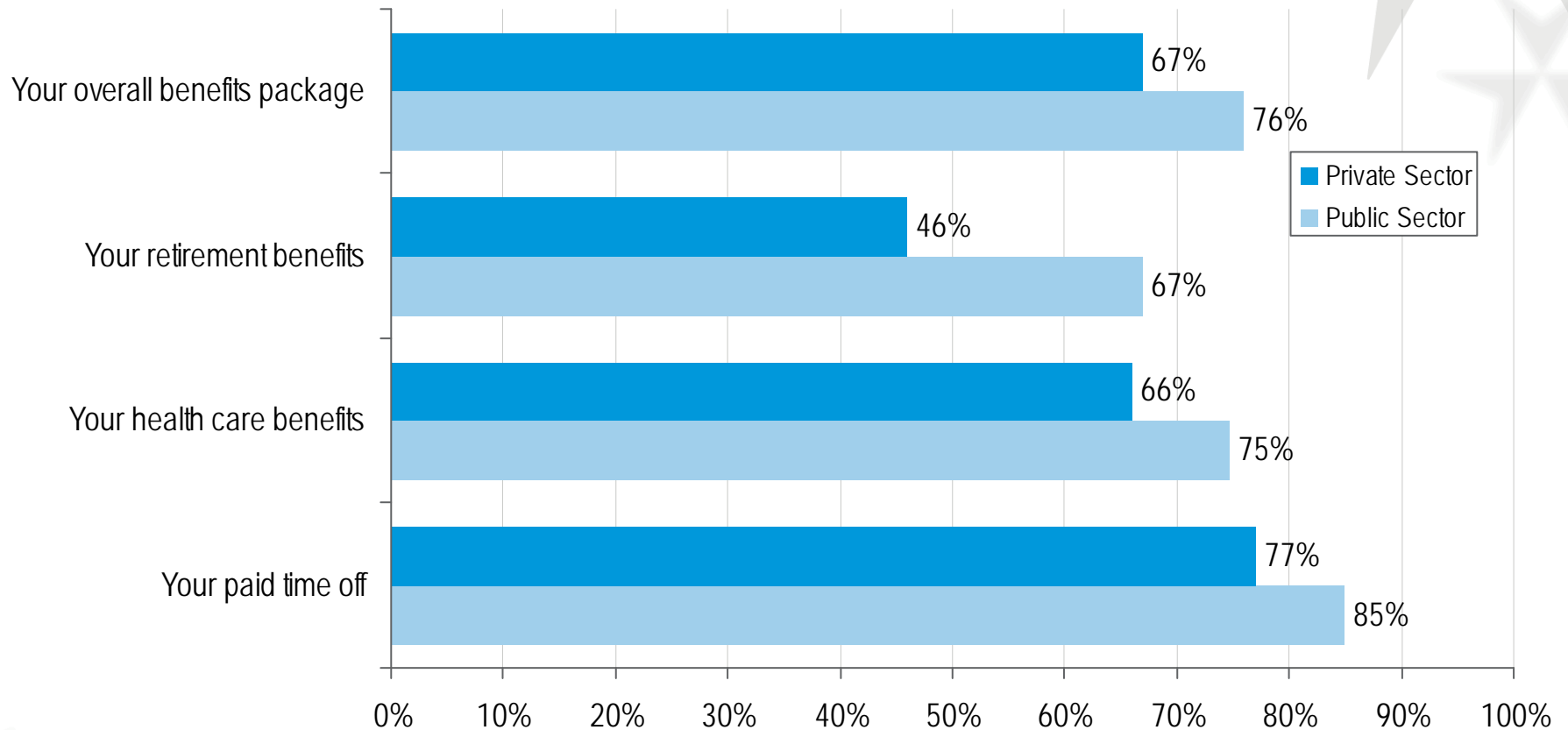
Employees in both public and private sectors are similarly satisfied with their pay level, most recent pay raise, and with the information they receive about their pay plans. However, public sector employees are less satisfied with how raises are determined in their organization.



\* Numbers reflect an aggregation of the percentage of respondents who provided a favorable answer, such as “somewhat satisfied” or “strongly satisfied”.

## Benefits—Examples

Public sector employees are more satisfied with their benefits, especially with regard to retirement benefits. This difference most likely reflects the higher prevalence of defined benefit plans in the public sector.



\* Numbers reflect an aggregation of the percentage of respondents who provided a favorable answer, such as “somewhat satisfied” or “strongly satisfied”.

## Findings

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1. Perceptions of the Rewards of Work
- 2. Employee Engagement**
3. Job Satisfaction
4. Turnover Intentions



# Employee Engagement Results

## ELEMENTS OF ENGAGEMENT

### Vision: Knowing What To Do

- Understanding the organization’s vision of success
- How they can contribute to helping the organization achieve its vision
- Clear understanding of job expectations

### Commitment: Wanting To Do It

- Gaining satisfaction from the job and work content
- Being inspired by the organization to perform the work

## OVERALL ENGAGEMENT

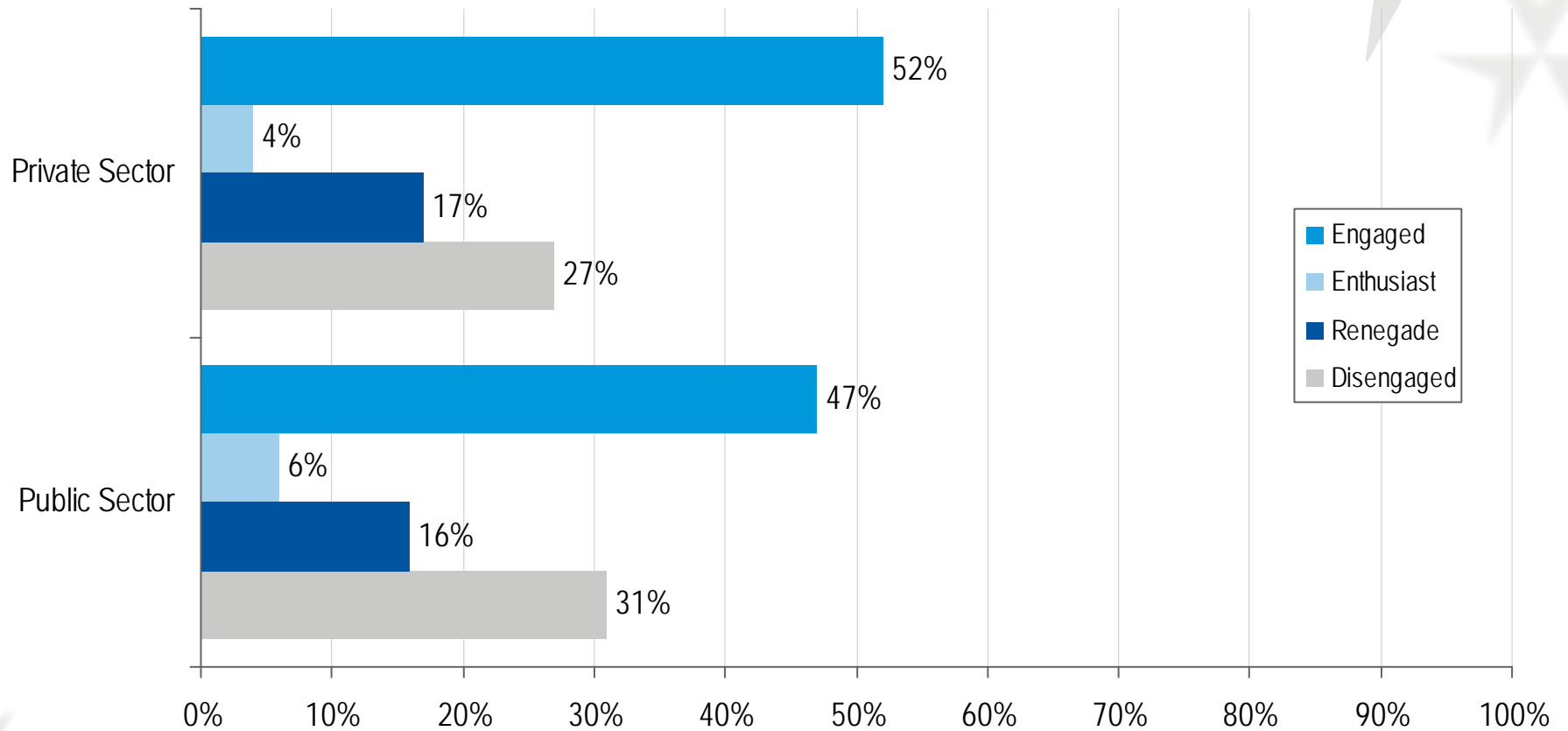
Vision  
Knowing What To Do

		No	Yes
Commitment Wanting To Do It	Yes	<b>ENTHUSIASTS</b> Public: 6% Private: 4%	<b>ENGAGED</b> Public: 47% Private: 52%
	No	<b>DISENGAGED</b> Public: 31% Private: 27%	<b>RENEGADES</b> Public: 16% Private: 17%

- Less than half of the public sector employees are “engaged”, while nearly a third can be categorized as “disengaged”.
- Private sector employees are somewhat more likely to be engaged (52% versus 47%)

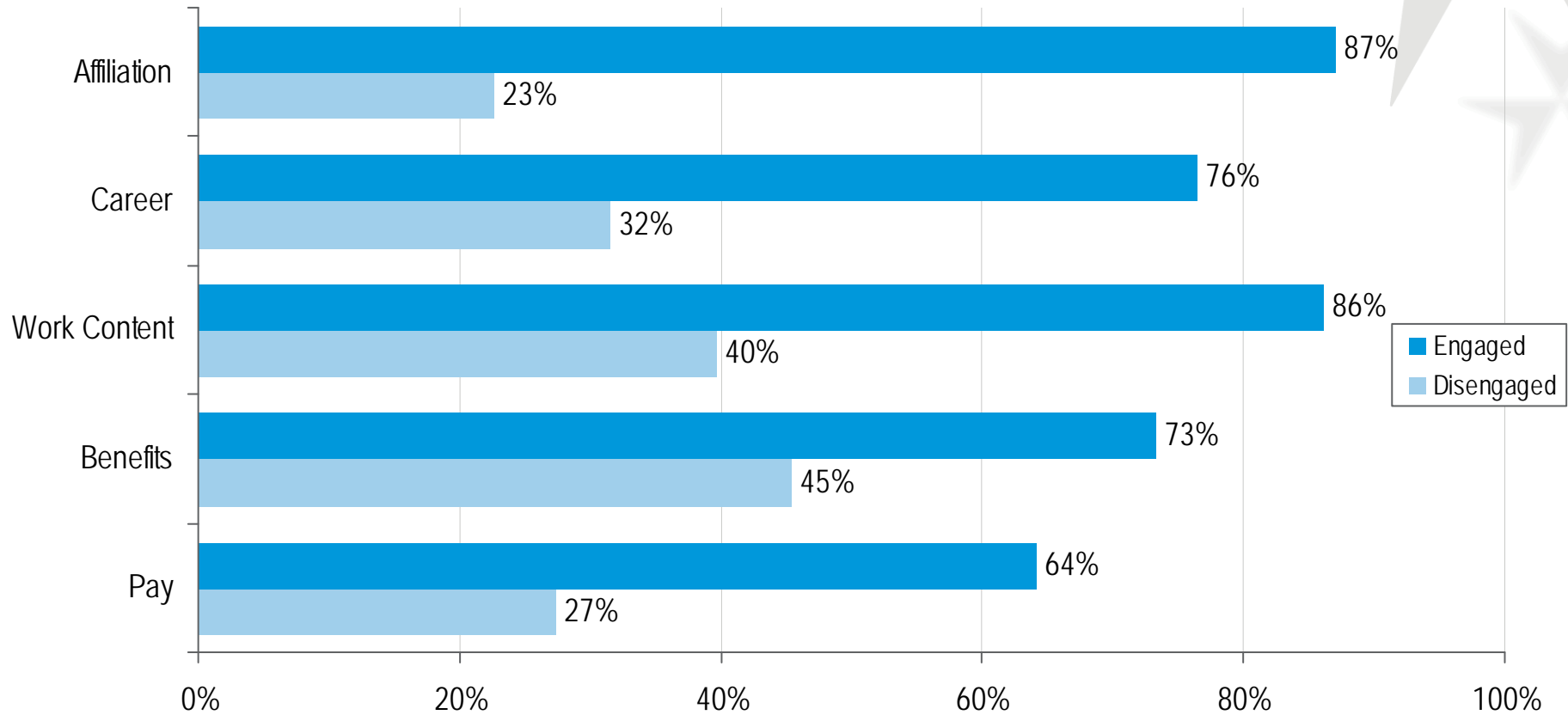
# Employee Engagement

- Private sector employees are somewhat more likely to be engaged (52% versus 47%).
- Nearly a third of public sector employees are disengaged.



# Drivers of Engagement in the Public Sector

- Engagement is correlated with all aspects of the rewards of work. The most strongly correlated aspects are Affiliation with the organization and Work Content.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# What Measures Are Driving Engagement Among Employees?

Measures	Correlation
Organizational Reputation	0.90
Organizational Support	0.84
Trust in Management	0.81
Organizational Justice/Fairness	0.79
Performance Management Effectiveness	0.84
Job Responsibility	0.82
Supervisor Concern/Satisfaction	0.92
Feedback From Supervisors	0.79

- Sub elements related to the respondent's perception of the organization overall, as well as their level of trust in senior management, both have a strong correlation with Engagement
- The nature of a respondent's relationship with their direct manager or supervisor is highly correlated with employee Engagement

**In general, the perception an employee has of an organization's support system and management are highly correlated to Employee Engagement.**

# What Drives Employee Job Satisfaction and Turnover?

- Responses from the national sample show that job satisfaction is driven primarily by Affiliation and Work Content (which includes Supervisors and Feedback)
- Turnover intentions are driven by far fewer measures, all of which are related to Affiliation

Driver	Job Satisfaction	Turnover
Organizational/Institutional Commitment	✓	✓
Organizational/Institutional Support	✓	✓
Job Responsibility	✓	
Trust in Administration	✓	
Performance Management Effectiveness	✓	
Organizational/Institutional Justice/Fairness	✓	
Performance Management Understanding	✓	
Supervisor Concern	✓	
Career Satisfaction	✓	
Feedback from the Job	✓	
Supervisor Satisfaction	✓	

**Compensation and benefits are *NOT* significant drivers of turnover intentions or job satisfaction.**

## Findings

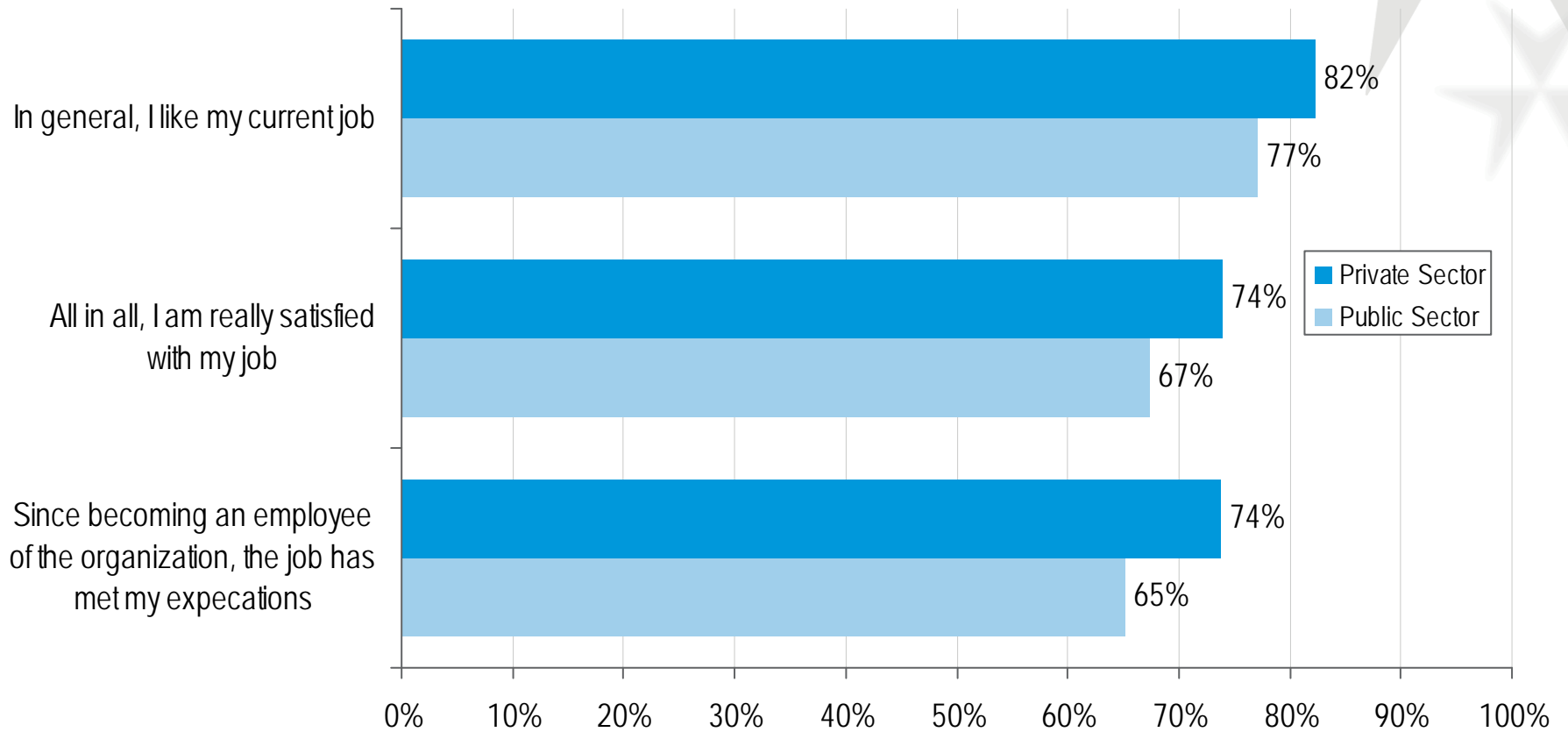
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1. Perceptions of the Rewards of Work
2. Employee Engagement
- 3. Job Satisfaction**
4. Turnover Intentions



# Job Satisfaction—Examples

➤ Public sector employees generally have lower job satisfaction than private sector employees.



\* Numbers reflect the percentage of respondents who provided a favorable answer, such as “agree” or “satisfied”.

# Job Satisfaction and Engagement

- All Engaged employees are satisfied with their job. However, a significant proportion of the Disengaged also have job satisfaction.

	Satisfied with their Job	Not Satisfied with their Job	Total
Engaged	47%	0%	<b>47%</b>
Enthusiasts	6%	0%	<b>6%</b>
Renegade	10%	6%	<b>16%</b>
Disengaged	12%	19%	<b>31%</b>
Total	<b>75%</b>	<b>25%</b>	<b>100%</b>

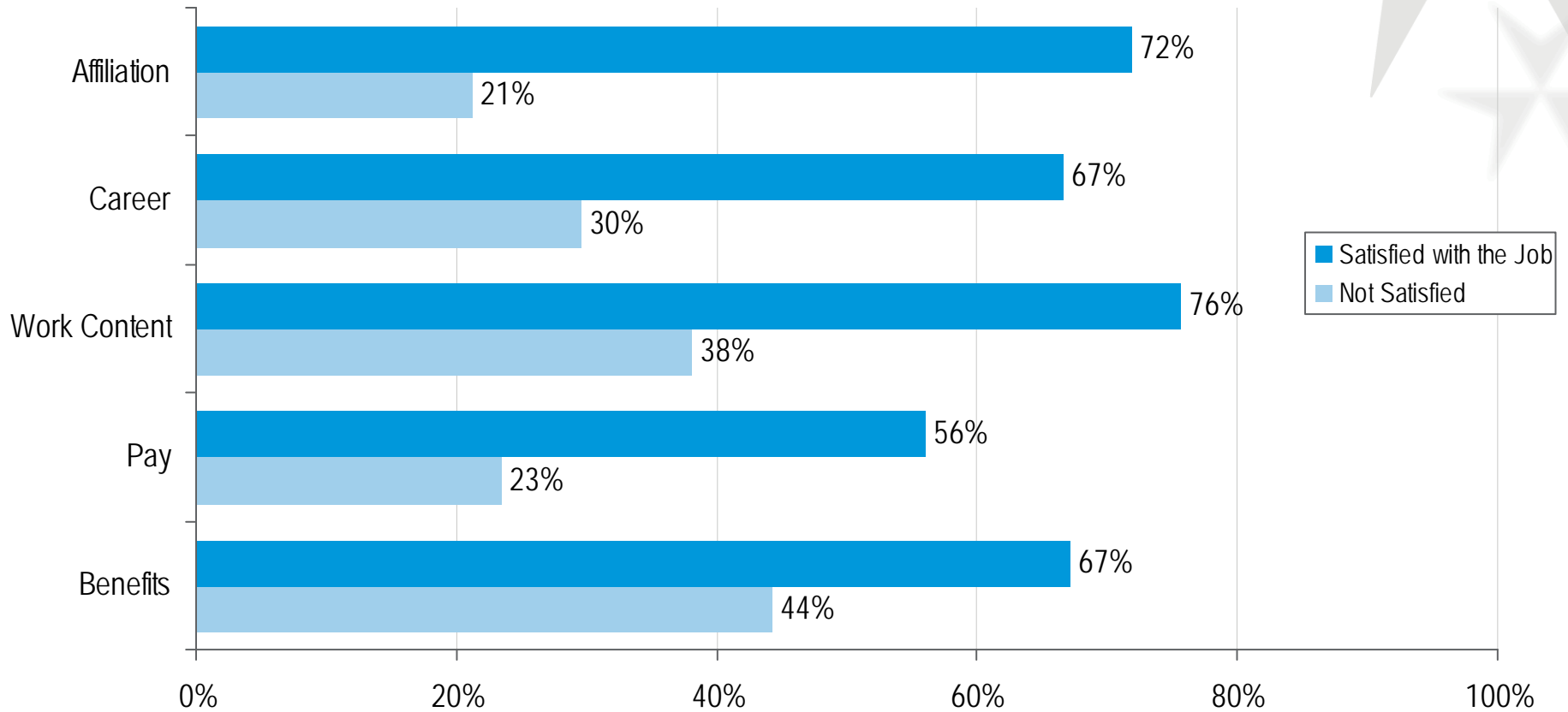
A significant proportion of the Disengaged have job satisfaction

**While job satisfaction is an important factor, it is not the only driver of employee engagement.**

\* Reflects public sector respondents only

# Drivers of Job Satisfaction in the Public Sector

- While all Rewards of Work<sup>SM</sup> factors are correlated with overall job satisfaction, Work Content and Affiliation are the most strongly correlated.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

## Findings

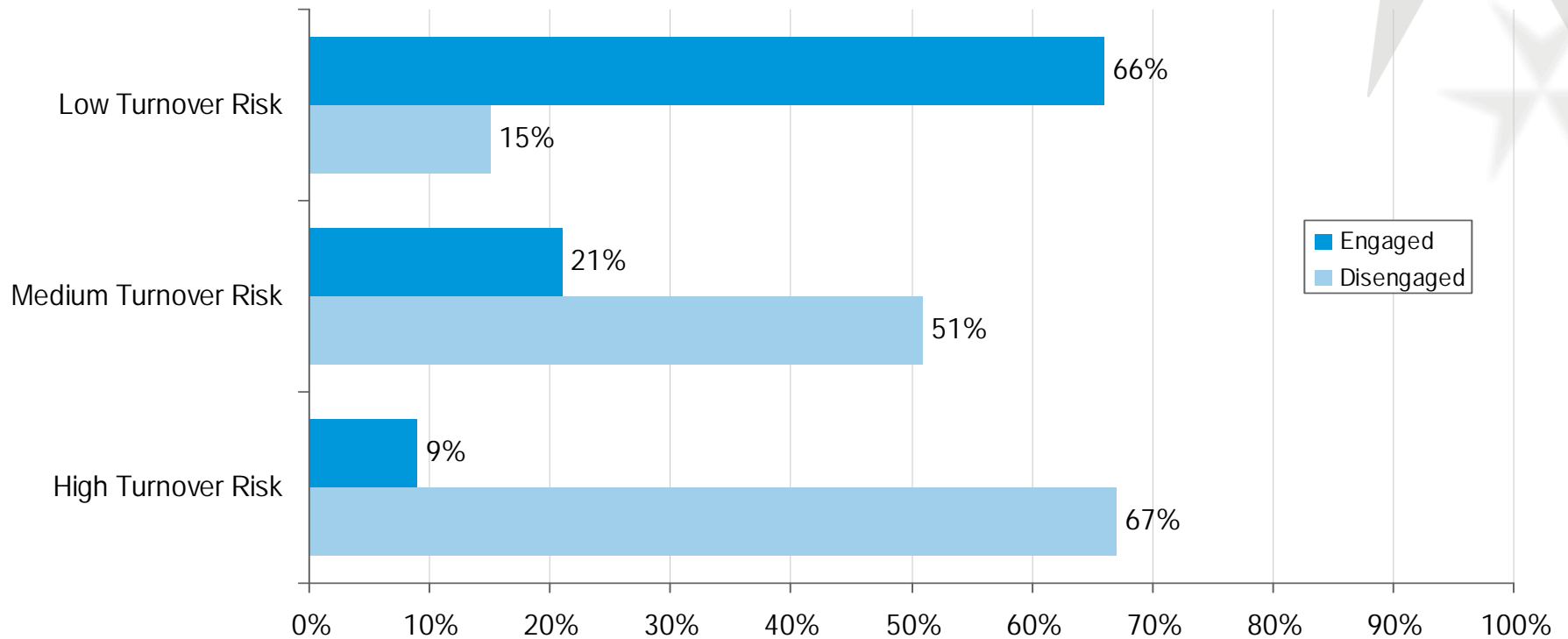
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1. Perceptions of the Rewards of Work
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# Turnover Risk and Engagement – Public Sector

- Engagement and turnover intentions are correlated. Engaged employees are much less likely to be a flight risk.



**Two-thirds of employees with low turnover risk are Engaged. Similarly, two-thirds of high turnover risk employees are disengaged.**

\* Reflects public sector respondents only

# Turnover Risk and Engagement

- Most of the Engaged workforce has a low risk of turnover, while only about a third of the disengaged are a high turnover risk.

	Low Turnover Risk	Medium Turnover Risk	High Turnover Risk	Total
Engaged	42%	4%	1%	<b>47%</b>
Enthusiast	5%	1%	0%	<b>6%</b>
Renegade	7%	5%	4%	<b>16%</b>
Disengaged	9%	11%	11%	<b>31%</b>
Total	<b>63%</b>	<b>21%</b>	<b>16%</b>	<b>100%</b>

About 16% of the workforce is Disengaged or Renegade, with no intention of leaving their job.

\* Reflects public sector respondents only

# ROW Study—Implications for Employers—2010 and Beyond

The current environment presents an opportunity to refine the nature of the value exchange between employers and employees

- ☑ Be clear on the value exchange
- ☑ If a sense of pay or benefits entitlement exists, it can be reduced
- ☑ Increase engagement to revitalize the workforce
- ☑ Set a high performance bar by improving performance management

**As we discuss each of these, consider what other opportunities is presented by the current employment environment.**

# Clarify the Value Exchange

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Changes that we are seeing organizations considering:

- **Compensation:** Ever so slight move towards performance—less entitlement
- **Benefits:** Shed low value benefits, manage overall costs, streamline choices, less entitlement
- **Affiliation:** Emphasize the mission and customers needs, share the strategy. Make it a privilege to work there
- **Career:** Emphasize depth and breadth in role. More focus on cross training and flexibility. Less on advancement
- **Work Content:** Broader job roles. Fewer narrow inflexible roles. Opportunity for cross training
- **Expectations:** Link between performance management results to pay increases

# Thank You for Your Time!

Questions?



1230 West Washington Street,  
Suite 501  
Tempe, State 85281  
T 602.381.4045 F 602.381.4045  
[www.segalco.com](http://www.segalco.com)

Carol L. Mercer, Vice President  
[cmerc@segalco.com](mailto:cmerc@segalco.com)



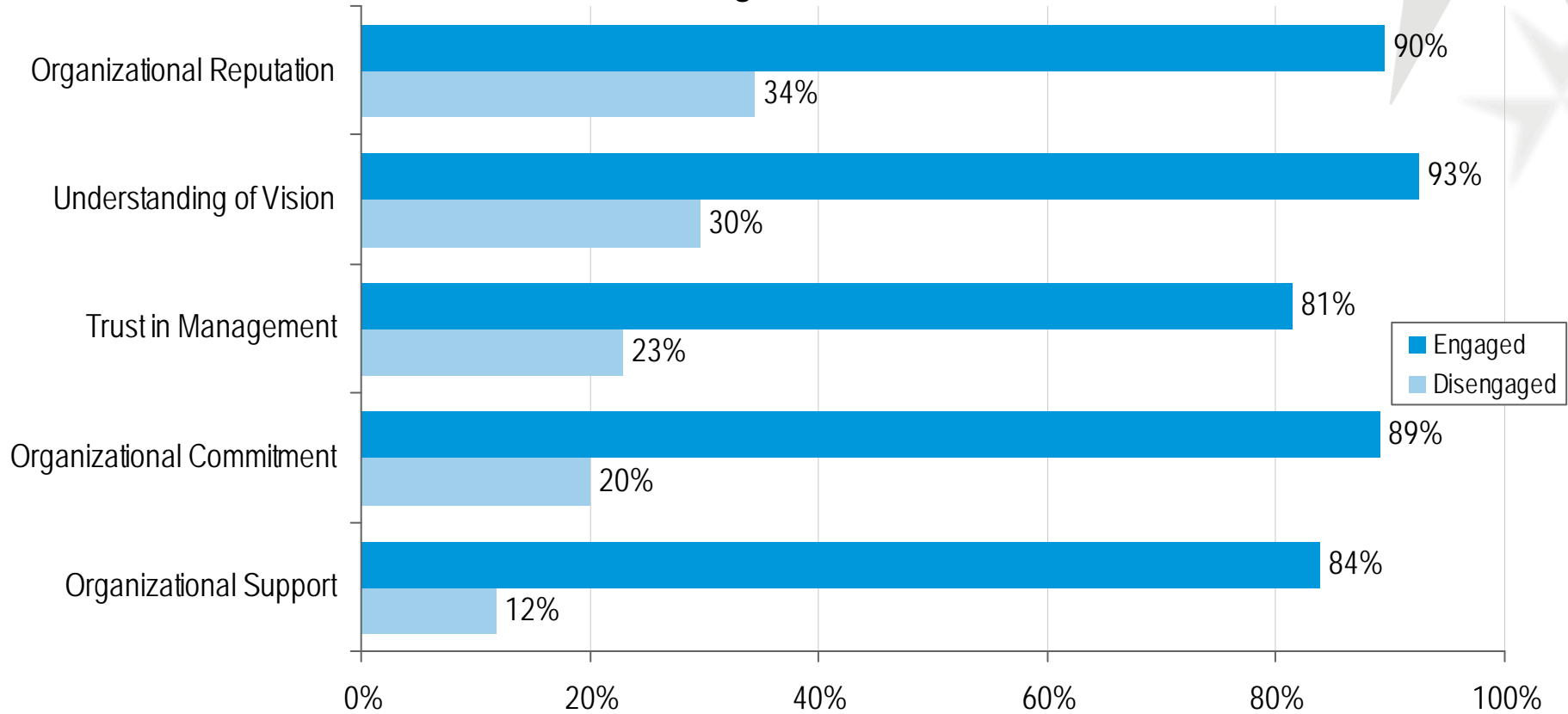
# APPENDIX

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# Drivers of Engagement—Affiliation

- Engagement is strongly correlated with organizational **Affiliation**. Engaged employees are far more likely to think their organization has a good reputation, to understand the organization’s vision, and to show commitment to the organization

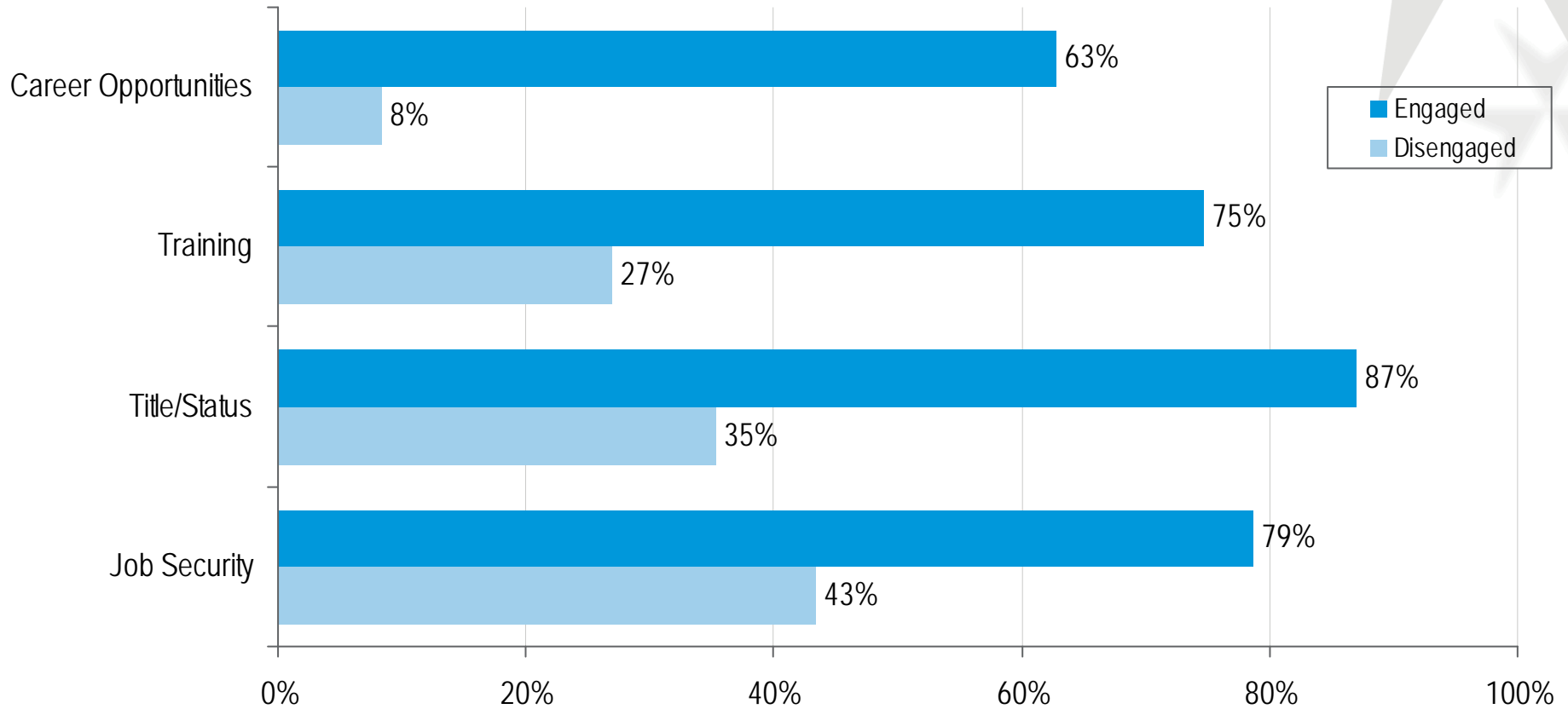


**Affiliation is more strongly correlated with Engagement than other Rewards of Work categories including pay, benefits, and job content.**

\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

## Drivers of Engagement—Career

- Engagement is also correlated with Career satisfaction, especially with the perceived opportunities for career advancement.

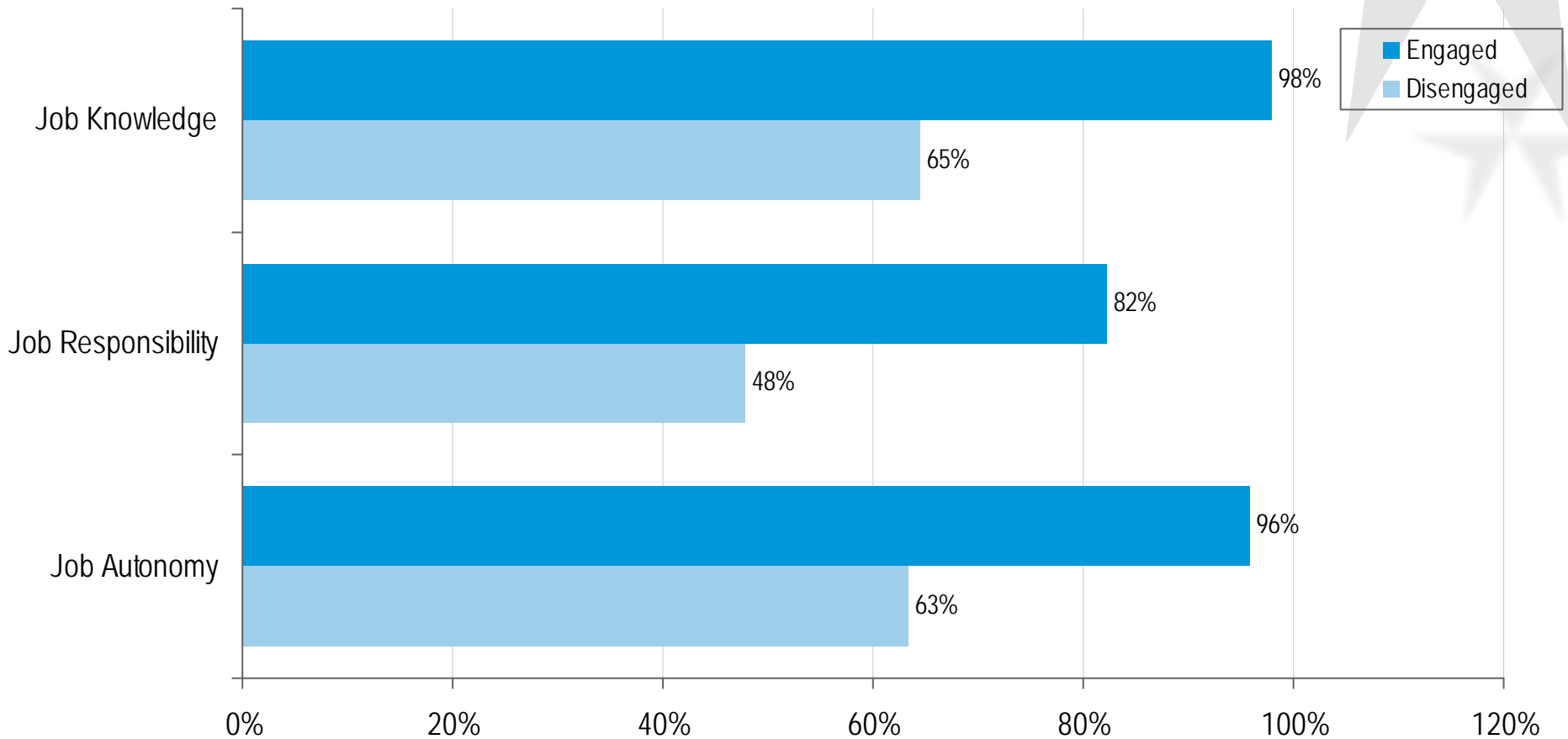


**Career subjects are more strongly correlated with Engagement than pay, benefits, and job content.**

\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Engagement – Work Content

➤ Engaged employees are also more likely to be satisfied with the content of their work.

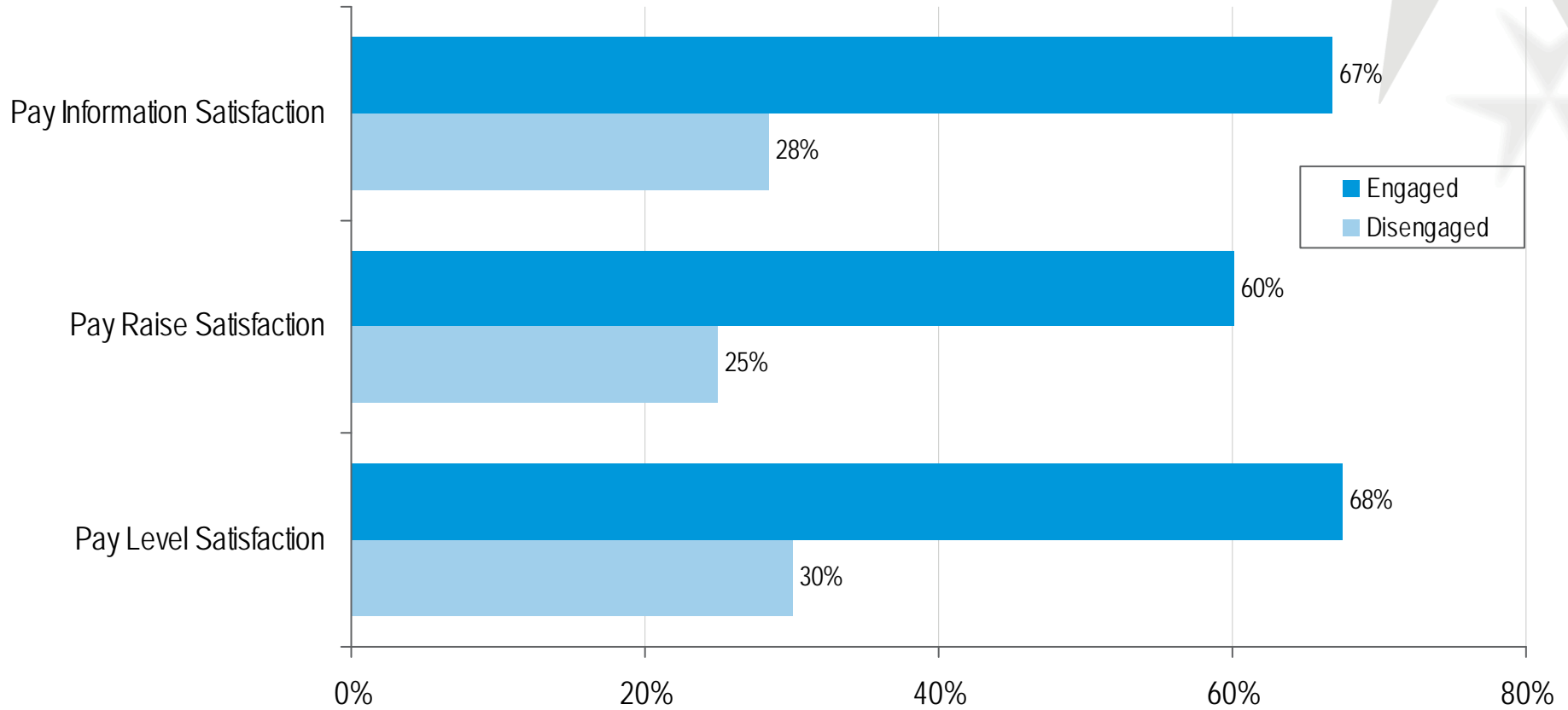


**Work Content subjects are more strongly correlated with Engagement than pay and benefits.**

\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Engagement – Pay

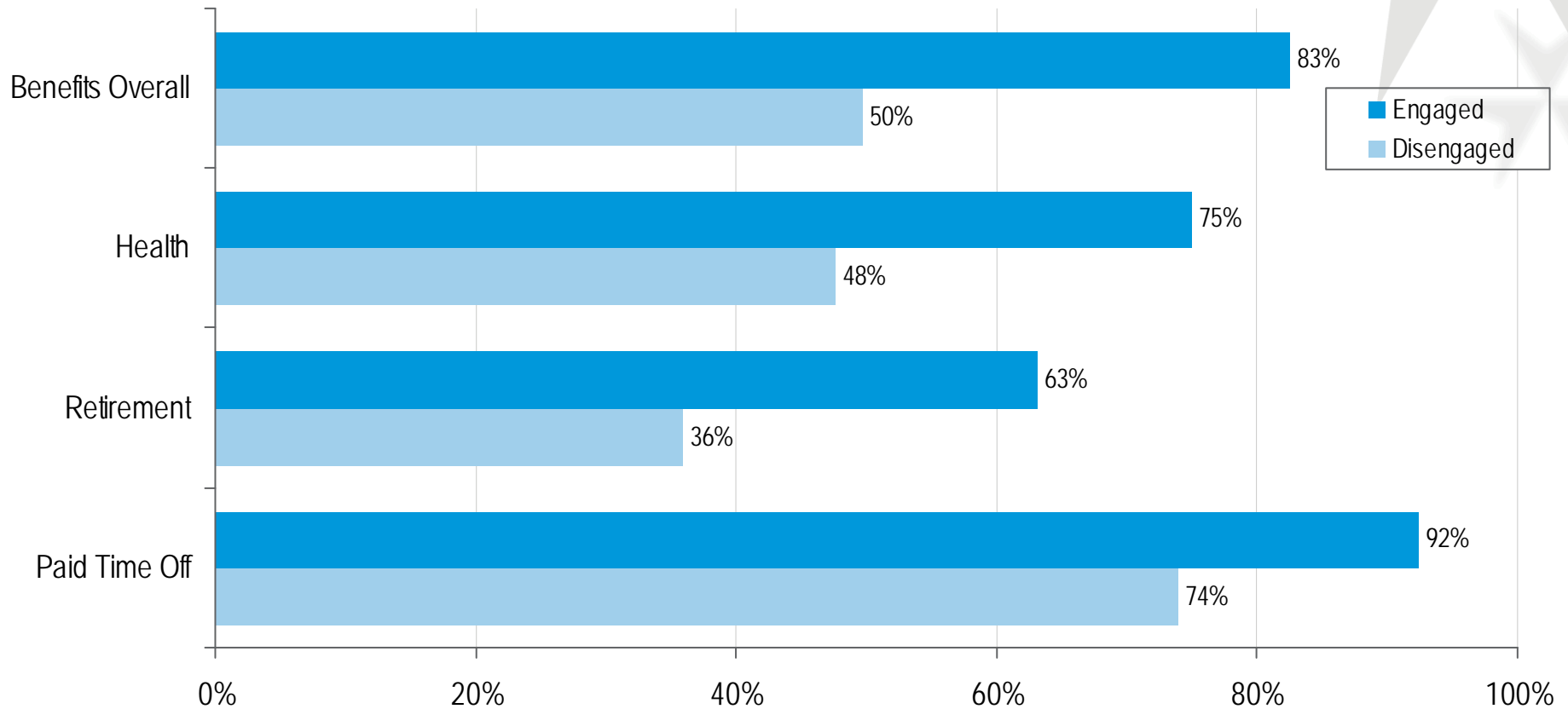
➤ Engaged employees are also more likely to be satisfied with their pay.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Engagement – Benefits

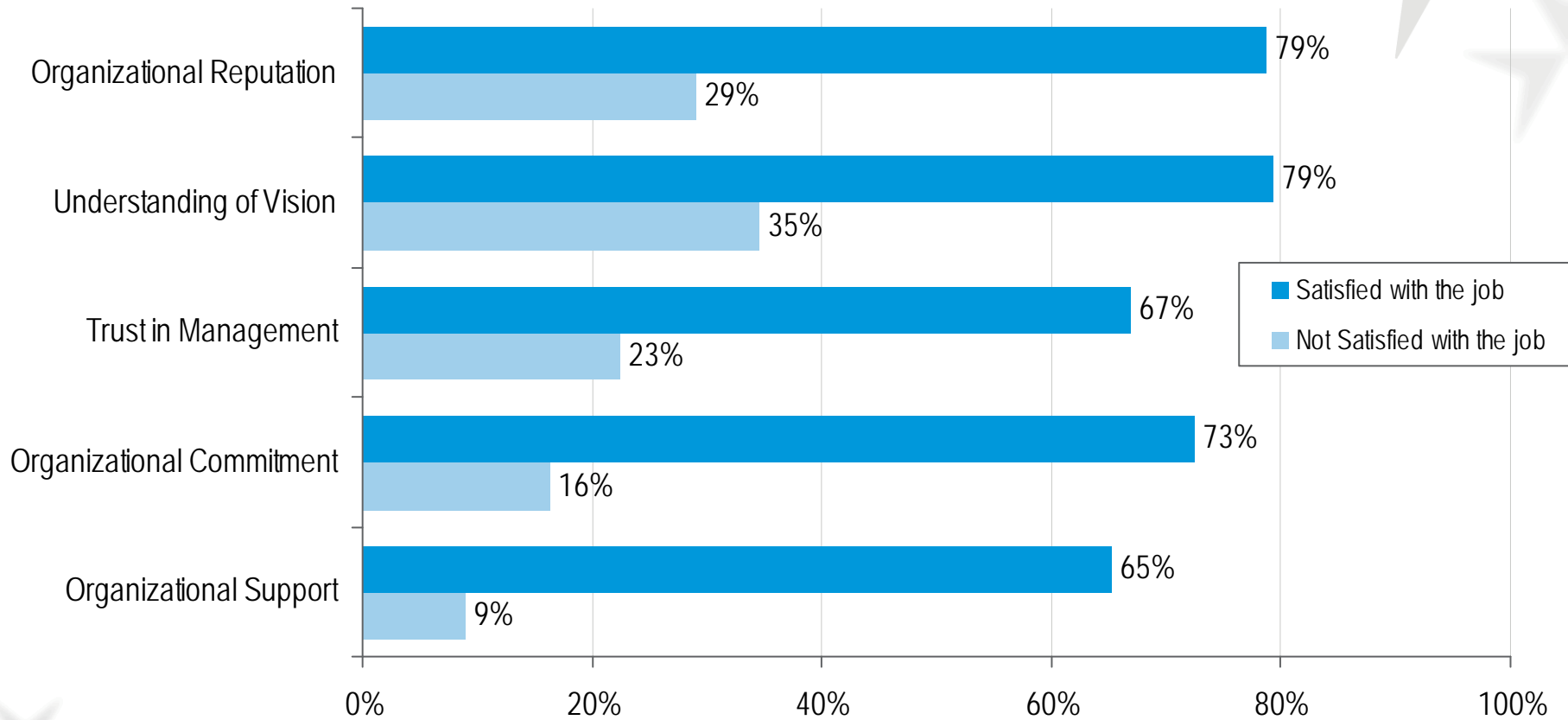
➤ Engaged employees are also more likely to be satisfied with their benefits, while still strong the correlation is not as strong as with other aspects of the rewards of work.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Job Satisfaction—Affiliation

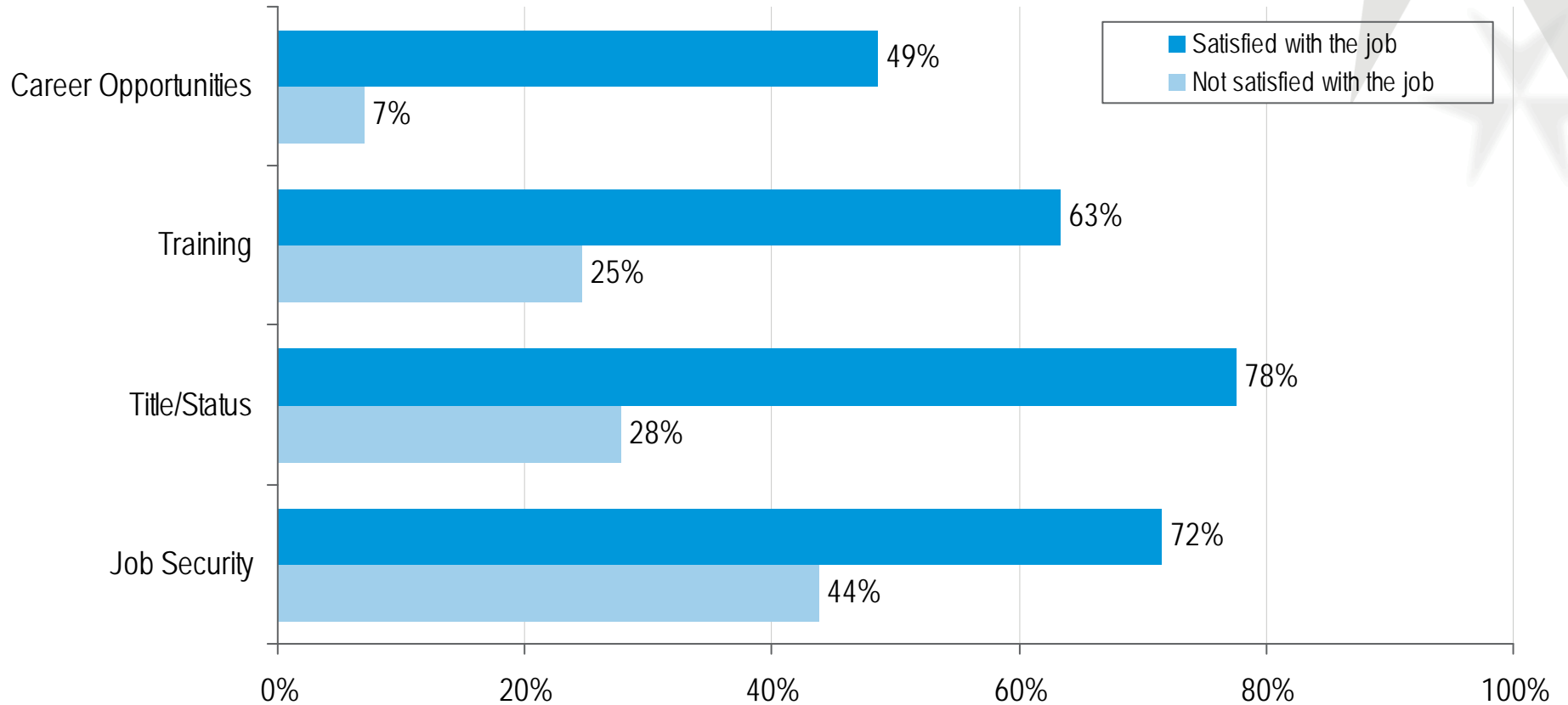
- Job satisfaction is strongly correlated with organizational **Affiliation**, especially in the areas of organizational reputation and understanding of vision. Employees who feel that the organization has a good reputation and have a clear understanding of the organization’s vision are more likely to be satisfied with their job overall.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

## Drivers of Job Satisfaction—Career

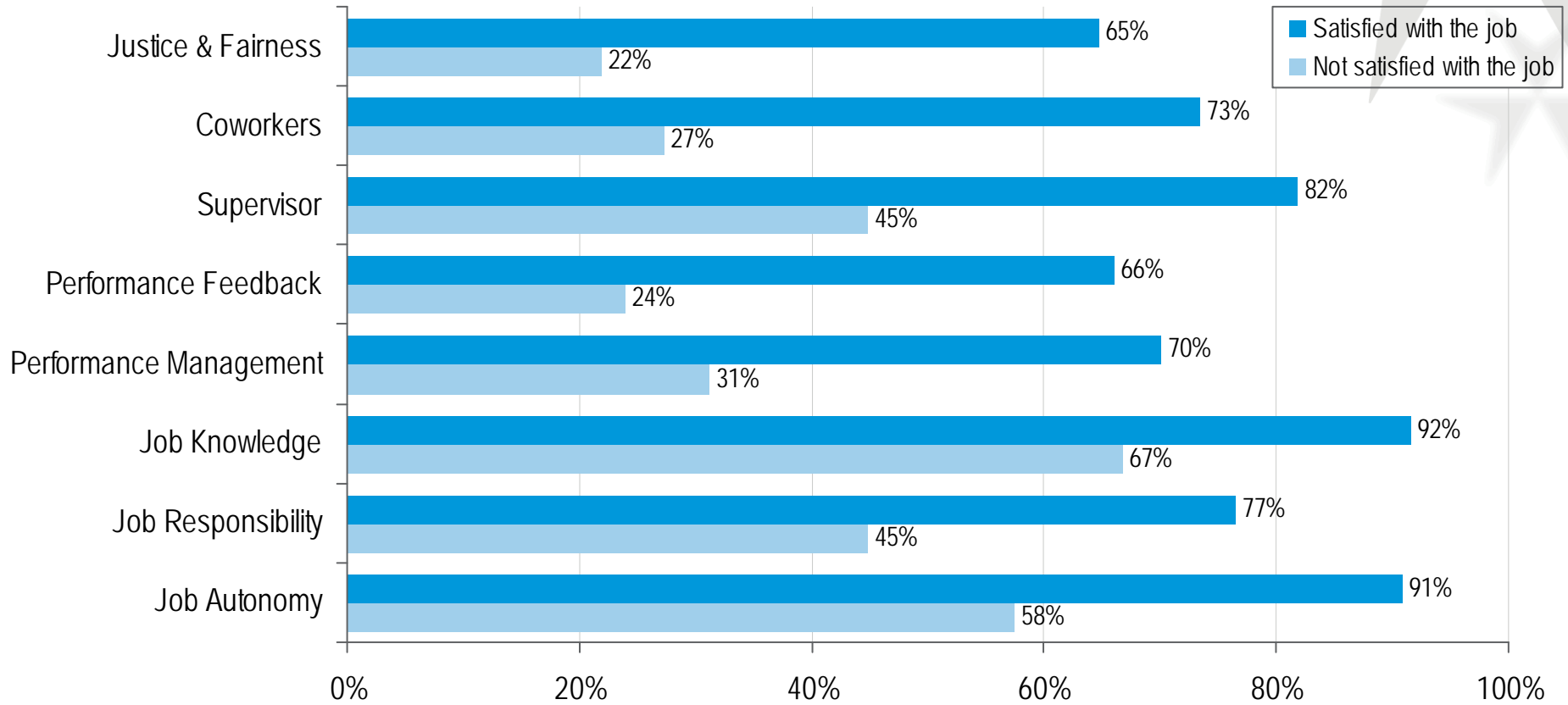
- Job satisfaction is also correlated with Career satisfaction, but only when there is perceived job security and a job title or status level involved.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Job Satisfaction—Work Content

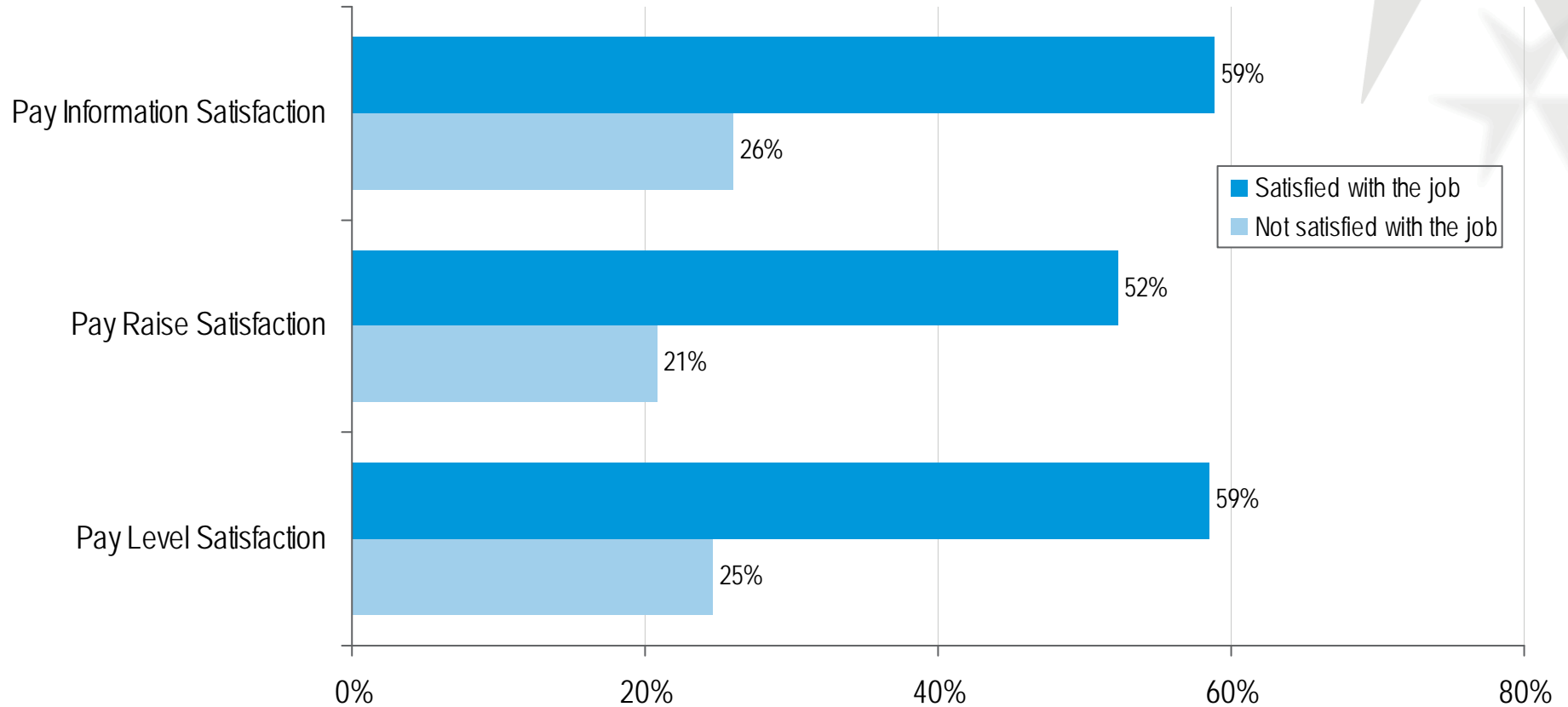
- Job knowledge and job autonomy are highly correlated to satisfaction with the job. Other factors include satisfaction with one’s supervisor.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Job Satisfaction—Pay

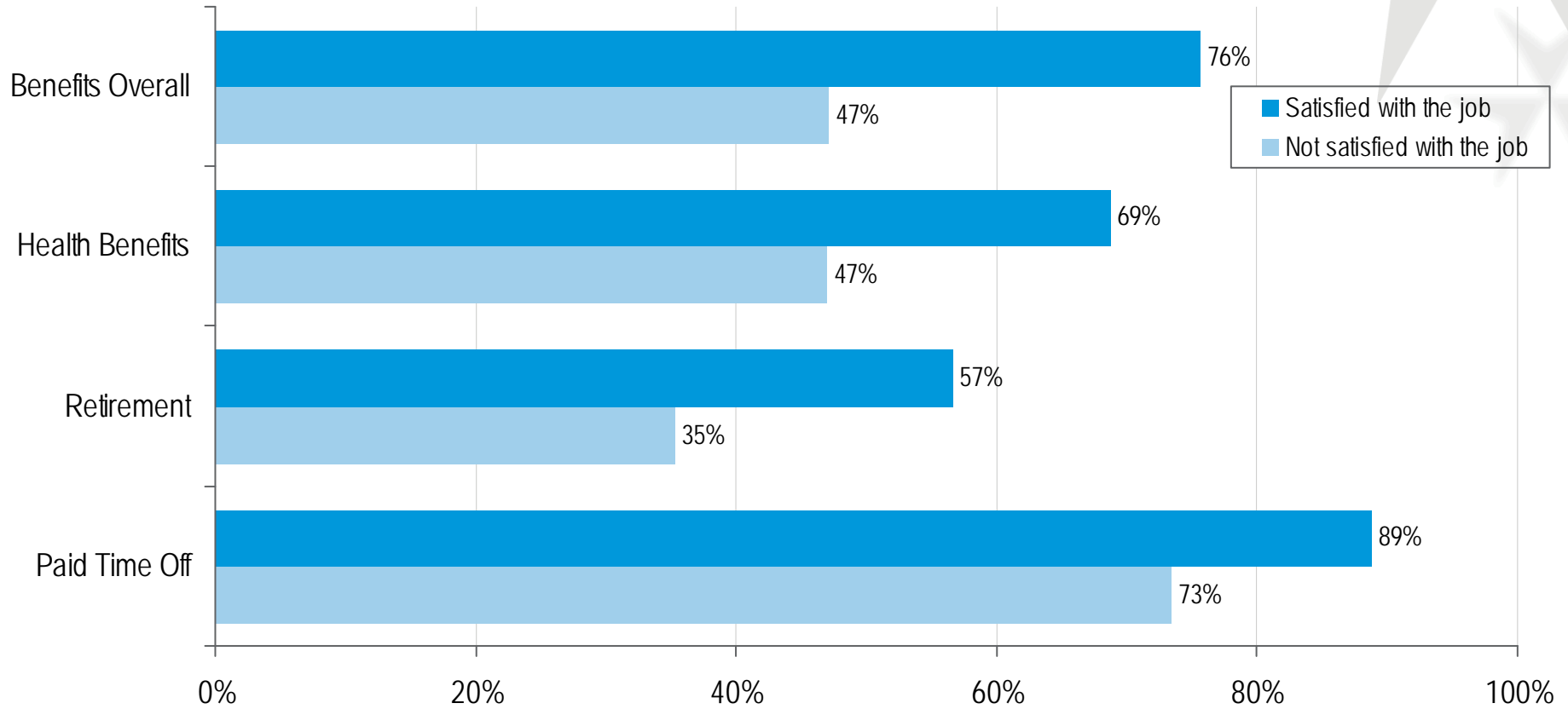
➤ Pay satisfaction is not strongly correlated with job satisfaction as with other aspects of the job.



\* Numbers reflect the percentage of public sector respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”

# Drivers of Job Satisfaction—Benefits

- Paid time off is also strongly correlated with job satisfaction, with health benefits and retirement benefits not as correlated.



\* Numbers reflect the percentage of respondents who provided a favorable answer, including “somewhat agree”, “strongly agree”, “somewhat satisfied” and “strongly satisfied.”