

# The Engagement Paradox Report



Why Australian Employee Retention  
is Up but Happiness is Down



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## Introduction

**The Australian workplace is facing an engagement paradox in 2024 with market forces causing employee retention to rise, while engagement and happiness fall.**

Unfortunately for business and HR leaders, this presents key challenges to productivity and output at a time when competition is fierce and businesses are under increasing scrutiny.

How do we know this? We conducted a survey with 1,093 full-time Australian employees and 1,241 Australian business and HR decision makers in organisations of 100 or more employees across the country.

This in-depth research uncovered some clear trends that we'll explore in this report, including that:

- Employee engagement is at an all-time low while retention rises
- Recognition and work-life balance are driving employee happiness
- Managers are under more pressure as business performance wanes

We hope you find these insights thought-provoking and helpful. Please [contact our team](#) if you'd like to discuss anything in greater detail.



**Kylie Green**  
Managing Director, APAC



# Key findings: Your one-page cheat sheet

**Want some quick statistics on the state of Australian employee engagement, retention and happiness?** Check out a few of the key findings from The Engagement Paradox Report:



45%

of employees say they're not looking to change roles within the next two years... but almost **three quarters say they'll move jobs** when the economic climate improves.



74%

of business and HR decision makers say that it's **difficult to meet staff expectations for salary growth** in the current economic climate.



1/3

of full-time employees have a **low level of happiness**.



27%

of employees say they are **less engaged at work** now compared to the previous 12 months, and **39%** say there's been no change.



87%

of business and HR decision makers agree **poor employee engagement impacts employee performance**, and therefore business performance.



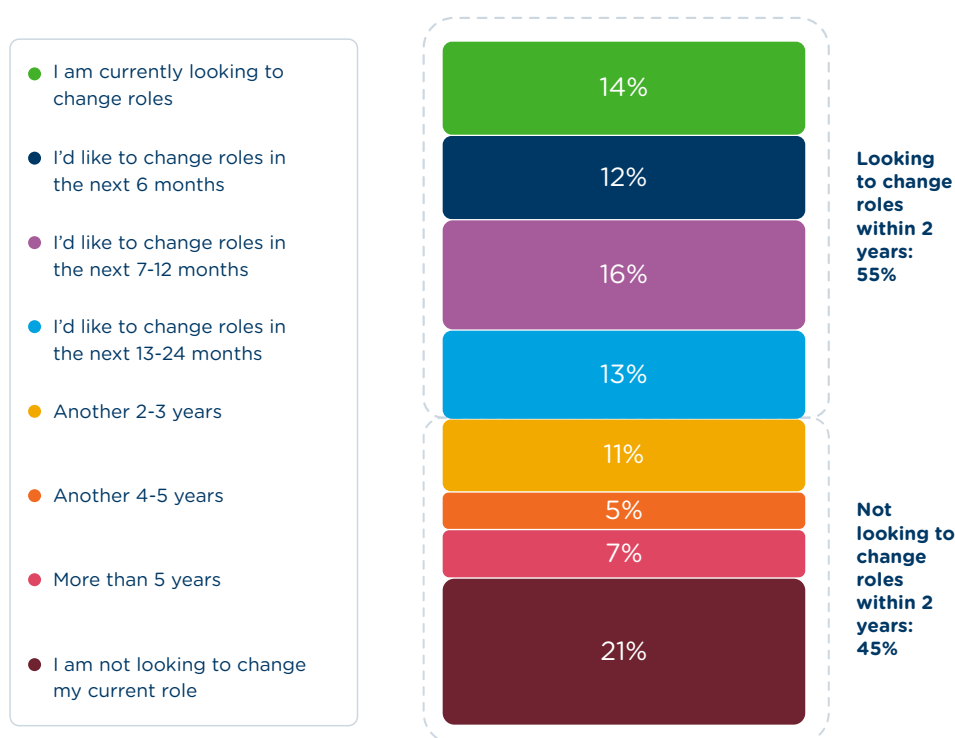
52%

believe decreased employee engagement costs their business **\$20-100k each month**.

# Employee engagement is at an all-time low while retention rises

*Employee retention may be on the increase, but this doesn't necessarily equate to rising employee engagement.*

**Our survey of full-time Australian employees found that almost half aren't looking to leave their jobs, with 45% saying they're not looking to change roles within the next two years. A whopping 21%, around one in five employees, say they're not looking to change roles at all.**



This is promising, considering our previous research reports ([The Workplace Engagement Index](#) and [The Australian Talent & Engagement Report](#)) found that retention was at real risk for many Australian businesses.

While you have flight risks with the 14% who are currently looking to leave and the 38% who want to leave in the next 6-12 months, this is a vast improvement on the 56% who had considered leaving their job in the last six months at the start of 2024 (The Workplace Engagement Index).

The [Australian Bureau of Statistics](#) released its Participation, Job Search & Mobility data in July (2024) which found that while Generation Z are more mobile than other cohorts, if we examine previous years we can see that they're less mobile than they were, aligning with our findings.

But let's delve into our own data a bit more and understand why this unfortunately might not be the good news story it seems at first glance...

## High retention reflects market conditions, not employee engagement

We all know that the Australian market is extremely challenging right now, with cost of living and an economic slowdown impacting workers and businesses alike. These tough conditions will naturally cause ripple effects for employee retention and engagement.

Our research reveals that the majority of those staying in their current role are doing so because they consider the job market too risky to make a move, with almost three quarters saying they'll move jobs when the economic climate improves.

Two in five full-time employees that are looking to move roles in the next two years say they are doing so because of a lack of competitive salary or compensation.

Unfortunately, a whopping 74% of business and HR decision makers say that it's difficult to meet staff expectations for salary growth in the current economic climate.





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Economic uncertainty and limited job opportunities inevitably affects employees' discretionary effort and intent to stay. Traditionally, Go-Getters are highly engaged and contribute significantly to an organisation's success, but when high performers stay put due to external factors instead of genuine enthusiasm for their role, this leads to a significant decline in engagement and productivity and, ultimately, hinder a company's potential to grow.



**Kylie Terrell,**  
**Director of Consultancy,**  
**Reward Gateway**

### In which Quadrant of Employee Engagement do you think the majority of your people sit?



When asked whether they think employees are more or less engaged now than they were in the last 12 months, 25% of respondents who manage people within their organisation agree employees are less engaged, compared to only 4% who claim employees are 'much more engaged'.

Interestingly, this is mirrored in what we hear from employees, with 27% saying they are less engaged at work now compared to the previous 12 months.

These perceived levels of engagement can differ significantly when you ask middle versus senior people managers. Only 33% of middle managers saw an increase in engagement compared to a huge 63% of senior managers, showcasing a clear disconnect between these two cohorts.

## The big business cost of low engagement

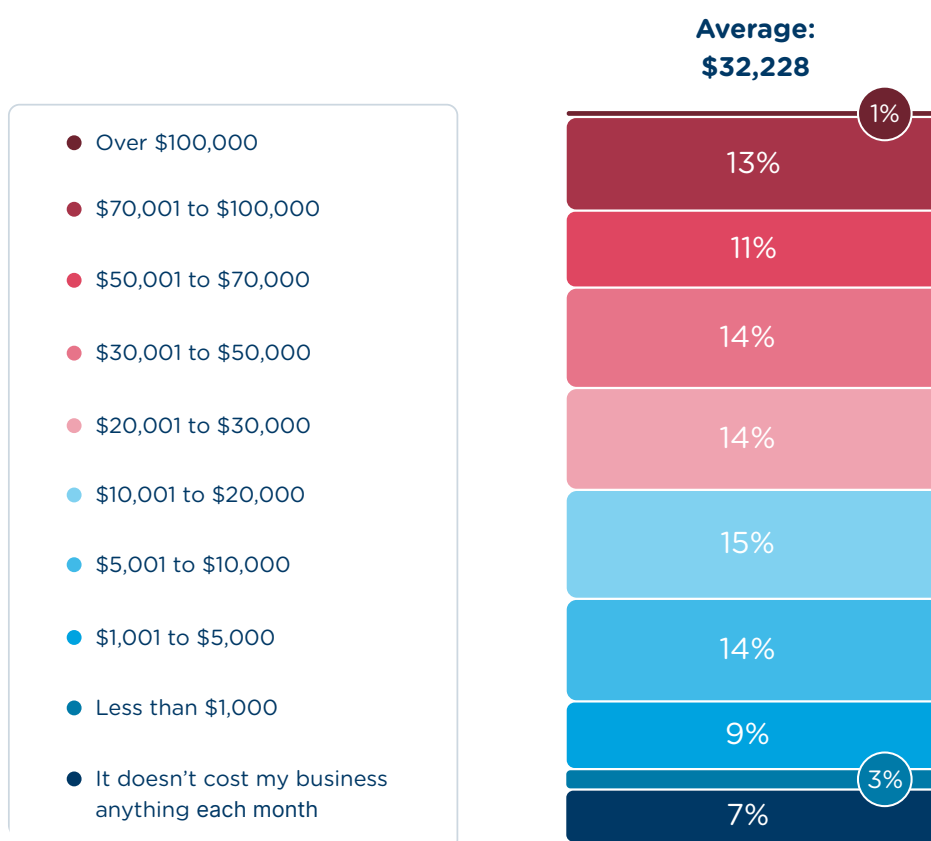
Thankfully, they can all agree on the essential nature of employee engagement.

**87%**

of business and HR decision makers say that poor employee engagement impacts employee performance, and therefore business performance.

Business and HR decision makers on average think decreased employee engagement costs their business just over \$32,000 a month, with 52% estimating that decreased employee engagement costs their business \$20-100k each month.

### How much do you think decreased employee engagement costs your business each month?





It's clear that employee engagement has significant business ramifications. Our global benchmarking survey, [Employee Engagement: An Economic Value Study](#), also revealed that businesses across the world with high employee engagement saw a 5-7% increase in business performance, alongside boasting the lowest turnover rate, lowest time-to-hire and the highest customer NPS (net promoter score).

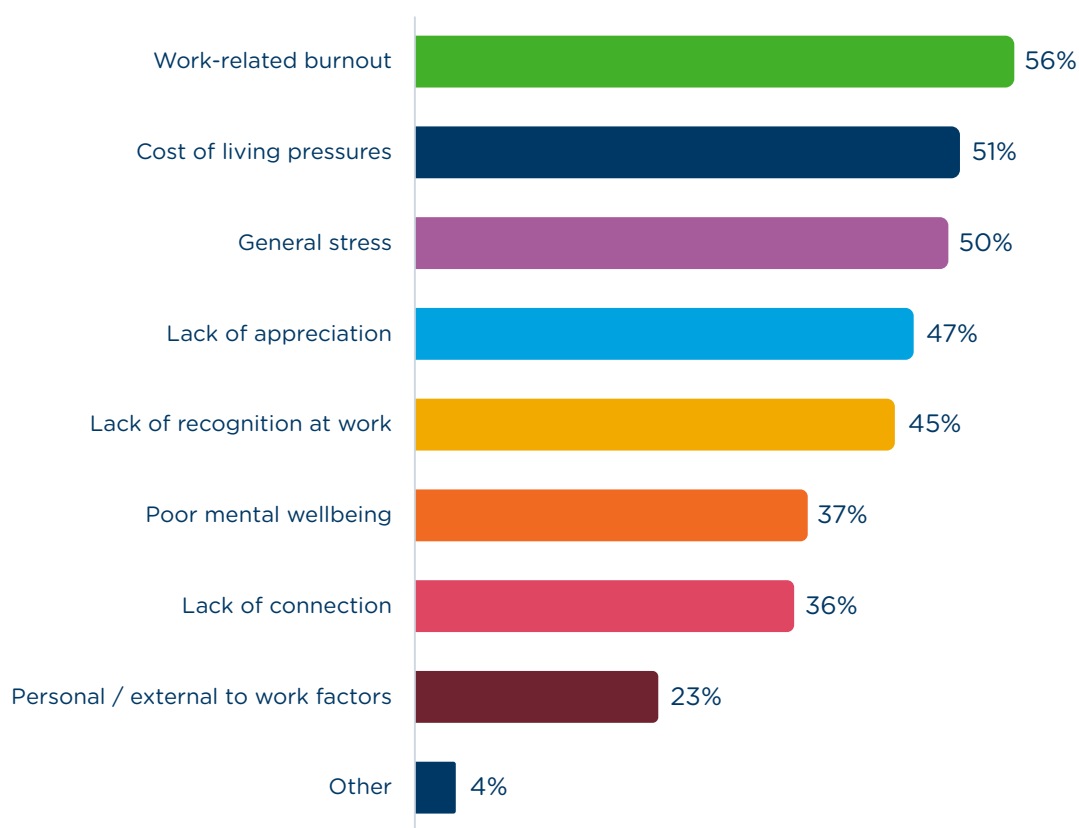
### What's causing this decline in employee engagement?

So, why do Australian employees feel less engaged in 2024 and what areas do businesses need to focus on in the year ahead?

While 56% of employees cite work-related burnout and 51% blame cost of living, these are followed closely by general stress (50%), lack of appreciation (47%) and lack of recognition at work (45%).

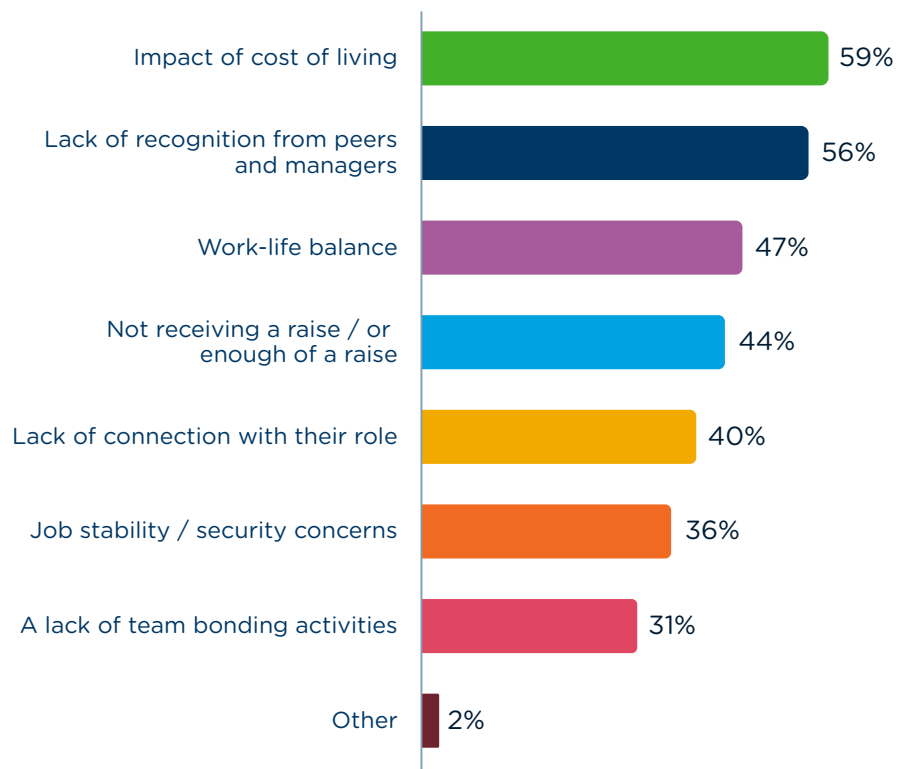


#### Why do you feel less engaged?



When we asked business and HR decision makers why they think employees are less engaged, close to 60% attribute this shift to cost of living pressures and a lack of recognition.

### What do you think is driving a decrease in employee engagement?



It's interesting to see this agreement across both groups of the importance of recognition and financial wellbeing, while business and HR decision makers may be missing the impact of stress and burnout.

In the next section, we'll explore how appreciation, recognition and work-life balance impact not only engagement but employee happiness as well.



## What can leaders do?



### Focus on transparency and communication:

Be open and honest with employees about the economic climate, your company's commercial reality and your plan to weather the storm. Communicate your long-term vision for the future and the role each team plays in achieving it.

This fosters a sense of trust, collective responsibility and reinforces the value each employee brings to the organisation.



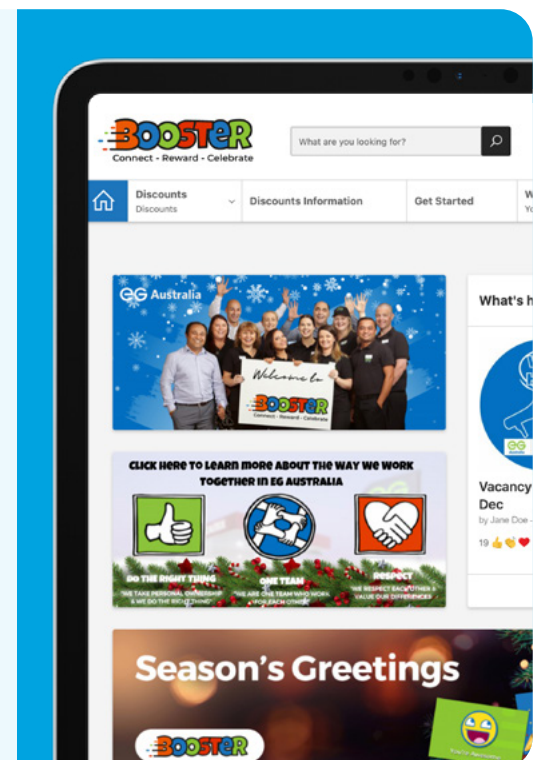
### Provide a channel for feedback, questions and suggestions for support:

Whether you create a physical "Feedback Box" for the reception area or introduce an "Ask Me Anything" anonymous survey to your engagement platform that goes straight to your leadership team, providing a safe space for feedback and suggestions allows leaders to understand their workforce's needs and address concerns proactively.

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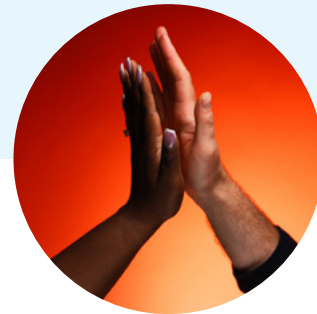
With over 4,000 employees working in hundreds of stores across the country, we know how important it is to support our team as they take care of our customers. Investing in platforms that allows us to communicate the way we work together, enables our teams to celebrate their everyday wins whilst also delivering financial support through discounts and rewards, is an investment in every individual team members' wellbeing. Our Booster platform makes sure that every achievement by our team, no matter how big or small is made visible right across our business and celebrated. This doesn't just contribute to a strong culture, but to our organisation's strong performance and success.

**Emily Jetson, Head of Organisational Development at EG Australia**



**Prioritise learning and growth:**

Now is not the time to be cutting the skills training or development opportunities! Maintaining this investment will prepare employees for the next chapter and show that you are committed to being “in it together”. If budgets are tight, consider ways to have more senior employees share their experience/knowledge with newer recruits and vice versa (e.g. introduce a reverse mentoring program).

**Encourage frequent recognition and micro-rewards:**

While salary increases might be difficult, explore alternative ways to motivate employees e.g. introducing more frequent, peer-to-peer recognition to celebrate and encourage progress towards milestones and raise the visibility of unseen contributions.



# Recognition and work-life balance are driving employee happiness

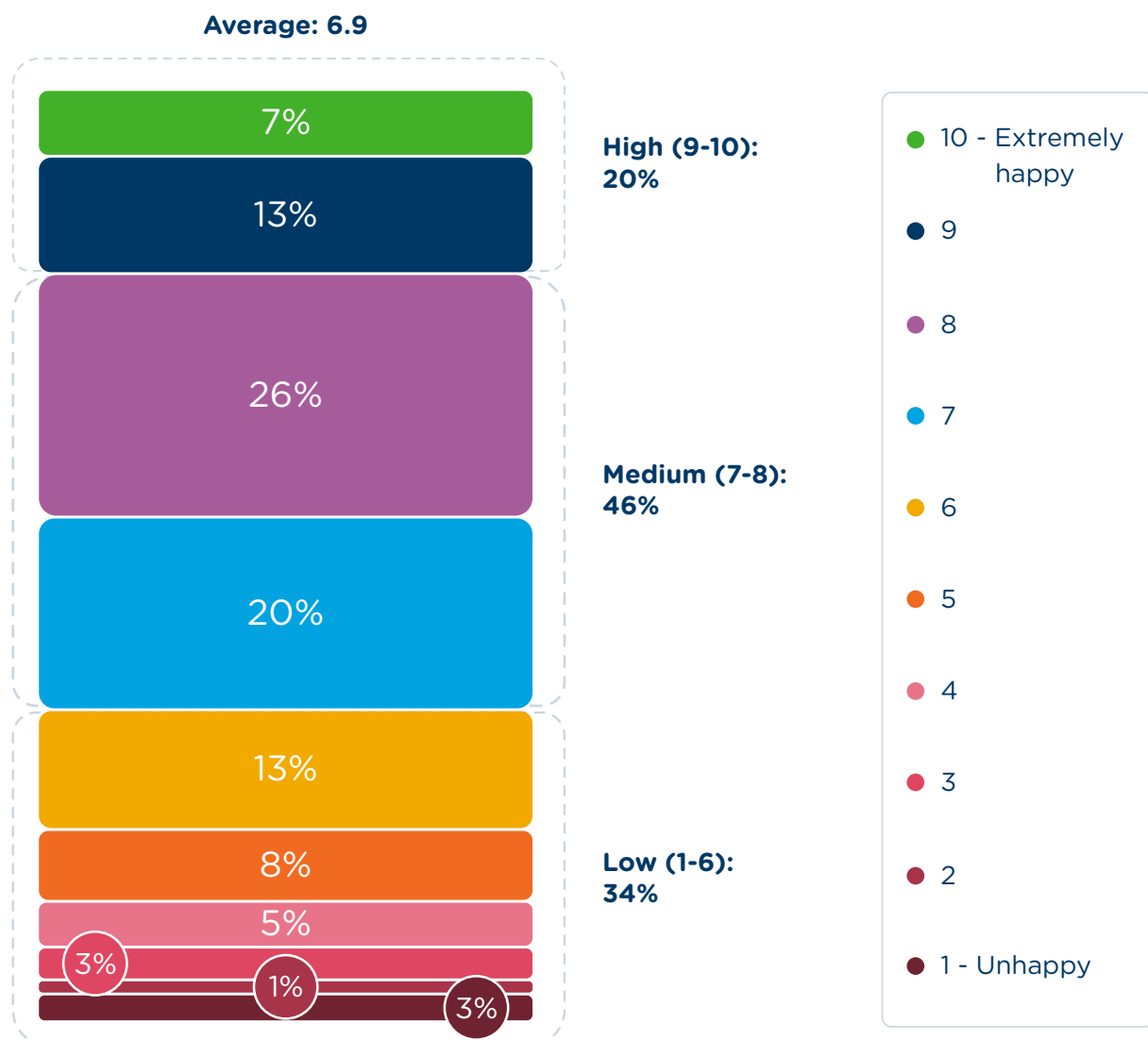
*Employee happiness under threat but significant gains seen by recognition and reward programs and flexible working.*

## Looking beyond employee engagement, we wanted to also examine employee happiness in our research.

Unfortunately, three quarters of Australian employees that are planning to stay in their role for over two years say that job

security is more important than how happy they are at their job currently.

This is reflected in rates of employee happiness, with a third of full-time employees stating that they have a low level of happiness.



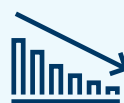


On a more positive note, close to half (46%) of full-time employees say they have a medium level of happiness at their current job and 20% boast a high level of happiness.

So, how can we boost employee happiness and remove the mitigating factors that may negatively affect happiness or retention?



**Women (36%)** are slightly more likely to say they have a **low level of happiness** compared to **men (32%)**.



**Late Millennials** and **Baby Boomers** are the most likely to have a **low level of happiness**.

*(Late Millennials 37%, Baby Boomers 36%; compared to Gen Z 34%, Early Millennials 34%, Gen X 31%)*

## The ripple effects of recognition

Over a fifth of full-time employees who are looking to change roles in the next two years cited the following factors (and this generally increases to over 30% for those with a low level of happiness):



### A lack of appreciation

(25%, low happiness 35%)



### A lack of recognition

(23%, low happiness 34%)



### Poor leadership

(22%, low happiness 31%)



### Poor company culture

(22%, low happiness 34%)

Addressing the top two points, the importance of appreciation and recognition were common trends throughout the data, with those planning to stay in their role for over two years citing feeling appreciated (39%) and feeling recognised at work (33%) as key reasons for staying.

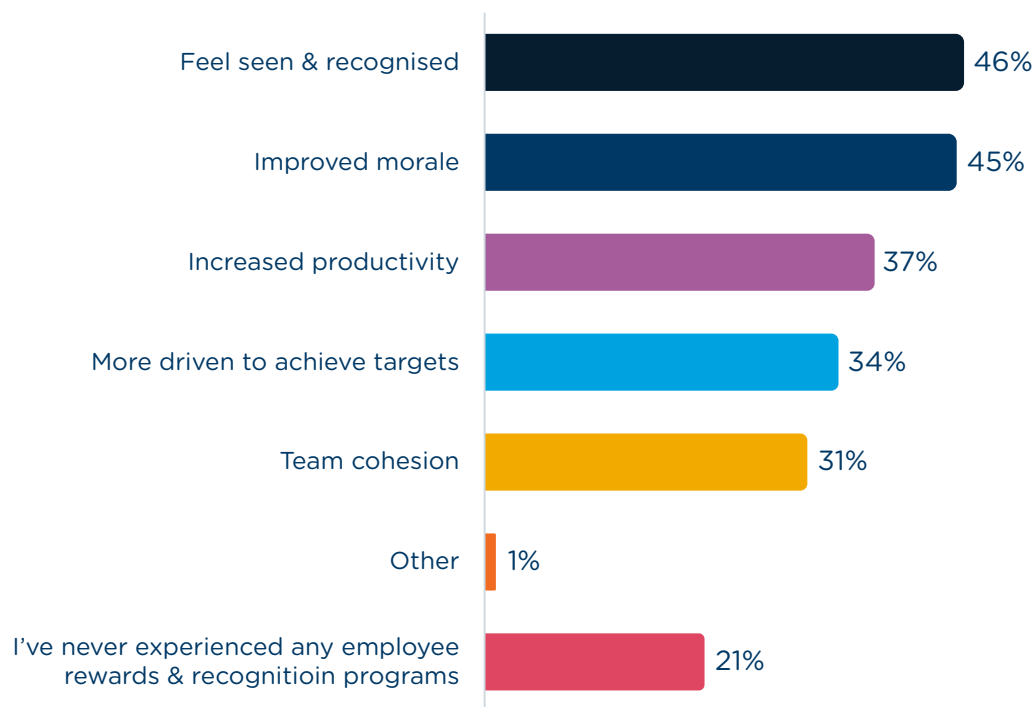
Almost 80% of full-time employees have felt the positive impact of employee recognition and reward programs, with close to half feeling seen and recognised and experiencing improvements in morale.



**82%**

of business and HR decision makers have seen employee recognition and reward programs create noticeable increases in team morale and performance.

### What impacts do employee reward and recognition programs have on you/your team?



This is supported by global findings from our [Economic Value Study](#) which demonstrated that employee recognition programs, assumed by HR leaders to be valued less by employees, show a similar employee NPS score to cash bonuses, showing the importance employees place on appreciation and recognition.





## Wellbeing, satisfaction and productivity improve with flexible working

Another key area for employee survey respondents was the ability to work from home (WFH) with links to happiness, job satisfaction and productivity.

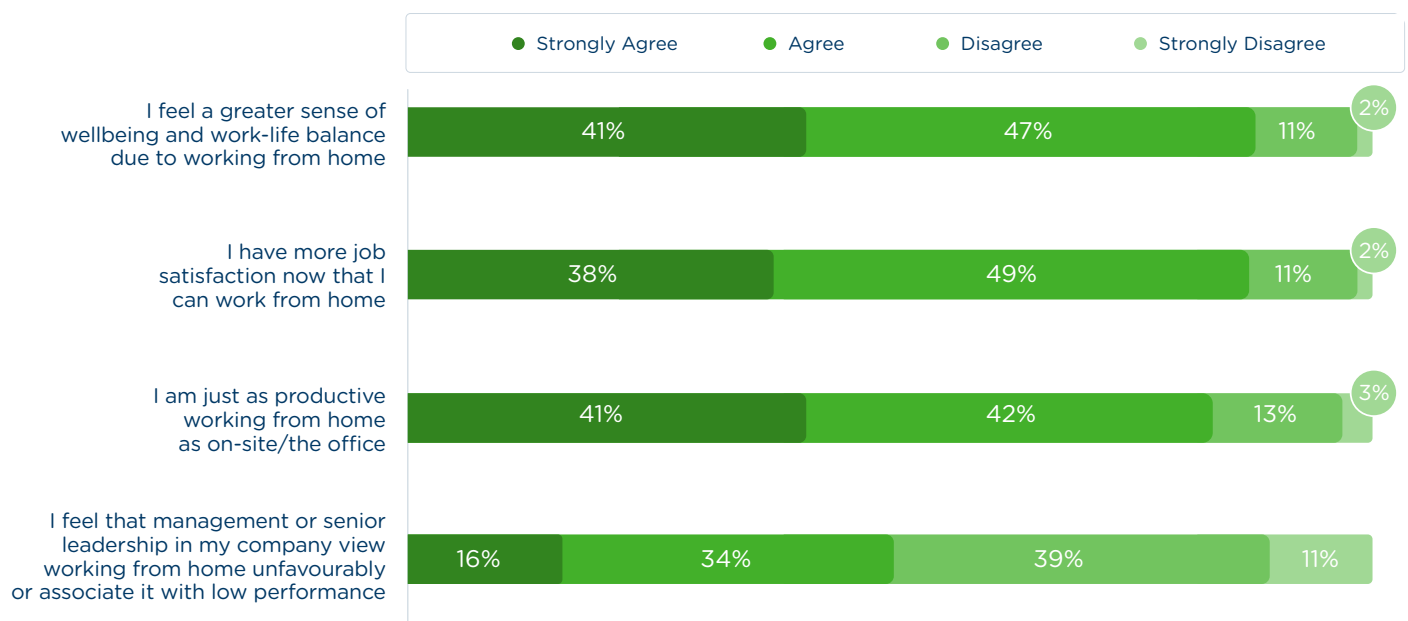
Close to 90% of full-time workers that can WFH feel a greater sense of wellbeing and work-life balance and have more job satisfaction now that they can work from home.

Additionally, 83% of full-time workers that can WFH believe they are just as productive working from home as on-site or in the office.

Despite this, 50% feel that management or senior leadership in their company view working from home unfavourably or associate it with low performance.



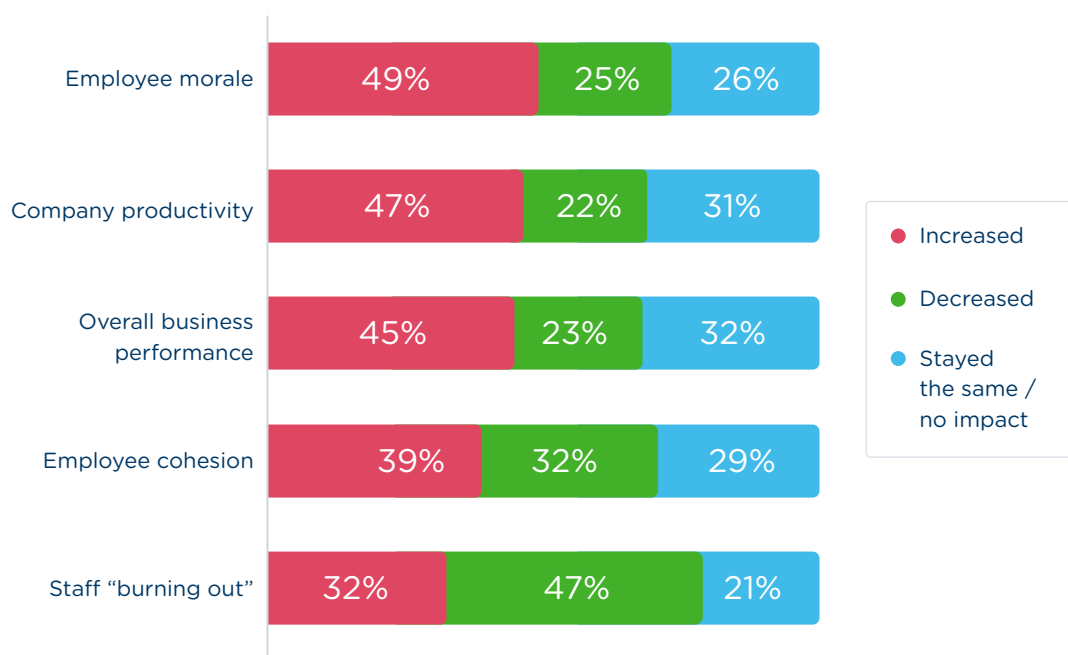
### Thinking about working from home, to what extent do you agree with the following?



These improvements are also reflected in sentiments from business and HR decision makers with close to half that have WFH policies in their organisation saying staff working from home has resulted in an increase in employee morale (49%) and company productivity (47%).

They also state that since staff can WFH there has been an increase in overall business performance (45%) and employee cohesion (39%).

### Has staff working from home resulted in an increase or decrease in any of the following?



Most importantly, almost one in two business and HR decision makers say that working from home has decreased rates of their staff burning out.

Avoiding burnout, apathy and underperformance is crucial for middle managers, as pressure mounts to get results in a tough market. In the next section, we'll explore what this means for managers and decision makers.



## What can leaders do?



### Revisit, refine and improve how you appreciate your team members:

Make the most of digital tools and platforms to deliver peer-to-peer recognition and reward at scale, so employees are more frequently celebrated for their contributions and can have visibility of the achievements of peers they normally wouldn't work with.



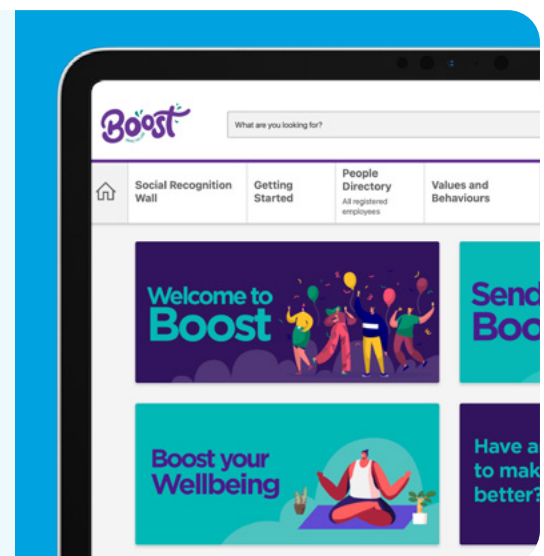
### Enable remote employees and prioritise inclusive practices:

Frequent communication between leadership and employees is crucial to promoting inclusivity and dispelling negative perceptions of working remotely. Promote visibility by creating communication channels where individuals and teams can regularly share their progress and contribution, and encourage leaders to be accessible in both face-to-face meetings and by providing online updates.

“

I think it's really important, just to show as an organisation that recognition is a huge part of our culture. We're very big on values and behaviours, and I think that starts from the grassroots, from our people. So, it's important to enable them to have a peer-to-peer and leader recognition process and that it's visible to everybody on the platform is hugely important.

**Glen Nesbit, Head of Wellbeing, Engagement and Reward for Customer Channels & Growth at Bupa APAC**





**Develop a culture of transparency and equity:**

To bridge the gap between employee desires and company needs, cultivate a sense of shared purpose and responsibility by regularly sharing company goals and challenges. Implement clear performance metrics and feedback loops to help individuals understand how their contributions directly impact organisational success. This not only fosters accountability, but motivates employees to invest their effort into a collective goal.



**Foster a culture of connection:**

Combat feelings of isolation in remote or hybrid work environments by investing in tools and processes that enable dispersed, casual and part-time employees to stay informed and seen by the business. This could include enabling team members to keep other parts of the organisation updated by contributing to a company-wide blog, ensuring team meetings are recorded and shared in a platform that is easily accessible when convenient for employees, or facilitating ways for employees to form support groups around shared interests (e.g run clubs, book clubs, parent groups).



# Managers are under more pressure as business performance wanes

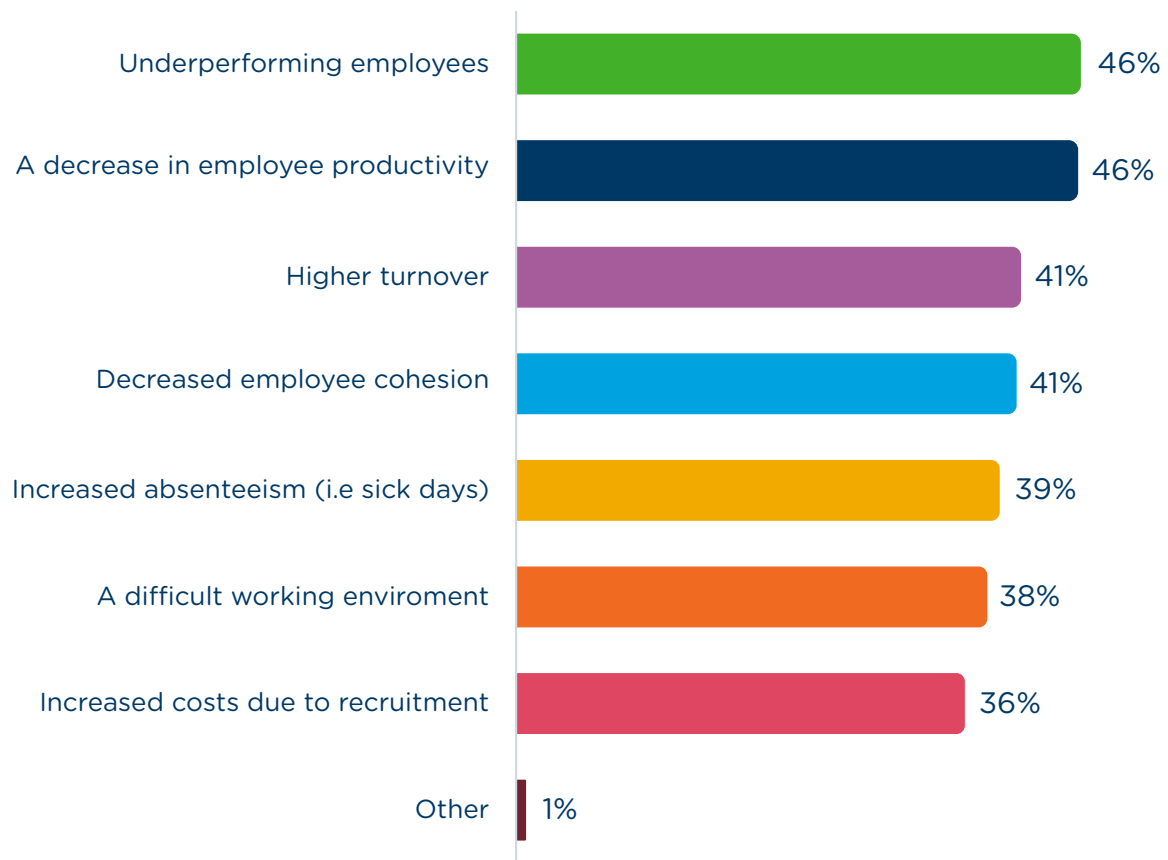
*Middle managers are under increasing pressure, as a greater focus on business performance coincides with dipping employee engagement.*

**The downturn experienced by many Australian businesses in 2024 has created a vicious cycle characterised by poor business performance, stagnant wage growth, low employee engagement and the resulting underperformance and hits to productivity.**

Nowhere is this more keenly felt than within the middle manager cohort:

- **8 in 10** Australian middle managers feel increased pressure to improve business performance from upper management;
- **73%** feel more pressure to improve employee performance;
- And **69%** feel their team's levels of burnout and mental health concerns are adding pressure to their role.

## Low employee engagement with the organisation or their role has caused...





## The threat of underperformance

More than eight in 10 business and HR decision makers worry about the impact of underperforming team members on their team and business performance, while 50% of employees claim to be carrying the weight of underperforming colleagues.

Additionally, close to half of business and HR decision makers believe low employee engagement has caused underperforming employees and a decrease in employee productivity.

To address this, decision makers are implementing a range of measures. A huge 93% of business and HR decision makers say that when they think about their employees' current performance, training staff in new skills could improve their engagement.

Additionally, 61% of business and HR decision makers have noted an increase in the need for performance management programs, extra training, mentoring or HR intervention in order to raise or maintain levels of performance.

When asking those decision makers who have implemented a recognition and reward program what the impact has been, 48% say its improved morale, 46% say its improved engagement and 43% say its increased productivity.

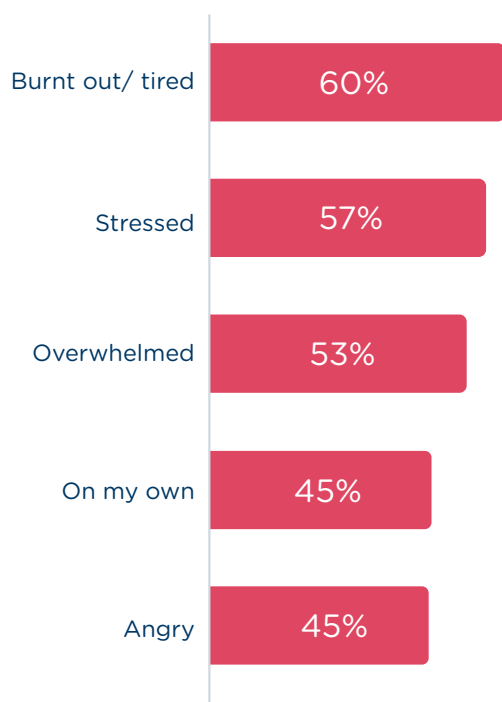
**Over  
1 in 3**

Australian business and HR decision makers say a recognition and reward program increases overall business performance.

## Managers are struggling to cope

This mountain of performance pressure results in high levels of stress, overwhelm and burnout for middle managers.

### How has the increased pressure over the last 12 months made you feel



This is exacerbated for female middle managers, possibly due to gender inequity challenges in the workplace or greater household or caring responsibilities:

#### Female middle managers



**60%**  
Stressed



**63%**  
Burnt out

#### Male middle managers



**51%**  
Stressed



**52%**  
Burnt out

According to the [Melbourne Institute's Taking the Pulse of the Nation](#) survey:



Each week, Australian women spend **eight hours more than men** on unpaid domestic work (23.1 hours vs 15.3 hours).



Australian women living with children spend **over 35 hours per week** doing unpaid domestic work, compared to men who spend **19.7 hours on average**.



Comparatively, only 28% of senior managers report feeling overwhelmed, 33% feel burnt out and a whopping 67% actually feel energised by the increased pressure. This might be due to the separation they may have to the day-to-day execution of tasks and performance management, meaning they're slightly more sheltered to the pressure and burnout that comes with these responsibilities.

When we divide the data by location, we can see that middle managers living in capital cities have a greater sense of team and support with 60% saying the increased pressure made them feel part of the team, compared to just 47% of managers living in the rest of Australia.

Additionally, 53% of middle managers living outside of capital cities report the increased pressure made them feel like they are 'on their own' compared to just 40% of managers from the capital cities.

With managers under pressure and engagement and performance dipping, what is your organisation doing to support staff, cultivate connection and promote productivity?



## What can leaders do?



### Invest in manager development and support:

Recognise the significant pressure managers face and offer resources (e.g. access to an Employee Assistance Program, mental health support, coaching or training) to ensure they can manage their own wellbeing and lead by example. Provide targeted training programs to equip managers with skills to handle difficult conversations, manage remote teams, share concerns and seek support from their superiors.

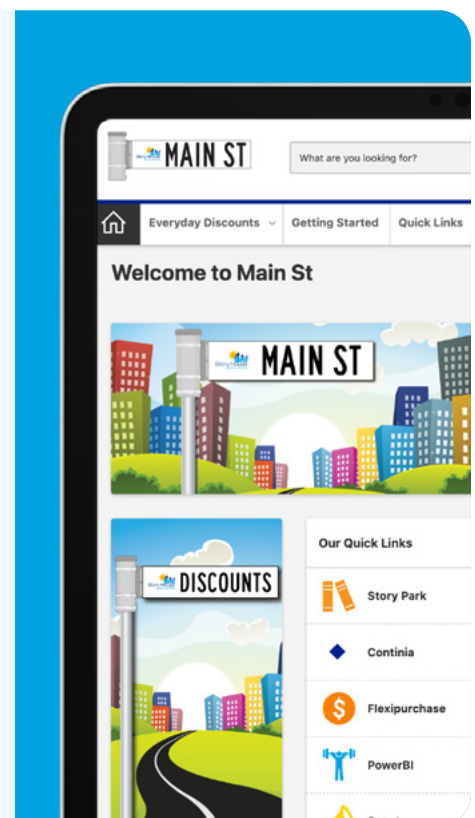
### Develop processes and tools to cascade communication:

Enable a clear and consistent communication flow from executive leaders to middle managers and their teams to ensure everyone has visibility of company goals, values, challenges and successes.

“

We use our engagement platform (which we've called Main St) to give managers a platform to communicate what is happening in their service/site to the wider business. Giving them the power to publish their own blogs gives them freedom and ownership to amplify the hard work they and their educators are doing – things that other employees would normally not see because we're busy working on different sites. This gives our people a chance to learn from each other and the freedom to read updates and articles at a time that's convenient for them, all while giving our leaders visibility of the contribution people are making. Being an early educator can be challenging, but encouraging open and honest communication and celebrating progress allows us to embrace a culture of growth and innovation.

**Kate Ludwig, Head of People and Culture,  
Story House Early Learning**





**When it comes to team morale, encourage autonomy and delegate responsibility:**

Equip managers with the tools and resources to recognise and reward individual and team achievements and allow them to tailor their approach to their team members' specific needs and strengths.



**Focus on solutions and growth:**

Encourage a collaborative approach to problem-solving by fostering open dialogue between senior leadership and middle managers. Provide channels to communicate when challenges arise and (importantly) celebrate when those challenges have been overcome!

# Conclusion

**No matter your organisational challenges, we hope The Engagement Paradox Report has provided you with the insights and critical levers you can pull to succeed in 2024 and beyond.**

It's clear from this research that we need to fully understand employee motivations and drivers to identify where we need to move the needle on employee engagement.

At face value, high retention appears to be a positive gauge of employee satisfaction, but our data shows that this doesn't necessarily equate to high levels of engagement and happiness. The gap between employee retention and employee engagement and happiness is widening. This in turn has a significant impact on employee productivity, operating costs and long-term business growth potential.

While there's no miracle cure, Australian business and HR leaders can support their people and improve employee engagement and happiness and, ultimately, retention and productivity by:

- Reducing **cost of living** pressures;
- Creating a culture of continuous **recognition**;
- Offering **flexible work** or initiatives that improve **work-life balance**;
- And **alleviating stress** and pressure placed on middle managers.

How does your organisation work towards these goals? We would love to hear your thoughts on this research and what employee engagement looks like at your organisation. [Get in touch](#) with our team today.



Looking for more strategic insights and actionable tips? Check out our other resources:

- **Research report: The Workplace Engagement Index**
- **Research report: The Business Case for Belonging Report**
- **Ongoing survey and research report: Employee Engagement: An Economic Value Study**
- **Research report: Recognition and Rewards in the Australian Workplace**
- **On-demand webinar: The Business Case for Benefits and Recognition: Securing Budget Approval and Buy-In**





## Research methodology

The research was commissioned by Reward Gateway and Sling & Stone and was conducted by Lonergan Research in accordance with the ISO 20252 standard. Lonergan Research surveyed 1,093 full-time employees aged 18+ and 1,241 business and HR decision makers in organisations of 100 or more employees in Australia. Surveys were distributed throughout Australia including both capital city and non-capital city areas. The survey was conducted online amongst members of a permission-based panel, between 28 June and 8 July 2024. After interviewing, data was weighted to the latest population estimates sourced from the Australian Bureau of Statistics.



## About Reward Gateway

**Improving employee engagement to build better, stronger and more resilient organisations.**

Reward Gateway is culture- and client-driven. Since 2006, we've been right by the side of the world's most innovative HR people, giving them the tools and products they need to engage their people and drive company success. We empower more than 8 million employees to connect, appreciate and support one another to make the world a better place to work.

**8m+ employees**  
use our employee  
engagement  
solutions

**4,500+ clients**  
trust us with  
their employee  
engagement  
strategy

We're in  
**6+ offices**  
around the  
world

Our RG team is  
**700+ strong**  
and growing

**Our unified employee engagement hub provides the best of recognition, reward, wellbeing, surveys, benefits and discounts that support talent acquisition, retention and values-driven growth.**

