

# Employee Engagement: An Economic Value Study



Reward  
Gateway







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# Foreword

## Hi there,

Throughout my career, I have been fascinated by the power of people and how they drive business. I've also been aware of how difficult it is to really *prove* that investments in people drive commercial outcomes.

I am thrilled to share this pioneering new study that quantifies the relationship between employee engagement and business results. Rather than 'numbers people' and 'people people' feeling at odds, this research helps both parties to understand how they can support the growth of both individuals and our organisations. This study will enable our clients and business leaders to make more reliable decisions that ultimately make organisations better places to work for their employees, whilst also driving improved business performance.

This report is just the start of this endeavour to unify 'people people' and 'numbers people' behind a common mission. We look forward to exploring this topic for years to come.

In this report, we'll take you through some of our initial findings, such as:

- The correlation between employee engagement and business results
- How the needs and expectations of a frontline workforce differ from a desk-based workforce
- The best way for companies to support the full hierarchy of employee needs
- How to configure employee engagement solutions that drive improved commercial outcomes

Let's dive in!

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**Want to see how your organisation stacks up?**

Scan the QR code here to take the survey!



# Introduction

**As any good business leader or HR professional knows, an engaged workforce is a valuable resource to any organisation. We know, be it through experience or intuition, that when employees feel that they have a stake in the success of their business, they pull together to build better, stronger, more resilient organisations; we feel how engaged employees are more motivated and productive, provide better service to their customers, and can help contribute to a positive culture within our organisations.**

Employee engagement is valuable in the truest sense of the word. But in a world of hard numbers, championing something so intangible can be tough. Employee engagement is just one factor in a list of priorities facing organisations, such as profitability, growth, operational efficiency, customer satisfaction, governance and risk management. In these areas, businesses can find it much easier to put a price on success; it can, at times, feel a little harder to quantify the worth of a highly engaged workforce.

So, how can businesses define engagement? What is the value of an engaged workforce? What effect can engagement have on employee retention, customer satisfaction or growth? And, perhaps most crucially, what are the best – and most cost-effective – tools at the disposal of employers seeking to bridge the engagement gap?



These questions led us to conduct pioneering research with more than 300 organisations across Australia, the U.S., the UK and the EU. We asked leaders within these organisations about the levels of engagement they are seeing, what they have been doing to drive it and what the effects have been on the wider health and performance of the business.

Ultimately, we found that bridging the engagement gap can lead to concrete benefits for any organisation. But there is no one-size-fits-all approach to boosting engagement: workforce dynamics are changing as new generations come into the workplace; the motivations and preferred working patterns of employees in many sectors are ever-changing; and strategies that work for well-connected, easy-to-reach workforces (i.e., desk-based workers) can be harder to replicate when communication challenges arise among harder-to-reach, dispersed workers (e.g. in retail, manufacturing or transport).

Organisations have often been reactive, rather than proactive, in engaging their employees, but hasty responses don't always resonate with the workforce. Now it is time for a more scientific, data-driven approach that considers not only business performance, but also human psychology and behaviour.



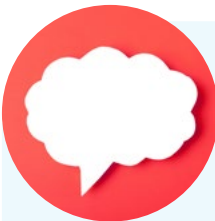
# Key findings

**An engaged workforce is a key driver of a successful business.** Our research demonstrates a concrete link between employee engagement and good business outcomes.



**Employee engagement strategies must be tailored to the workforce in question.** In particular, there are two distinct types of organisations that it pays to handle differently – ‘Frontline organisations’, for whom the majority of staff are in offsite or non-desk-based roles, and ‘Desk-based organisations’, for whom the majority of staff are office-based. Engaging with each of these audiences requires a distinct, unique approach and set of tactics.

**Engagement and retention are key priorities among HR leaders today.** For those employing desk-based workers, there is also a focus on supplying a competitive compensation package.



**Organisations of all types must bridge the communication gap before they can get the most value out of their employee engagement programme and benefits packages.** Communication is a big challenge to employee engagement, and lack of communication can erode the bonds of shared culture, shared goals, trust and how appreciated employees feel.

**Getting the most out of a workforce means understanding their needs at an individual level and how those needs impact engagement.** Fulfilling basic needs of subsistence and security may be enough to keep a worker around, but to keep them engaged and productive, employers must consider how to tap into their senses of belonging and esteem, and ensure they feel appreciated as a whole person – for who they are, as well as what they do.



**The most successful Desk-based businesses are the ones that can cover all employee needs – especially appreciation.** Motivational organisations understand the importance of enabling their employees to thrive.





# The bottom line: Engaging with your employees in a meaningful way leads to better business outcomes.

**Placing a value on the importance of employee engagement can be tricky, but in our analysis of over 300 companies, a clear trend emerges: Those that have a highly engaged workforce tend to also be those that report that business is booming.**

We collected a series of metrics that relate to an employer's experiences of their employees' engagement levels, including eNPS, retention, productivity, skills development, value alignment and wellbeing. We also collected metrics that relate to overall business performance, such as customer satisfaction, revenue growth and profitability.

There are, of course, a vast array of external factors that influence a business's ability to perform. Success can quite often come down to market conditions, the competitive landscape or a whole host of political, economic, social and technological forces beyond any organisation's control. Yet despite all the potential for noise, we found that there is a discernible correlation<sup>1</sup> between the combined scores for employee engagement metrics and business outcome metrics.

**Correlation between engagement and business performance**

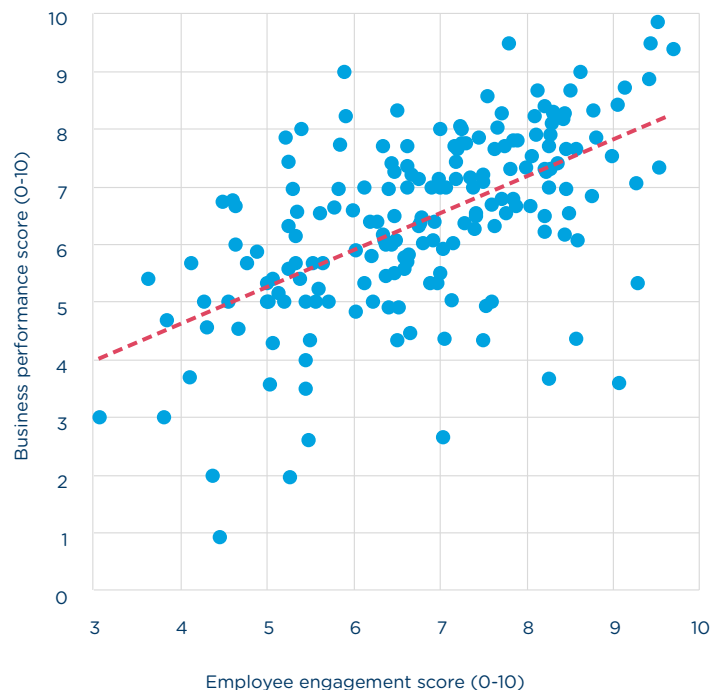


Figure 1. Correlation between employee engagement and business performance<sup>2</sup>. N=187

The takeaway is clear: **Employee engagement may seem like an intangible concept, but its commercial impact is quantifiable and profound.** Simply put, prioritising and fostering high employee engagement is a strategic necessity for driving superior business results and long-term viability. Companies that fail to nurture an engaged workforce place themselves at a critical disadvantage versus their more invested competitors.

<sup>1</sup> Correlation is assessed using the Pearson coefficient of determination, R<sup>2</sup>, within a linear regression model. An R<sup>2</sup> value of 1 signifies a perfect linear association, where all data points perfectly align along a single line, demonstrating no deviation. In contrast, an R<sup>2</sup> value of 0 signifies that there is no linear correlation between the variables, indicating that the regression model does not explain any of the variability in the data.

<sup>2</sup> Employee engagement and Business performance scores are numeric measures, falling between 0 and 10 where 0 being 'much worse than peers' and 10 being 'much better than peers'. Respondents were asked to self-rate how their organisation compares to peers in their industry. For more information, refer to About the study section.

## However, two employee ‘tribes’ emerge, with distinct characteristics.

**The question, then, is what can employers do to reach their employees? Our research has shown that there is no single strategy or tactic that will effectively reach and engage every type of employee.**

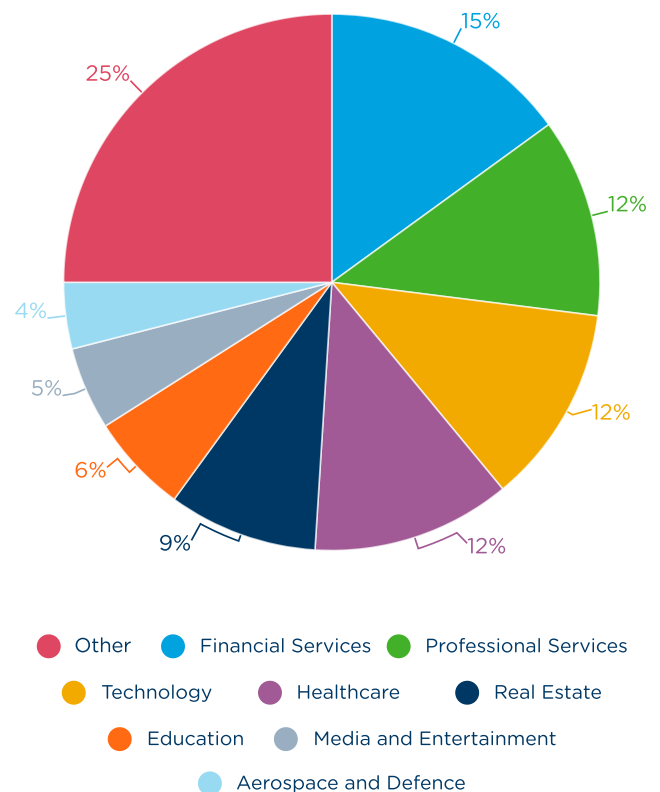
Just as motivations can differ from workplace to workplace, so must the strategies employers adopt to keep their people engaged and feeling appreciated.

However, there are broad similarities. To understand this better, we have clustered together our survey respondents on the basis of organisation sector, benefits offered, the levels of employee engagement they report and how they rated their organisation’s overall performance. This revealed two distinct types of organisations, with differing priorities and methods for engagement:

### Desk-based organisations: prizing people for their knowledge

‘Desk-based’ organisations are those where the majority of employees work at a computer – typically in sectors such as financial services, professional services, technology and real estate. Employees in these organisations tend to be knowledge-based workers; they are valued – and value themselves – more highly and expect a benefits package that reflects this. The evidence suggests that this self-valuation isn’t misplaced, as these organisations tend to see a greater correlation between

**Breakdown of ‘Desk-based’ organisations by industry**

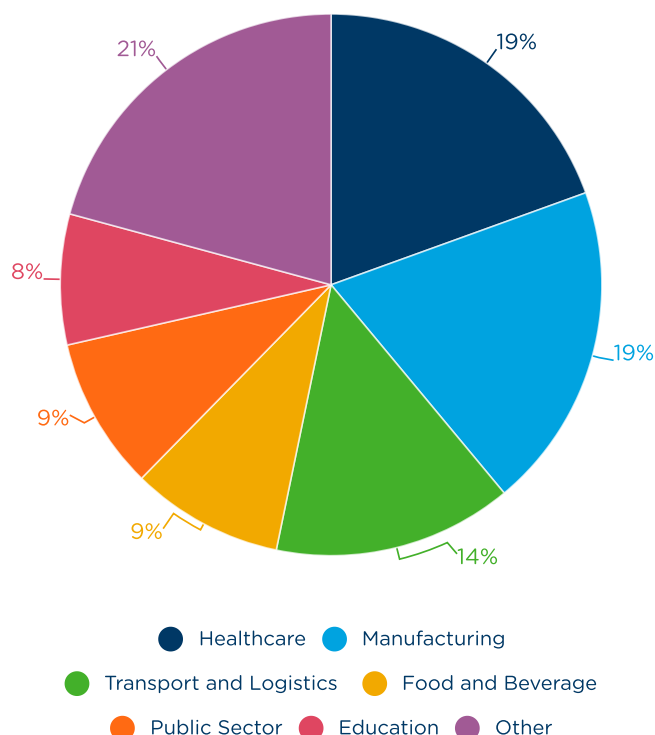


employee engagement and business outcomes when compared to ‘Frontline’ organisations, suggesting that workers in this sector can have a more direct impact on the health of the organisations they work for. What’s more, employees in this sector are well-connected and easy to reach, with the vast majority having company email addresses, making engagement initiatives easier to roll out and maintain.

## Frontline organisations: prizing people for their productivity

'Frontline' organisations typically come from sectors where employees are constantly on their feet – be it in a lab or a clinic, behind a sales counter or in a factory. These employees tend to have a task-driven working pattern; they typically spend a large proportion of their working day doing the work that creates the value for the organisation, and are not always on-hand or easily contactable for engagement initiatives. On the whole, employees in this 'tribe' are more engaged than their desk-based counterparts, despite receiving fewer benefits on average, signalling lower expectations. These employees' engagement may naturally be higher, as they are more likely to see the impact they have on customers and the business in their frontline roles.

### Breakdown of 'Frontline' organisations by industry



### Desk-Based

**Highly representative of the following industries:** Financial & Professional Services, Real Estate, Technology, Media

**Strong correlation** between employee engagement and business outcomes ( $R^2=0.36$ )

Recipients of **generous benefits packages**

Average engagement score of **6.66**.

Report **success in communication** using online channels

### Frontline

**Highly representative of the following industries:** Retail, Manufacturing, Transport and Logistics, Public Sector

**Moderate to strong correlation** between employee engagement and business outcomes ( $R^2=0.27$ )

Recipients of **moderate benefits packages**

Average engagement score of **6.83**

Report **issues in communicating** with employees





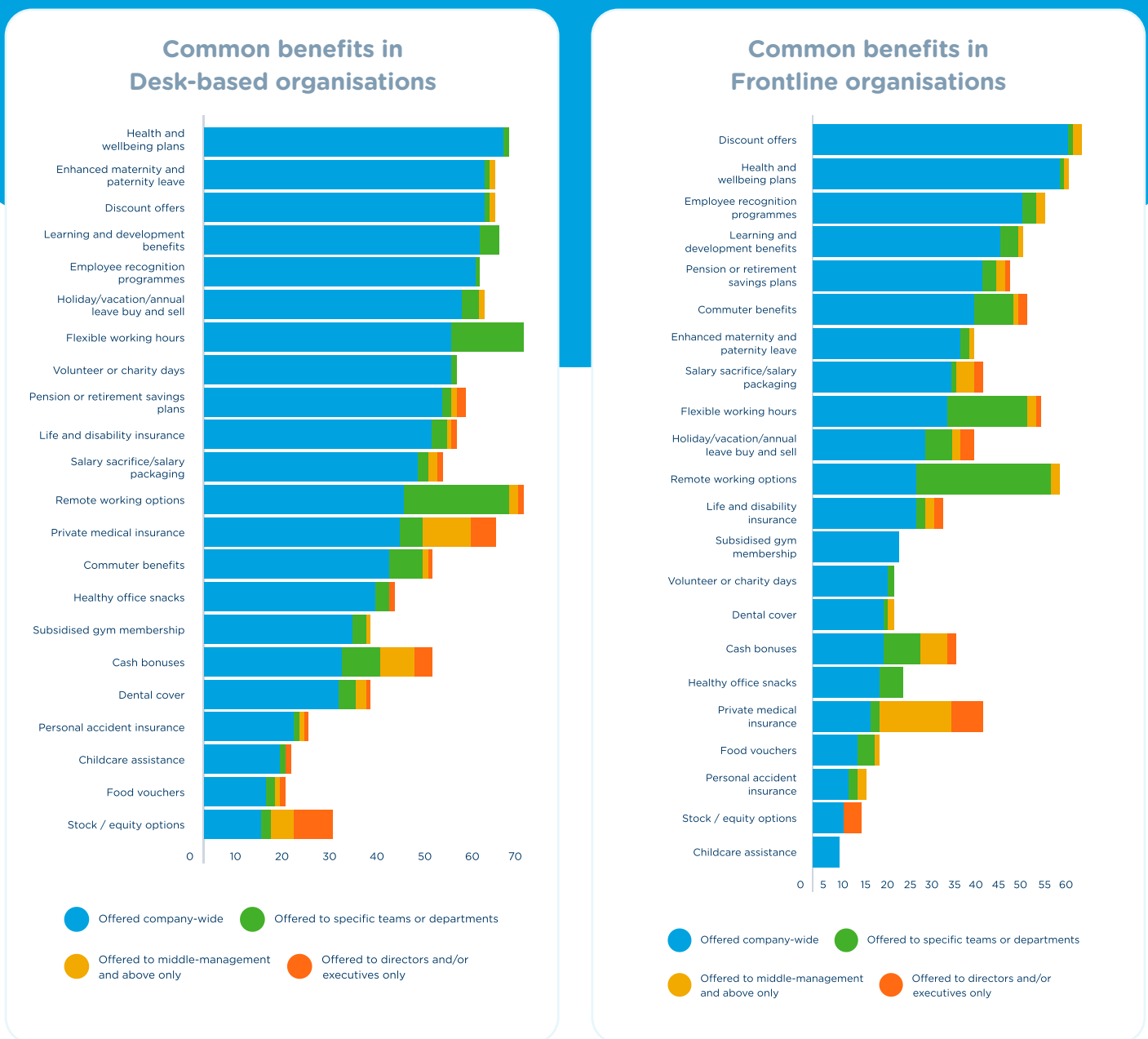


Figure 2. % of organisations in each segment offering each benefit

Desk-based workers typically receive a significantly more comprehensive benefits package than their frontline counterparts; in fact, there is not a single benefit that is more likely to be offered company-wide in Frontline organisations. However, their expectations are higher, meaning it may take more to keep them engaged.

Many desk-based respondents to our study were explicit in the challenges they face when trying to engage with a workforce that has high expectations, mentioning employee attitudes as a specific challenge. In such environments, where talented employees are keenly aware of, or perhaps even inflate, their own value, it can be difficult to keep them engaged.

What is the biggest issue you are facing when it comes to employee engagement?



“

Managing expectations – an entitlement mentality has crept in and no matter what we do, it's not enough; and they compare our company (which is a large-scale start up – we're only 3 years old) – with large established organisations with deep pockets and with 10+ times more employees. Our people want the good aspects of not being a 'Big 4 Consultancy' – but when we don't meet the same benefits as they have, people complain.

**Technology, Australia**

“

Employees are quick to call out what is wrong, but don't get involved when asked to action solutions. They are quick to say there aren't opportunities for learning, however we provide plenty of opportunities, and they don't make time or aren't given time.

**Financial Services, Australia**

“

Accelerated by the COVID period, more people expect opportunity to come to them; to have information served up to them instantly and to feel hard done by if this isn't happening. Expectations are greater, patience and self motivation has reduced – in the main. We see that in the recruitment process as well as in employment.

**Technology, UK**

# Facing up to the real priorities

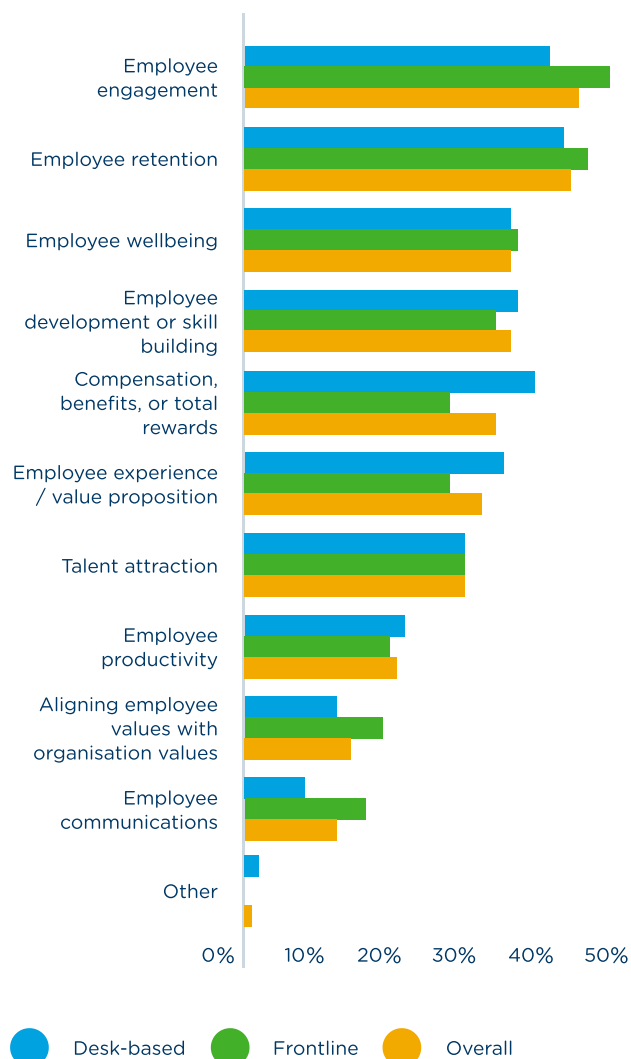
**What is it that HR leaders are hoping to achieve with the benefits and engagement solutions they offer? As expected, the priorities they list reflect the wider challenges that have come to dominate the working world in recent years.**

Our study has found that employee engagement is the most pressing priority influencing organisations' approaches to people strategy, reflecting not only the crucial role that this plays in maximising workforce effectiveness, but also the connections and trust that have at times been lost in the relationship between employer and employee. There is particular urgency among Frontline organisations, for whom 48% consider employee engagement to be a top three priority. This echoes the challenges that HR managers in these organisations can have in reaching their far-flung or offline coworkers.

There is also a pervasive premium placed on employee retention. All organisations have faced rising turnover rates as job-hopping becomes ever-more normalised, and the challenges that come from this are compounded by longer lead times to hire new staff. With the significant effects that these factors can have on business performance, there has been a particular emphasis placed on the importance of minimising the flight of talent through benefits and engagement strategies.

For Desk-based workers, the focus on retention means ensuring a compensation, benefits or total rewards package that is as enticing as it can be to prospective and current staff. For these organisations,

Top HR priorities



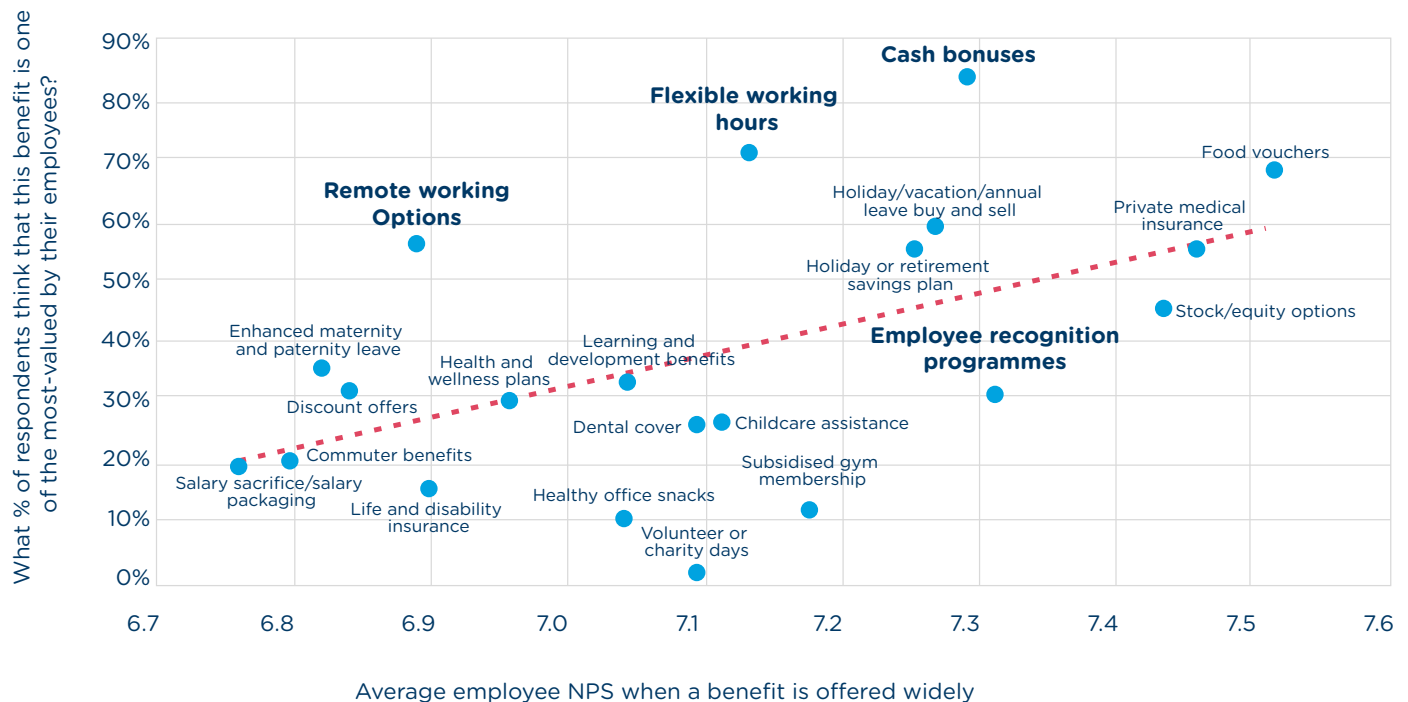
operating in a knowledge-based economy puts a particular premium on being seen as an attractive employer. And though the 2021/2022 war for talent may feel like only one post-COVID market fluctuation among many, companies in sectors such as financial services and technology still face significant competitive pressures to provide a competitive compensation package.





# Fulfilling the employee's hierarchy of needs

What HR leaders think employees value vs.  
what actually has the biggest effect on employee NPS



So, what benefits should organisations use to get the best out of their employees? The research suggests that it is oftentimes less about the benefits in question, and more about the mix of needs these benefits address.

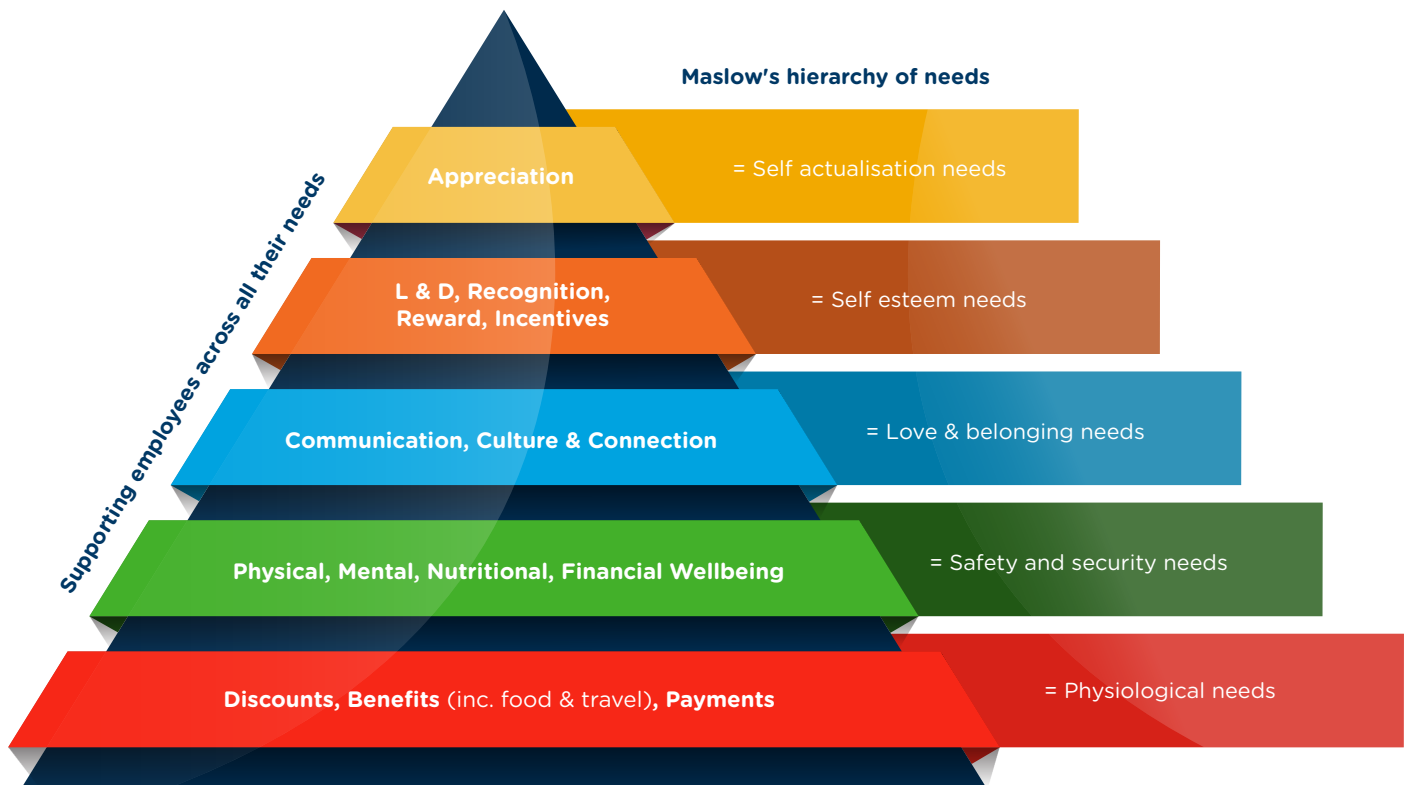
First, it is important to note that there is a difference between 'getting the best out of employees' and 'giving employees what they want', and ensuring that a benefits package is effective means more than just bringing together the most appealing items. There is, of course, significant crossover between those benefits that employees value the most and actual employee NPS, but it is not a perfect correlation. In fact, our research suggests that the significantly popular perks of remote working options and flexible working

hours do not have any corresponding effect on the average employee NPS. **On the flip side, employee recognition programmes, assumed to be valued less by employees, show a similar eNPS score to cash bonuses.**

What this demonstrates is that the most effective benefits and engagement strategy or tactic is not necessarily the one that would win the popularity contest. Instead, HR leaders should look to put together a strategic solution that seeks to motivate employees by tapping into their needs. And as employees seek more support from their employers than ever, there is an expectation on organisations to provide a benefits structure that goes some way to providing meaning to the role.

The path to greater engagement is self-evident when considered from the employee perspective. A job is just a job when it pays the bills and ensures that a worker's most basic needs are met; for it to become a career, it must also offer growth, connection and belonging; it becomes a vocation once it offers appreciation, recognition, self-esteem and a means of achieving self-actualisation.

**Employers looking to secure the maximum amount of engagement from their employees must likewise offer a benefits and engagement solution that touches upon every level of their hierarchy of needs:**

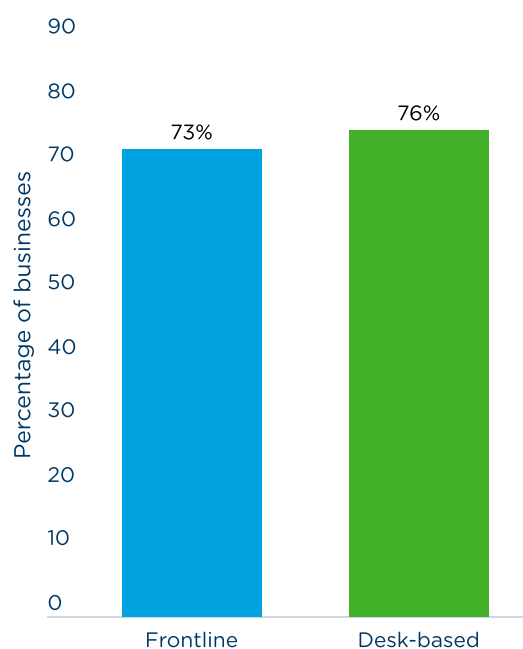




## Level 1: Physiological needs

Most employees would reasonably expect that the job they do pays enough to ensure that their most basic needs – such as food, clothing and shelter – are met. Nonetheless, some benefits options still seek to demonstrate an appreciation of these priorities. Benefits such as employee discounts and food vouchers help stretch their money further and make it easier for employees to provide for their most basic needs. These are the most widely offered type of benefit and are offered in equal measure by both Frontline and Desk-based organisations; as such, they form the start to a comprehensive employee benefits and engagement programme.

% of businesses offering benefits that meet physiological needs



### Physiological benefits at a glance:



Organisations that offer food vouchers or healthy office snacks report **employee retention rates** that are **11% higher** than those that don't.



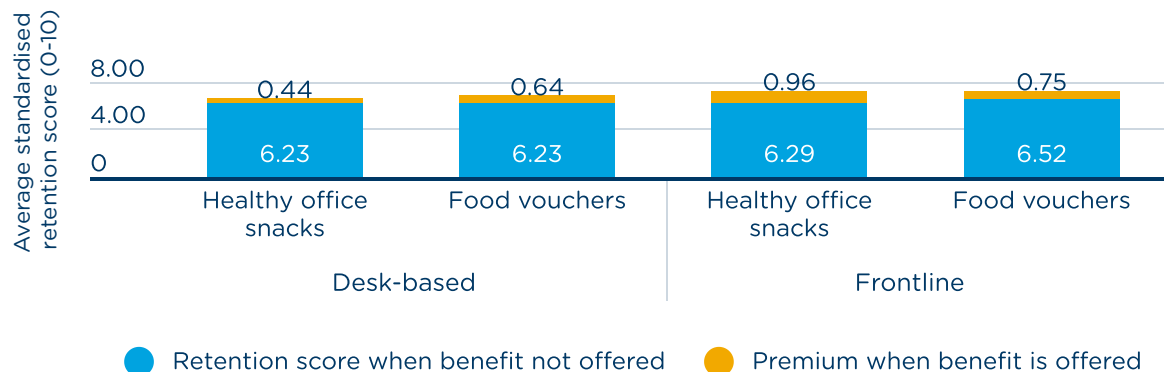
Frontline organisations that offer food vouchers or healthy office snacks report an **employee wellbeing score** that is **11-13% higher** than those that don't.



Commuter benefits are more effective in Desk-based organisations, where they **boost (financial) wellbeing** by **7%**. Employees under the age of 40 reported a higher eNPS when they are offered.

Physiological benefits can provide the level of comfort that causes an employee to stay in a role for longer than they otherwise might; food-related benefits, such as vouchers and in-office snacks, play a key part in boosting employee retention across both Frontline and Desk-based organisations.<sup>4</sup>

### Retention is higher with physiological benefits



### How commuter benefits influence eNPS for Desk-based organisations - by age



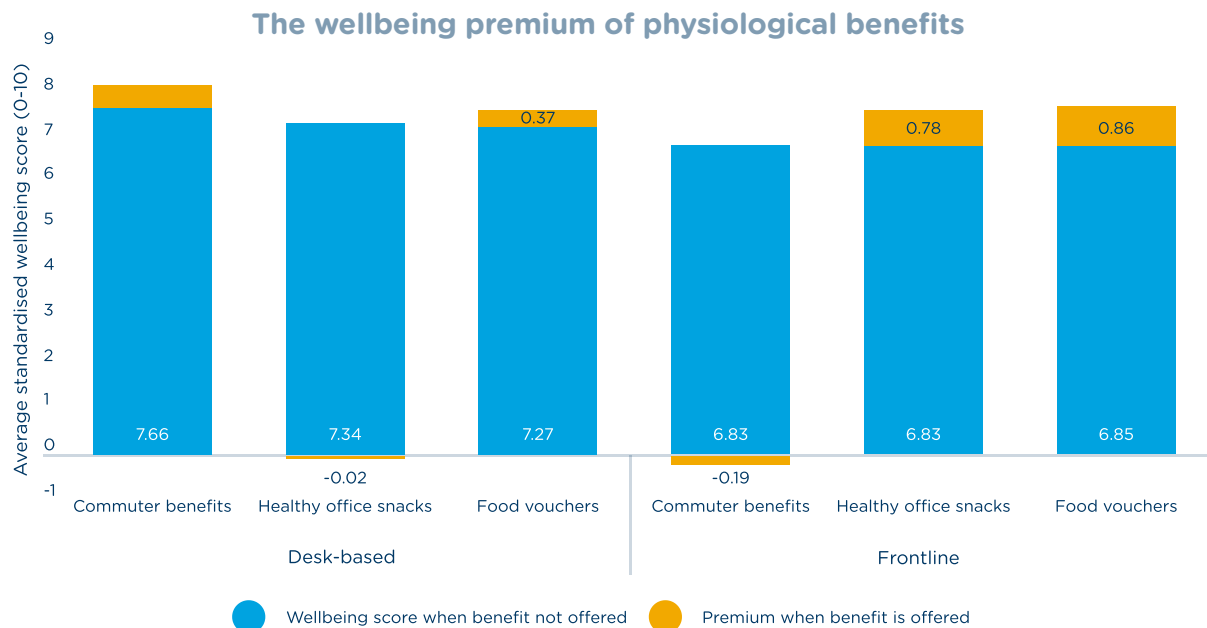
Physiological benefits can also be valued as a wellbeing booster<sup>5</sup>, especially when they are targeted at the most pressing needs of the employee: for frontline workers, food vouchers can significantly boost wellbeing, while for desk-based workers, commuter benefits can do the same. Benefits that support office workers in their daily commute are particularly effective among younger workers, where they can significantly boost employee NPS.<sup>6</sup>

<sup>4</sup> Employee retention is a measure of a company's ability to keep its employees and reduce turnover on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.

<sup>5</sup> Employee wellbeing is a measure of employees' overall physical, mental and emotional health on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.

<sup>6</sup> Employee Net Promoter Score (eNPS), a measure of how likely an employee is to recommend their organisation to a friend, and this was normalised into a 0-10 scale, where 0 = Not likely and 10 = Very likely.





## Level 2: Safety and security needs

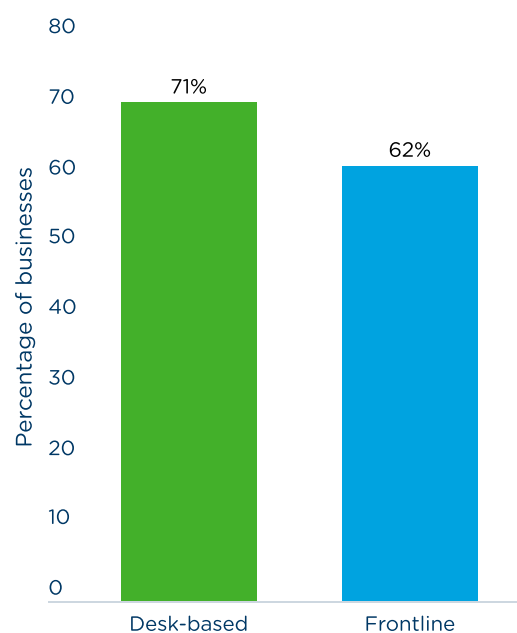
Once basic needs are fulfilled, employees need to feel their physical and psychological safety and security is covered, now and into the future. A majority of benefits touch upon this level in some form. For the purpose of this study, we have split benefits at this level into three categories:

### 1 Wellbeing benefits<sup>7</sup>

These are benefits that work directly to help maintain the good mental and physical health that allow a person to focus on a job well done. They can include access to mental health support in an EAP programme, as well as subsidised classes or gym memberships.

Predictably, these benefits have a positive effect on the wellbeing of an organisation's employee base. In particular, subsidising gym memberships is the mark of an employer that scores well on employee wellbeing. Dedicated health and wellbeing plans can have a significant impact on employee wellbeing for Desk-based organisations; however, there is not much evidence to suggest that they help among Frontline organisations.

#### % of businesses offering benefits that meet wellbeing needs



<sup>7</sup> Employee wellbeing is a measure of employees' overall physical, mental and emotional health on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.



## Wellbeing benefits at a glance:

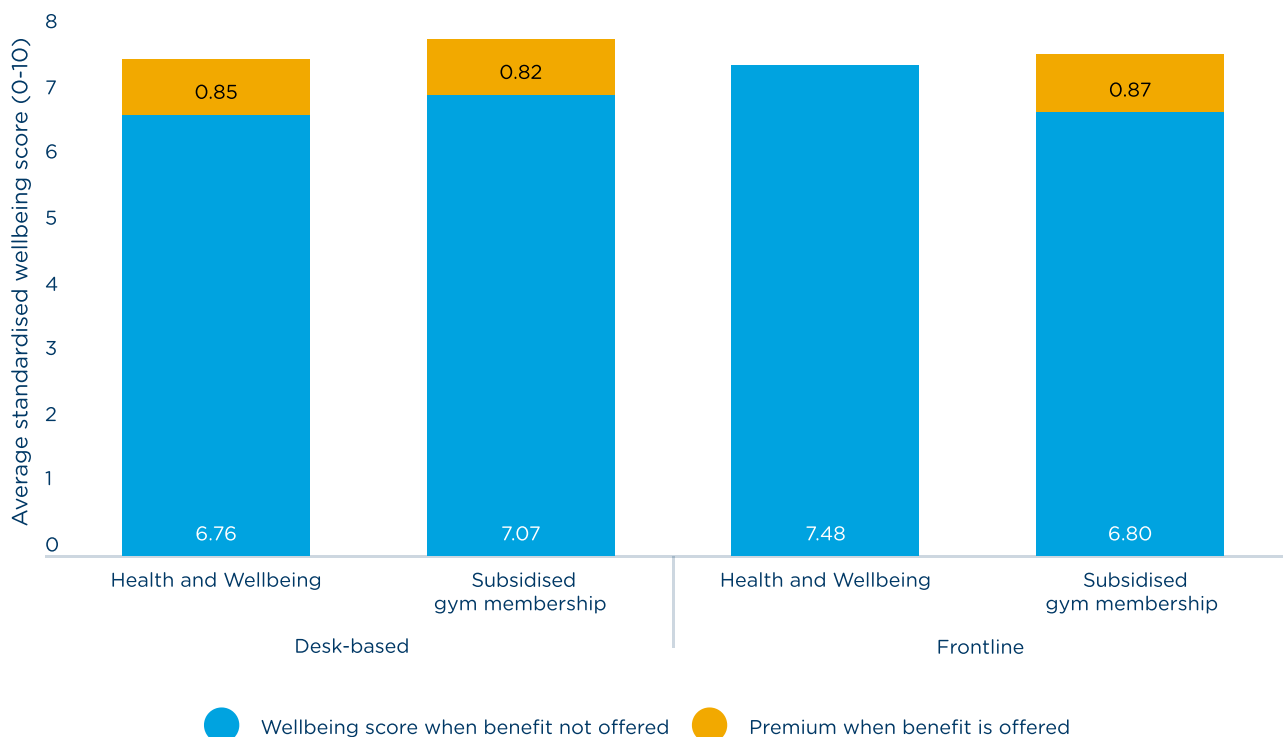


Organisations that offer **subsidised gym memberships or classes** show an employee wellbeing score that is **13% higher** than the those that don't.



Desk-based organisations that offer **wellbeing plans** show an employee wellbeing score that is **13% higher** than those that don't.

## Wellbeing benefits largely work





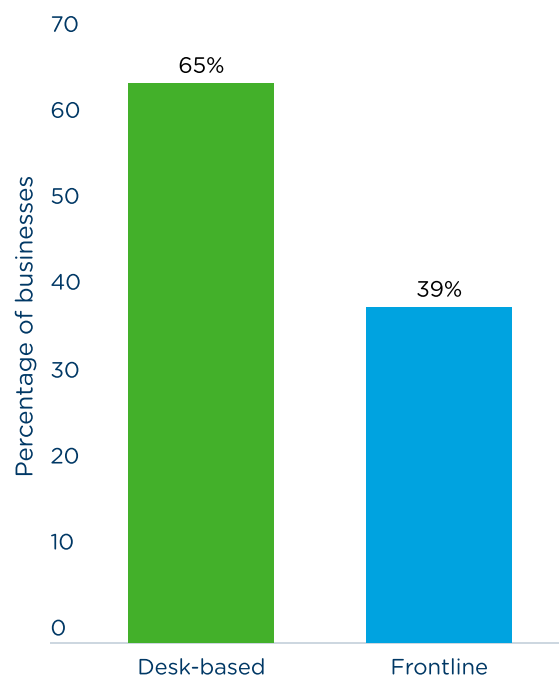
## 2 Precautionary benefits

These are benefits that take the risk out of work and guard against uncertainty, giving employees the assurance that their health and wellbeing are covered into the future. They include forms of insurance or medical coverage, and are offered much more widely among Desk-based organisations, compared to Frontline organisations.

These benefits can have a profound impact across many measures of employee engagement, including employee wellbeing, retention and talent attraction. However, the effect differs by country, as well as between Frontline and Desk-based organisations.

In the UK and Europe, benefits such as private medical insurance, dental coverage and personal accident insurance are all clearly prized by employees: All three correlate with higher scores for talent attraction and retention in particular, demonstrating the way that they can be an enticing portion of the total benefits package. They are also associated with employers that score higher for employee wellbeing on average. In the U.S. and Australia, these types of benefits play a different role, supporting retention but having less of an impact on attraction on average.

**% of businesses offering benefits that meet precautionary needs**



Effective targeting of these benefits means understanding the differing needs of the workforce: for example, for Frontline employees, whose employees are typically more active in the workplace, personal accident insurance is more effective.

## Precautionary benefits at a glance:



In the UK and Europe, **precautionary benefits** have a significant impact on **employee wellbeing, talent attraction** and **retention**. The effect is less pronounced in Australia and the U.S., but in these markets, offering precautionary benefits can still make a difference to employee retention.



Desk-based organisations that offer **private medical insurance** give an employee wellbeing score that is **9% higher** than those that don't, report **14% better retention rates** and **12% better talent attraction rates**.



Workers in Frontline organisations in particular value **personal accident insurance**: When offered, organisations report a wellbeing score that is **17% higher** than when not offered, **26% better retention rates**, and **19% better talent attraction rates**.

The talent attraction premium of precautionary benefits

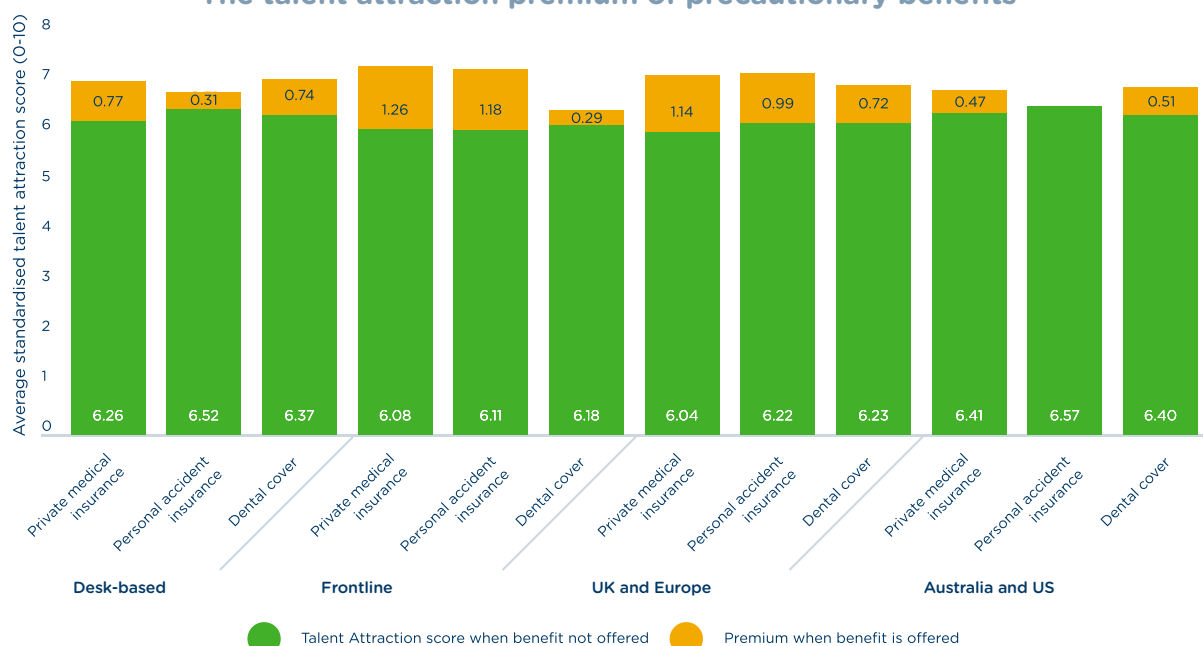


Figure 3. The talent attraction premium of precautionary benefits<sup>8</sup>

<sup>8</sup> Talent attraction is a measure of businesses' ability to identify, engage and recruit skilled employees on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.



### The wellbeing premium of precautionary benefits

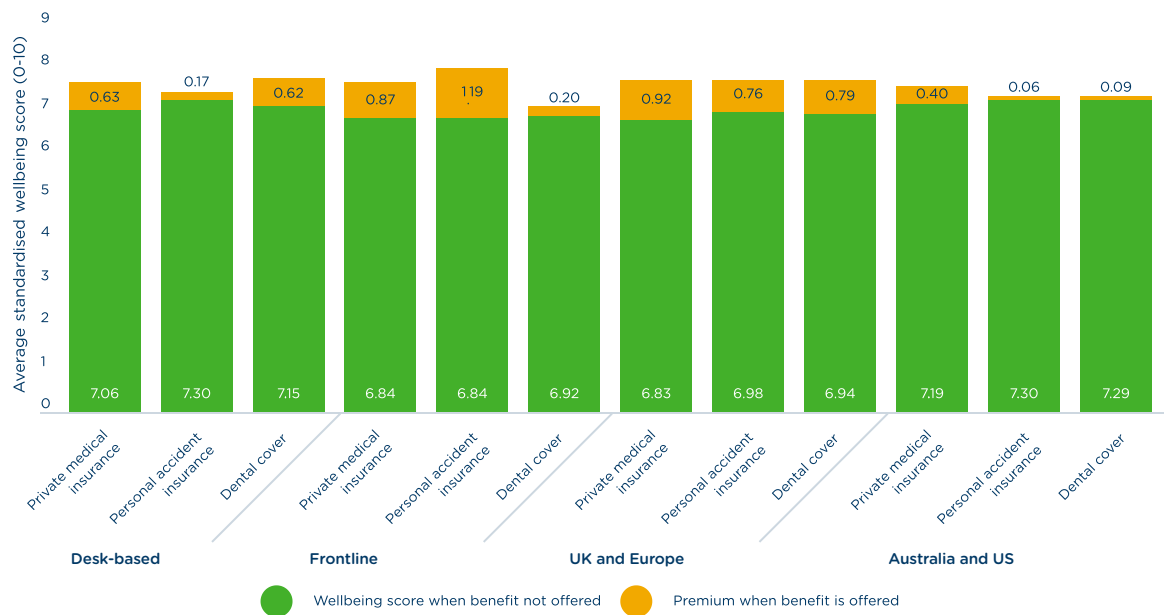


Figure 4. The wellbeing premium of precautionary benefits<sup>9</sup>

### The retention premium of precautionary benefits



Figure 5. The retention premium of precautionary benefits<sup>10</sup>

<sup>9</sup> Employee wellbeing is a measure of employees' overall physical, mental, and emotional health, on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.

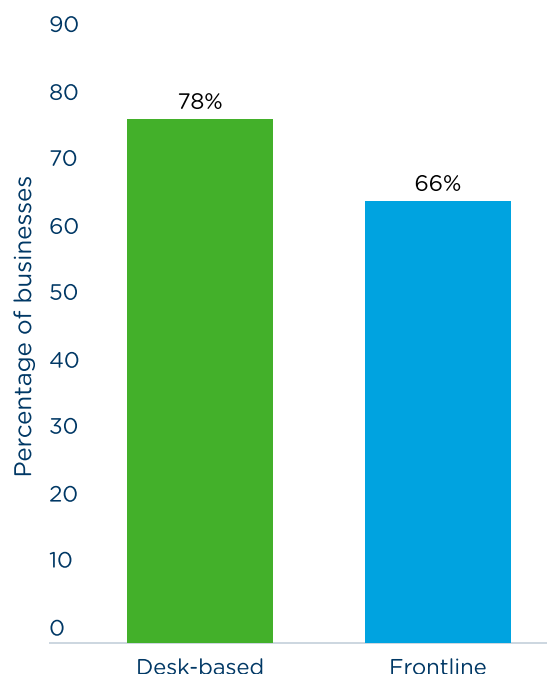
<sup>10</sup> Employee retention is a measure of a company's ability to keep its employees and reduce turnover on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.

### 3 Financial flexibility benefits

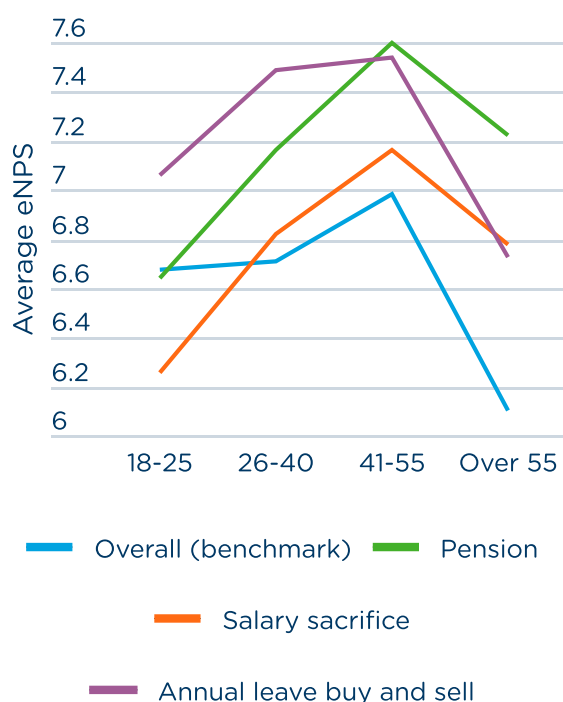
These are benefits that give people the freedom to structure their finances to ensure ongoing and long-term financial security, such as pensions and retirement savings plans, as well as salary sacrifice and annual leave buy-and-sell schemes. These benefits can give employees much-needed predictability and control over their finances.

These measures are well-received by employees, having a particularly positive effect on employee NPS. However, a one-size-fits-all approach doesn't necessarily work for a multi-generational workforce. While older employees see the value in enhanced pension or retirement schemes, younger generations are more positively affected by annual leave buy-and-sell schemes.

#### % of businesses offering benefits that meet financial flexibility needs



#### How financial flexibility benefits influence eNPS by age



## Financial flexibility benefits at a glance:



Offering an **enhanced pension** or **salary sacrifice scheme** has a positive effect on older workers in particular. This reflects the greater presence of mind they might have when it comes to thinking about retirement; it also reflects a desire to organise their typically higher wages in a more tax-efficient manner.



On the other hand, **annual leave buy-and-sell schemes** offer a similarly flexible approach to finance for younger employees who can trade in their time-richness for enhanced wages.

## Level 3: Love and Belonging needs

All the benefits discussed so far are effective at targeting the most basic needs of an employee. Employees with these benefits alone would benefit from a greater sense of wellbeing – and, in some cases, satisfaction – and as we have shown, are less likely to leave. However, they may still not be fully engaged with the culture of the workplace, and productivity may remain unaffected.

Satisfying the next level of human needs requires a workplace that offers a sense of community. With the most basic levels supported, employees start to look at how companies can differentiate themselves in regard to culture and connection. For the most part, tapping into this need means

looking beyond the benefits package; it means connection to managers, ensuring open communication, holding regular events and stewarding a company culture that's worth buying into. The role of the HR manager is crucial to stewarding the culture of an organisation. The most effective employee engagement initiatives seek to bring people together in this manner:



A circular image showing a person's hands holding a large, fluffy red heart. The person is wearing a white shirt and a black watch. A blue circle is partially visible in the top right corner of the image.

What is the most effective employee engagement initiative your organisation has undertaken?

“

Implementation of voluntary employee committees to lead and drive people initiatives such as volunteering opportunities, charity donations, mental health champions, DEI and company wide activities/get togethers.

**Education, UK**

“

Create meeting opportunities outside of work in order to increase the feeling of camaraderie, such as dinners, football matches, etc.

**Transport and Logistics, Italy**

“

Regular employee forums, collection of employee suggestions, employee recognition program, implementation of an employee voice program.

**E-commerce / Retail, Belgium**

“

A good old-fashioned barbie for recognition at branch level each quarter! Rewards are given out for work and length of service.

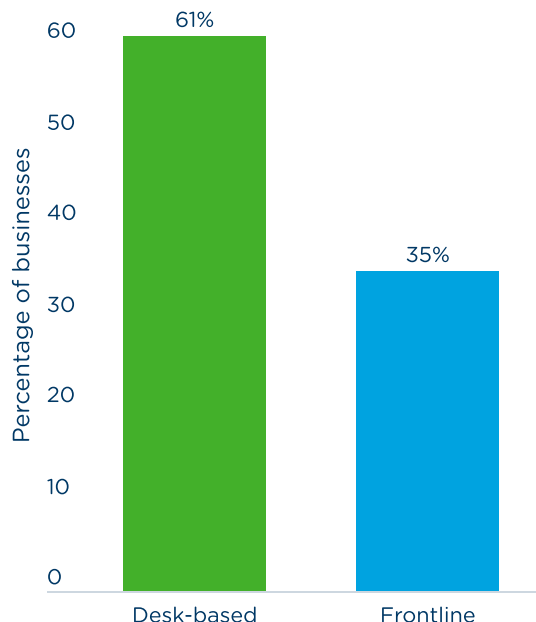
**Real Estate, Australia**

## Family-related benefits

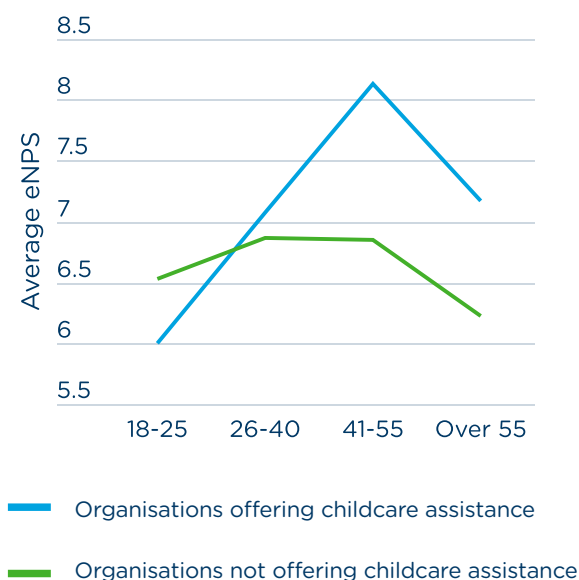
Family benefits, such as extended parental leave, are an interesting study in the balance of engagement and business results. These are common in Desk-based organisations, whereas only 35% of Frontline organisations offer them.

Because they are important to a small percentage of the organisation at any given time, they aren't seen to have a positive impact on overall engagement. Additionally, because of the nature of these benefits taking people out of the workforce for a substantial period of time, they do have a slightly negative effect on profitability and productivity.

% of businesses offering benefits that meet family needs



How childcare assistance influences eNPS by age



This is where the moral values of an organisation come into play. Is a small impact on profitability important enough to disregard the needs of those particular employees? Unlikely.

The transformative impact that family benefits have in ensuring gender equality at leadership levels does not feature as an area of focus in this research; nor does the degree to which these benefits can aid retention and appreciation at an individual level.

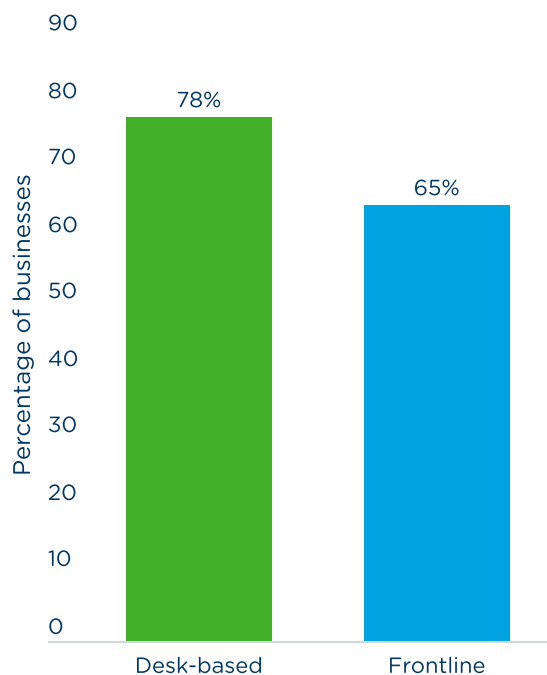
However, we can see some of the effects of this when looking at eNPS scores by age: It is clear that childcare assistance in particular correlates with higher eNPS, especially for those age ranges most likely to have children.

## Top Levels: Self Esteem and Actualisation needs

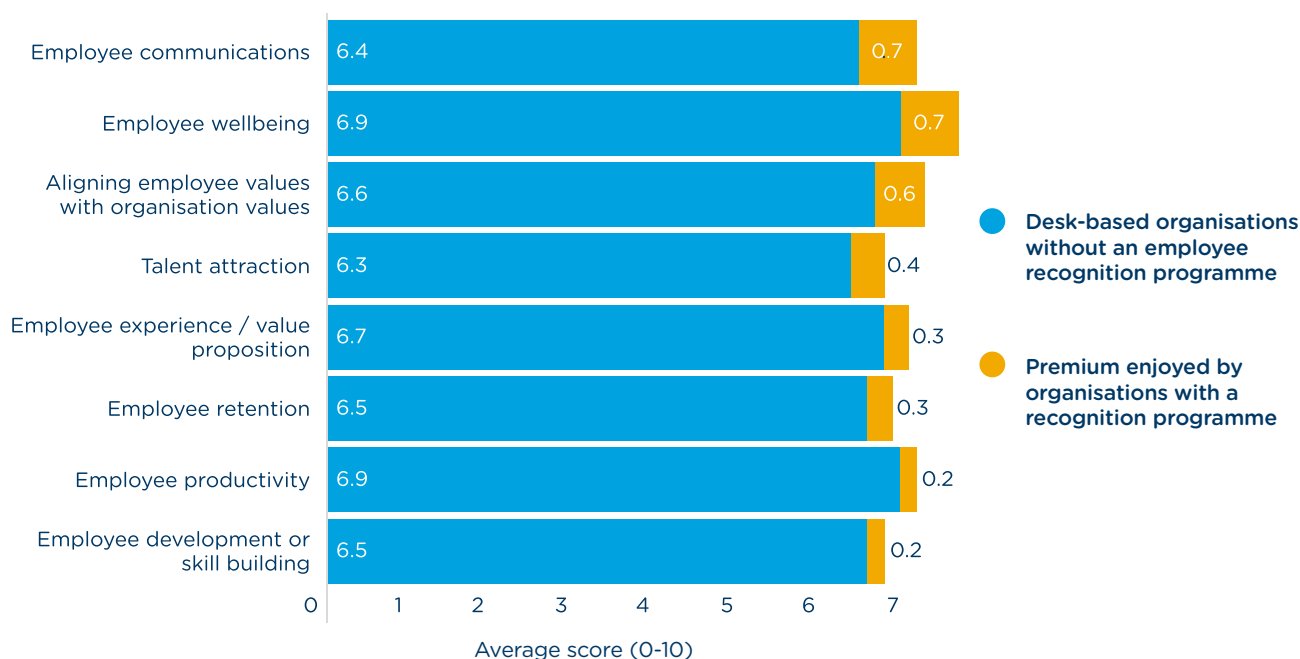
**With connection to the company, employees next consider if they feel like they are making a difference. Supporting a worker's self-esteem through recognition and reward, as well as tapping into their sense of purpose, can make a meaningful difference to boosting motivation further.**

The degree to which targeting this level in the hierarchy of needs is effective depends on the type of organisation in question. For Desk-based organisations, tapping into an employee's sense of self-worth through recognition programmes and similar benefits is undoubtedly effective in ensuring greater levels of wellbeing and alignment with the organisation's value system. The infrastructure required to deliver a successful recognition programme leads to an improvement in employee communications; alignment of incentives with business strategy also ensures an alignment of values between employee and employer.

**% of businesses offering benefits that meet self-esteem and self-actualisation needs**



**How employee recognition programmes impact various engagement metrics among Desk-based organisations**



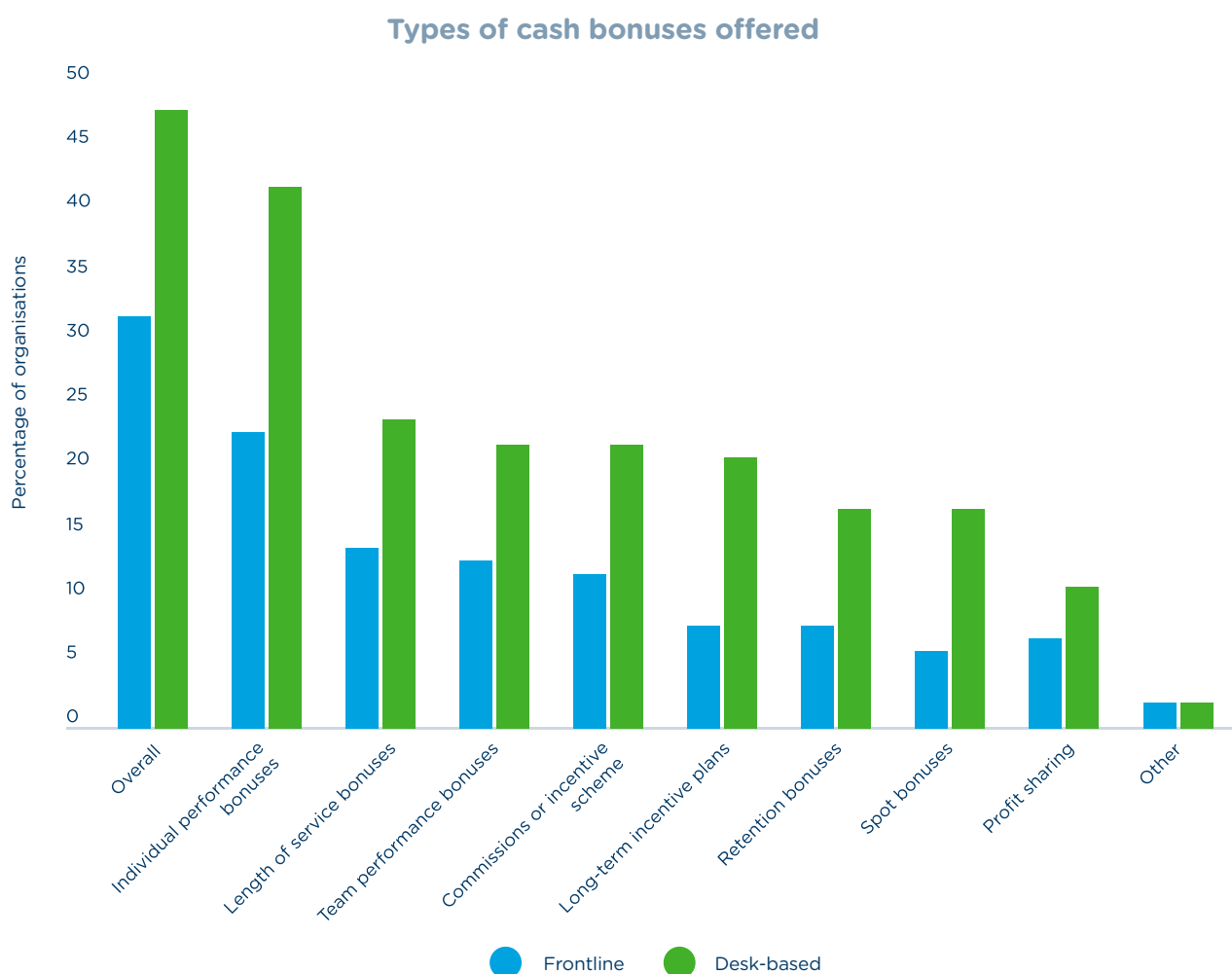
## Cash bonuses

In a recent study in the U.S., we found that 57% of people wanted monetary reward for a job well done. Cash bonuses are also popular with organisations, as 48% of Desk-based and 32% of Frontline organisations offer them to some segment of their populations. Our research shows that cash bonuses can be a very effective tool to motivate employees; however, when used without consideration, they can fail to live up to their fullest potential. Instead, employers hoping to motivate their employees would benefit from considering the types of cash bonuses they offer.

Our research suggests that the typical performance bonus has no significant

correlation with any facet of employee engagement or any positive business outcome. While these are valuable, it may be the case that they have become untethered from any sentiment of appreciation. High performers used to receiving this type of bonus may begin to see it as part of their overall compensation package, regardless of intent; meanwhile, low performers receive no motivation from it at all.

So, which types of bonus have the greatest positive effect on employee engagement? While there are some clear standouts, our research suggests that the right bonus structure depends on the organisation's goals:



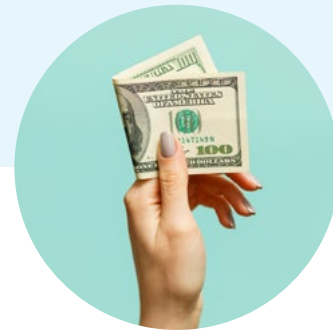


## Cash bonuses at a glance:



**Profit share bonuses** have the greatest effect on **most employee engagement metrics and business outcomes**. Organisations that are able to offer them report:

- **7% better alignment between employee values and company values** than the average
- **11% better talent attraction** than the average, with 61% of organisations offering it reporting an average time to hire of under one month
- **7% higher growth levels** than the average



**Spot bonuses**, or bonuses that happen close to when good work is done, are particularly effective at **keeping people happy, levels of wellbeing high, and employees from leaving**. Those that use these report:

- **8% higher eNPS** than the average
- **5% higher employee retention** than the average
- **3% better employee wellbeing** than the average



**Length of service bonuses** are predictably good at **boosting eNPS for older staff**, leading to 4% higher eNPS for 26-55 year-olds and 9% higher eNPS for those over 55 compared to the average.



**Team performance bonuses** don't lead to higher engagement scores, but do correlate with **better scores for employee development / skill building** (3% higher than the average) – perhaps by incentivising the wider team to improve the skills of more junior staff. They also correlate with **slightly higher profitability** (5% higher than the average)



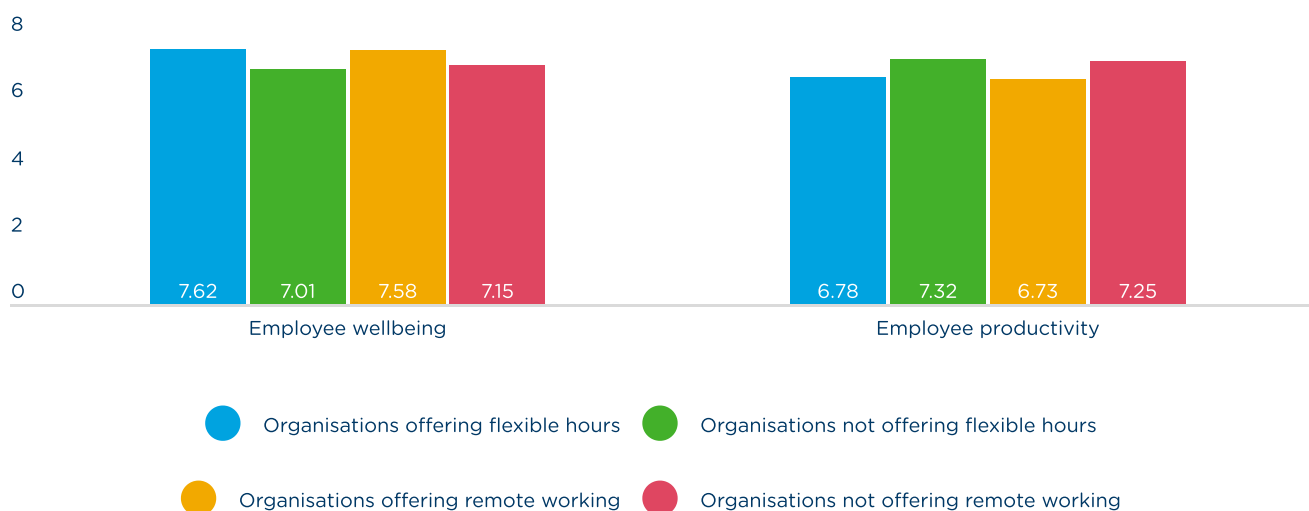
**Commissions** ensure **slightly better retention** (+2%) and **growth in sales** (+3%) compared to the average – however, it also correlates with **significantly lower customer NPS** (-20%) compared to the average.



## Flexible working patterns

Since the pandemic, a new focus on flexible working patterns has emerged as a consideration separate to the discussion on what motivates employees. As many employers know, the home-working debate is not going anywhere; hybrid working patterns are here to stay for those Desk-based workers who are able to perform their jobs from home. However, how motivating is this form of work? Our research suggests that, while remote working options and flexible working hours have a significant positive effect on employee wellbeing<sup>11</sup> among Desk-based workers, they also have a negative effect on productivity:<sup>12</sup>

### How flexibility affects Desk-based workers' wellbeing and productivity



<sup>11</sup> Employee wellbeing is a measure of employees' overall physical, mental, and emotional health, on a 0-10 scale, where 0 = Much worse than peers and 10 = Much better than peers.

<sup>12</sup> Employee productivity is a measure of employees' efficiency and output, on a 0-10 scale where 0 = Much worse than peers and 10 = Much better than peers.







## A holistic approach

**Organisations differ in their approach when it comes to targeting the five levels of employee needs. A majority of Desk-based organisations make some form of overture to their employees in each of the five areas, but Frontline organisations deem it less necessary, especially when it comes to family benefits and sources of self-actualisation. Many organisations find other creative ways to plug the gaps through means other than benefits, promoting culture and purpose through events and other avenues.**

Not everyone sees the benefit, or thinks of it as the role of the employer, to fulfil each need. But companies providing robust benefits covering whole-person needs will hold a sizable competitive advantage in attracting, retaining and unlocking maximum engagement across their workforce.

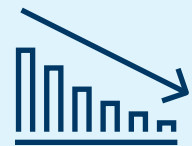


# Learning from successful businesses

**The businesses that are most successful, especially among Desk-based organisations, are those that find a way to engage with a range of their employees' needs. But a successful engagement strategy doesn't just appease employee whims without leading to concrete outcomes; nor does it mean boosting business performance without aligning the goals of the company with the goals of the people that work there. Meaningful success means ensuring that improvements in employee engagement go hand in hand with improvements in business outcomes.**

It's true that employee engagement and business outcomes do correlate overall – but this is not necessarily the experience of each individual organisation. Some organisations have managed to find success in business while having low levels of engagement, while others have boosted engagement without it leading to concrete business outcomes. Of the companies that responded to our study, a number of distinct segments emerged, evincing different approaches to the benefits and engagement offering.

**Low performers** represent a small minority of respondents who reported low business performance and low employee engagement, regardless of the benefit and engagement package offered. Because of the small number of organisations in this category, as well as the lack of correlation between what they offer and the performance they report, it is likely that this segment represents businesses that are facing significant challenges unrelated to employee engagement; as such, their issues are beyond the focus of this report.



**Drivers** seemingly put less focus on benefits and engagement than other organisations, offering fewer benefits on average than other segments. As a result, they tend to report lower scores across most employee engagement metrics, with turnover rates higher than most other groups, customer NPS lower than other groups, employee NPS lower, and growth rates that generally fall between leaders and appeasers.

**Appeasers** offer fantastic benefits packages, but lack a cohesive strategy in doing so. As a result, they enjoy good employee engagement scores, but low customer NPS scores. They have lower turnover than drivers, but also have the lowest reported growth rates on average. These organisations tend to be desk-based, with financial services and professional services particularly highly represented.



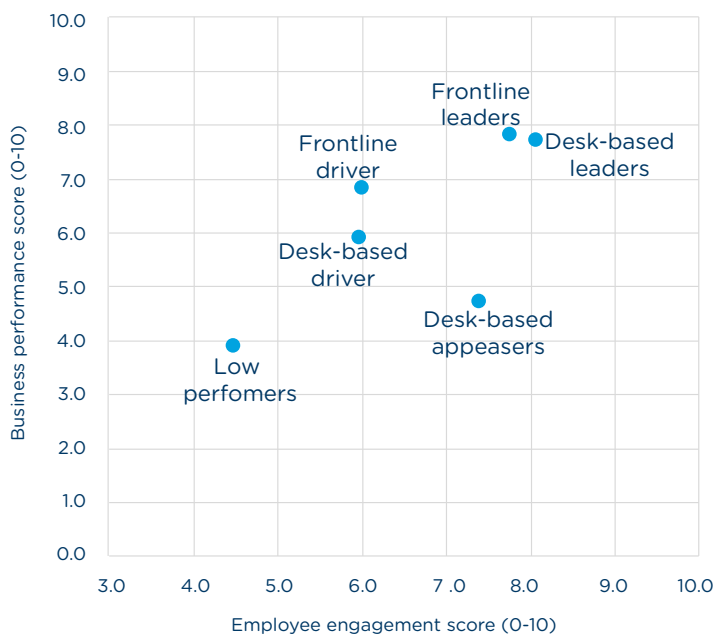
**Leaders** succeed in achieving positive outcomes for both their employees and their business through a well-planned benefits package. These businesses have the lowest turnover rate, the lowest time-to-hire and the highest customer NPS of all, as well as the highest growth rate.

|                       | 1                         | 2                            | 3                                     | 4                                   | 5                                | 6                                  | 7                                 | 8                                  |
|-----------------------|---------------------------|------------------------------|---------------------------------------|-------------------------------------|----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| Segments at a glance* | Average engagement score: | Average employee NPS (0-10): | % with average time to hire < 1 month | Average reported turnover rate (%): | Average business outcomes score: | Average customer NPS (-100 - +100) | Average reported growth rate (%): | Reported 'Growth in sales' (0-10): |
| DB leaders            | 7.9                       | 7.4                          | 54%                                   | 9.9%                                | 7.7                              | 73.3                               | 10.1%                             | 8.0                                |
| DB drivers            | 5.9                       | 6.9                          | 40%                                   | 16.5%                               | 6.0                              | 65.3                               | 8.3%                              | 6.3                                |
| DB appeasers          | 7.3                       | 7.6                          | 29%                                   | 13.3%                               | 4.8                              | 44.6                               | 6.2%                              | 4.9                                |
| FL leaders            | 8.1                       | 8.1                          | 64%                                   | 11.4%                               | 7.4                              | 74.3                               | 15.5%                             | 7.5                                |
| FL drivers            | 6.1                       | 6.5                          | 53%                                   | 14.9%                               | 6.6                              | 59.8                               | 7.9%                              | 6.6                                |

\*There is no significant Frontline Appeaser group

Becoming a Leader requires a different approach for Drivers compared to Appeasers, and the kind of strategy that works for one will not necessarily work for the other. What's more, there remains the significant difference in approach between desk-based and frontline workers to contend with. So, how can organisations use their benefits packages to improve outcomes?

**Average employee engagement and business outcomes scores by segment**



## Desk-based organisations

### Desk-based Drivers: less compensation, more culture

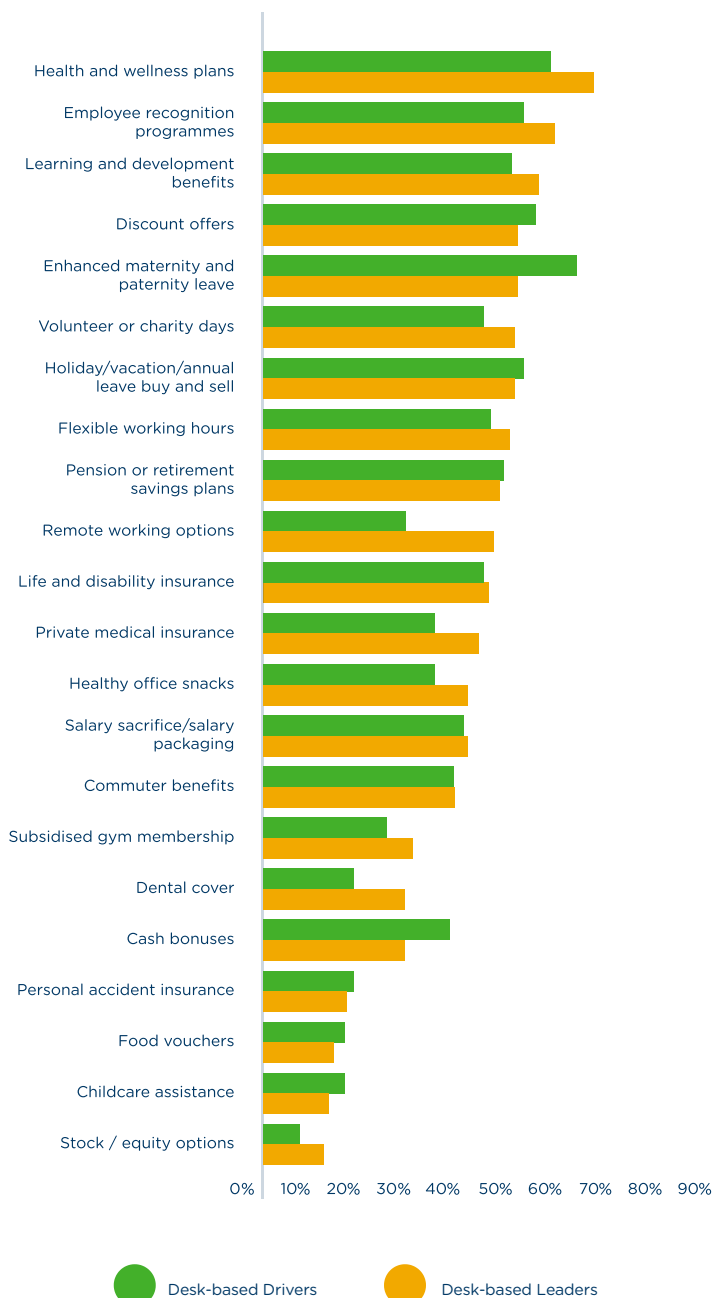
Among Desk-based organisations, Drivers tend to focus on employee engagement as a goal, with 52% listing this as among their people team's top three priorities. However, many in this group may not be giving enough thought to motivations that drive an employee to feel more engaged. In particular, there is a striking lack of emphasis on both employee wellbeing and employee experience – neither of which appear in the top three priorities of their people teams.

This is reflected in the types of benefits they tend to offer. Compared to Leaders, Desk-based Drivers are consistently less likely to have health and wellbeing plans, employee recognition platforms or any benefits focused on learning and development.

Cash bonuses are one of only two types of benefit that Desk-based Drivers are significantly more likely to offer than their Leader counterparts.

The other is enhanced maternity / paternity leave. Desk-based Drivers may be more obliging when it comes to subsidising extended time off for new parents; however, they are also far less likely to offer remote working options, meaning a significant lack of flexibility and support for parents beyond the first year.

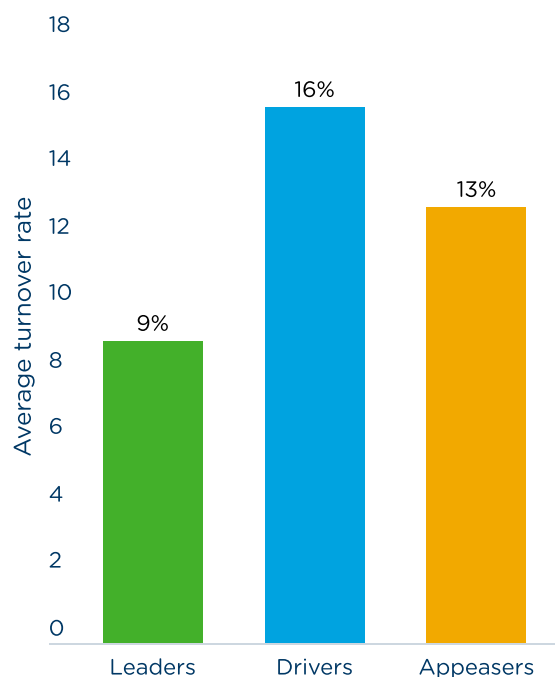
### Benefits offered by Desk-based Drivers vs. Leaders





Both these attributes demonstrate a focus on incentivisation via financial means in ways that may not take fully into account the needs of their staff. This speaks to the reasons why this segment may struggle to engage with its employees. **Ultimately, companies in this segment would do well to realise that there is a difference between employees feeling well-compensated and feeling motivated.** Cash rewards can play a vital part in making workers feel appreciated, but it does comparatively little to cement a company culture, ensure employee wellbeing or keep talented employees from taking more lucrative opportunities. After all, cash is fungible, and equal bonuses of this type are indistinguishable from one employer to another. It is perhaps no wonder, then, that this Desk-based segment sees the highest turnover rates on average.

### Turnover rates for Desk-based organisations



### Benefits offered by Desk-based Appeasers vs. Leaders

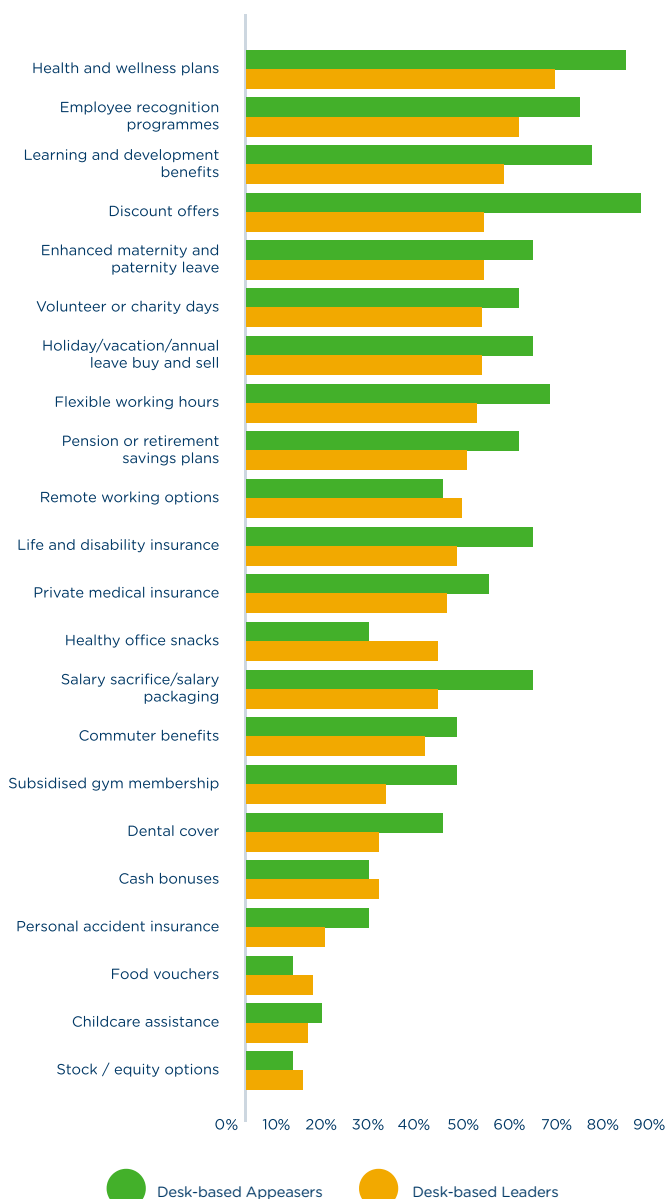


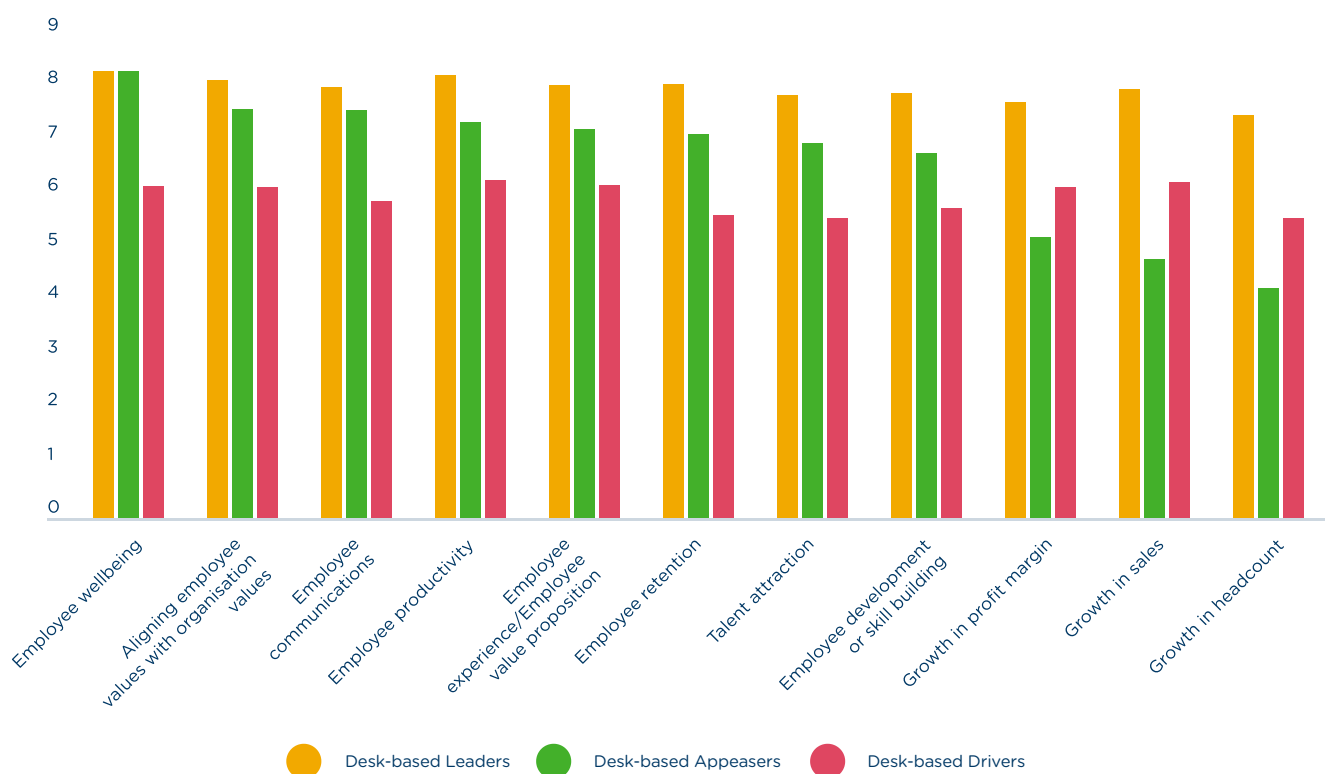
Figure 6. Turnover rates for Desk-based organisations<sup>13</sup>

<sup>13</sup> Employee labour turnover rate is the number of employees who left during the calendar years as a percentage of the average number of employees in the same period.

## Desk-based Appeasers: a need to align motivation with performance

Desk-based Appeasers would seem to make great employers. On average, employees working at these organisations are more likely to be offered almost any benefit than those in any other segment.

How Desk-based Leaders and Appeasers compare across various engagement and business performance metrics



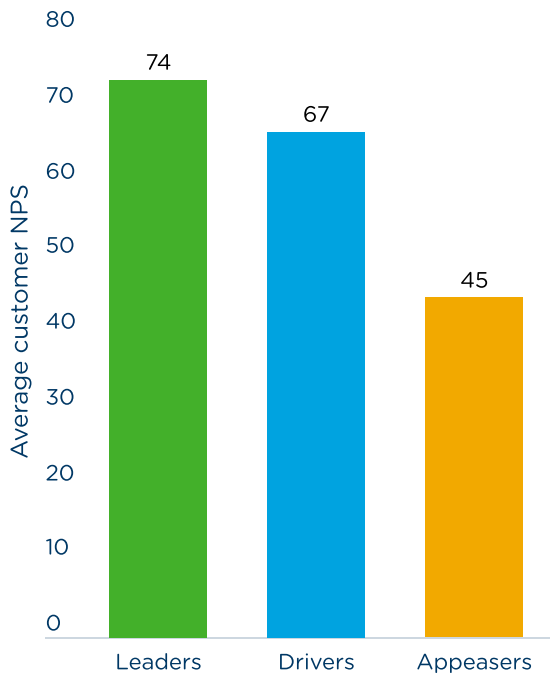
Despite this, they tend to score lower across most employee engagement and business metrics. In particular, while they report employee wellbeing in line with Leaders, as well as strong communications and cultural alignment, they underperform when it comes to ensuring employee development and business growth.

Most tellingly, these businesses perform poorly on some metrics that can be considered markers of reputation, reporting the lowest customer NPS<sup>14</sup> and longest average time-to-hire<sup>15</sup> of any segment.

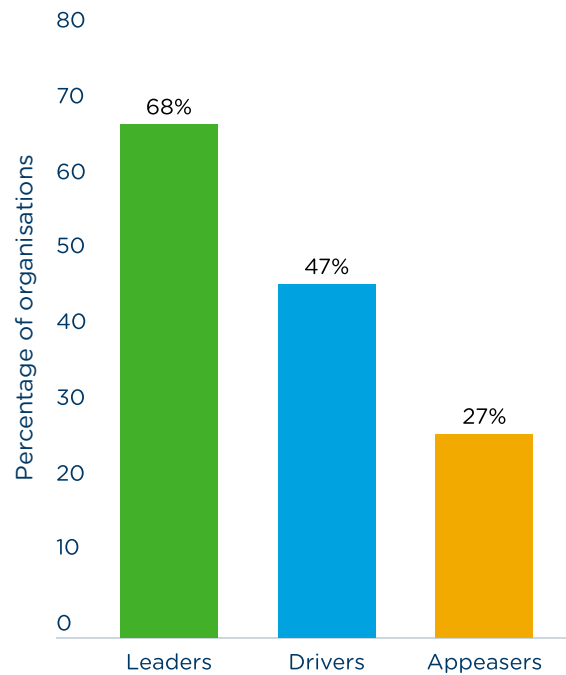
<sup>14</sup> Customer NPS is a measure of how likely customers and clients are to recommend your organisation, given on a scale of -100 to 100.

<sup>15</sup> Average time to hire refers to the average number of working days between a position being advertised and it being filled.

**Customer NPS for  
Desk-based organisations**



**% of Desk-based organisations with an  
average time-to-hire of under one month**



This all paints a picture of a group of companies that place a large emphasis on employee wellbeing, perhaps even to the detriment of customer service, business performance and market reputation. However, it also begs the question – how is the Leading segment able to maintain higher levels of engagement without offering as well-rounded a benefits package?





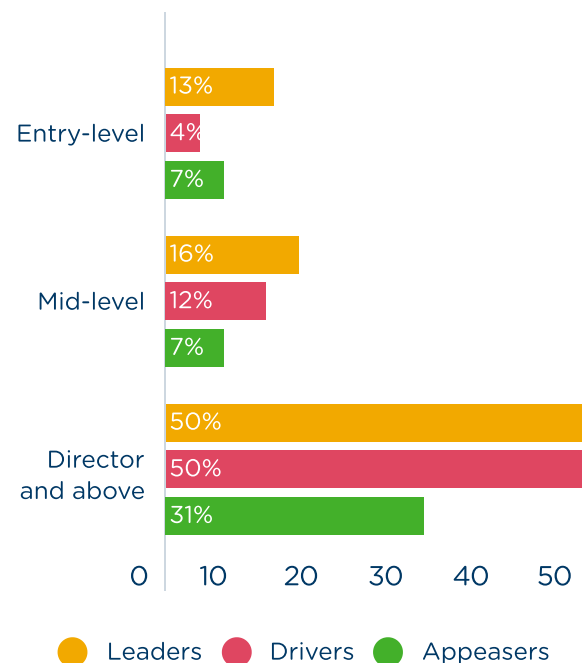
### Desk-based Leaders: striking the balance between financial and non-financial incentivisation

For Desk-based organisations, one feature that separates Leaders from Appeasers and Drivers is their pay strategy. Ultimately, they are more willing to remunerate their employees at above-average levels, and this may go some way to explaining their success across the whole gamut of engagement metrics.

One might be tempted to try to find budget to increase key salaries, but the cost of overall pay rises is often much higher than a redistribution of benefits.

Additionally, pay does not explain the breadth of the divide between Appeasers and Leaders when it comes to employee engagement. Drivers also exhibit similarly high pay at certain levels. It is worthwhile looking at which types of benefits Leaders sacrifice in favour of higher average pay when compared to Appeasers:

% of respondents reporting a 'high-range' pay strategy by level







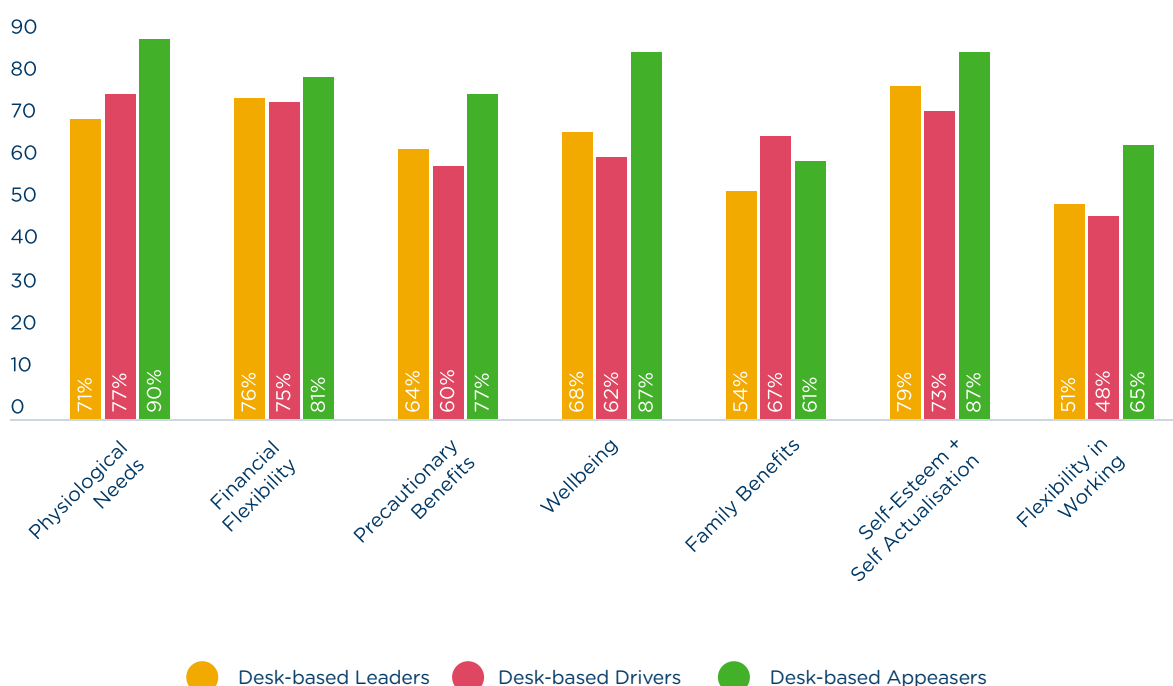
There are wide gaps in coverage between Appeasers and Leaders when it comes to addressing physiological and wellbeing needs, as well as methods for ensuring flexibility in working. By comparison, there is no significant difference in the level of financial flexibility, self-esteem and self-actualisation benefits offered between the two segments.

**The effect that food vouchers or wellbeing schemes could have on an office worker's basic needs can be mimicked effectively by a thicker pay packet; however, the effects that L&D benefits, recognition programmes and**

**similarly self-actualisation regimes have on an employee's sense of purpose, appreciation and belonging cannot be replaced in the same way.**

For Desk-based workers, then, these are the key areas of focus. Assuming – as most employers of skilled workers would – that people's basic needs can be met through a competitive salary, a benefits programme should focus on other areas of employee engagement; doing so means focusing on appreciation and purpose as key drivers of motivation.

% of desk-based organisations offering a benefit in each category, by segment

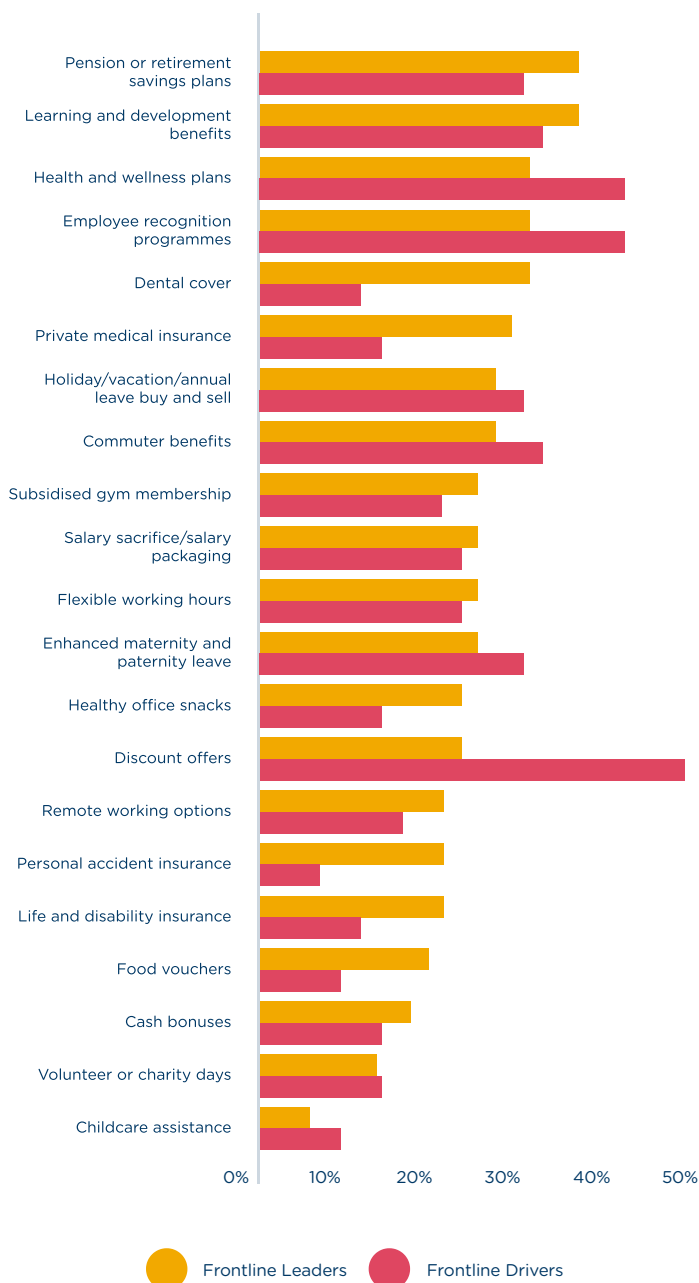


## Frontline organisations

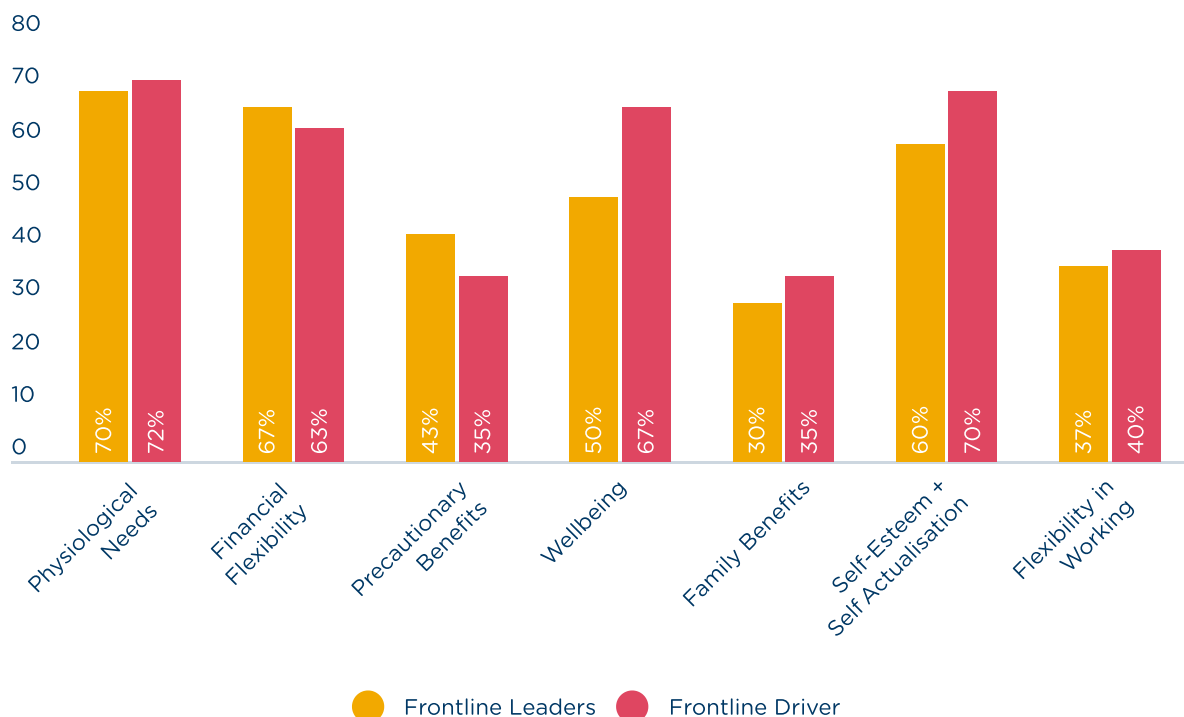
Frontline organisations fundamentally differ in the way that benefits affect engagement levels compared to Desk-based organisations. As already discussed, employee engagement is a less important driver of business outcomes for employers in this grouping; as a result, some of these organisations can be expected to place less of a premium on employee motivation. It is particularly telling that, unlike the Desk-based segment, there is no significant grouping of Appeasers offering more benefits than are effective.

That's not to say that Frontline Drivers offer a uniformly worse benefits package compared to Leaders; in fact, many benefits, such as discount vouchers and health and wellbeing plans, are more likely to be offered by this segment compared to the leading segment. As with Desk-based organisations, it is where the emphasis is placed that has the biggest impact:

### Benefits offered by Frontline Drivers vs. Leaders



% of Frontline organisations offering a benefit in each category, by segment



Drivers match Leaders when it comes to fulfilling the most basic physiological needs of frontline workers. They also greatly exceed them when it comes to wellbeing measures, but fall significantly short when it comes to precautionary measures such as insurance and dental cover.

**This suggests that it is not enough to offer simple wellbeing measures to keep Frontline workers satisfied. Instead, employers in this area must consider targeting the long-term wellbeing of their employees.**

Of course, there are gaps in our ability to quantify the perfect package from the data we have. In all instances, the benefits package is just one part of what keeps employees engaged; from the pay packet to the quality and attitude of middle managers, to the ability of an organisation's leadership to inspire and maintain a positive company culture, there exists a whole host of factors that may lead one organisation with sparse benefits to outperform another with great benefits against the spectrum of employee engagement metrics.

“

We know that the output of engagement is retention and productivity, but how we tangibly measure that is tricky. So we can focus on benefits, but that's just one small part of the broader engagement strategy, which is: Are people happy? Do they have a future? Do they have good relationships? Do they feel well rewarded? We spend a lot of time trying to drive the total reward package because we know we don't pay top dollar – we can't; we're a people-focused business. So we have to sell the whole package.

**Automotive, UK**





# Bridging the communication gap between employee and employer.

**One aspect that is particularly key to the debate is the ability of companies to communicate. Only 12% of organizations stated that communications is one of their top three HR priorities. From interviews conducted during this study, we found that any discussion over what benefits are effective in driving engagement and business performance would be worth little without first taking into account this communication imperative. After all, cultivating an engaged workforce stems from establishing open lines of trust and transparent communication between employers and their employees.**

From an employer's perspective, clear and consistent communication is vital for setting expectations, sharing the organisational mission and explaining the "why" behind key decisions that impact the workforce. With transparency around company goals, challenges and how employee contributions are linked to outcomes, staff have the context to understand their value and connectedness to something larger. This open knowledge sharing nurtures trust and belief in leadership.

At a more basic level, however, these lines of communication are what make employees aware of the benefits that they are being offered. When asked directly about the biggest hurdles they face in trying to improve employee engagement, many respondents spoke at length about the challenges of maintaining lines of communication with their staff, and the lack of trust and disinterest that can be fostered by a workforce that doesn't feel fully informed.

“

When I joined, the company didn't really do a great deal in the world of joined up communications. I walked around speaking to as many people as I possibly could, and I found that at the same time as there was an article in a national paper about the company having a record profits year, we had people on the shop floor asking whether the company was in trouble. This showed me immediately that there was a huge disconnect between the reality and people's concerns. So, the RG platform was brought on board as a communications tool, and the discounts and benefits were a secondary element.

**Transport and Logistics, UK**





What is the biggest issue you are facing when it comes to employee engagement?

### Frontline organisations in particular face difficulties in communication...

“

One of the biggest issues in employee engagement is communication. If management and employees don't have proper communication, it leads to confusion and misunderstanding.

**Healthcare, US**

“

Our employees are spread across the country, so it's hard to connect them to the company and keep them engaged in our strategies and mission.

**Healthcare, UK**

“

Some of our workforce are out on the road every day, working in isolation. This group is also overwhelmingly made up of male members of staff. It can be difficult to engage with this group and motivate and reward them equitably to office-based staff, whose roles naturally come with a greater degree of autonomy over when and where they work.

**Real Estate, UK**

“

We have a diverse and wide range of roles in various settings. We have to adapt how we communicate and engage to ensure we reach all our employees.

**Healthcare, Australia**

“

Working with multisite operational teams and engaging with offline team members.

**Real Estate, UK**

**...and lack of communication can erode the bonds of shared culture, shared goals and trust.**

“

Trust employees have in the company that their views and opinions are taken onboard and that they feel valued.

**Manufacturing, US**

“

Making them aware that we are a team with a single goal.

**Transport and Logistics, Italy**

“

An employee's personal goals and company goals may not be completely aligned. This can lead to a lack of enthusiasm and commitment to the company's work.

**E-commerce / Retail, Belgium**

“

In our recent company-wide engagement survey, 'Action' came in at the lowest rated topic. This included questions such as “I believe action will take place as a result of this survey”, “I have seen positive changes taking place based on previous employee survey results”, “My manager, or someone else, has communicated some clear actions based on previous employee survey results”, “I have provided an opportunity to see and discuss previous employee survey results”.

**Healthcare, Australia**





## Even Desk-based organisations can suffer the effects of poor communication.

“

We try to avoid sending too many emails as a lot of our staff receive a lot of emails each day, making it difficult to communicate with staff.

**Media and Entertainment, UK**

“

Time-poor employees. It is difficult finding committed people to drive initiatives, and for employees to engage in offerings.

**Financial Services, Australia**

“

The lack of effective and transparent communication, which could lead to a lack of clarity on company objectives, role expectations and professional growth of employees.

**Financial Services, Italy**



“

Huge lack of engagement currently. People have become very siloed working from home. Lack of engagement with surveys or social events.

**Technology, UK**

“

Management communication is so valuable. Our CEO runs a company meeting every month. Hearing what's going on in the company builds trust, builds connection. And that's free to do in terms of financial cost, but it builds engagement because people understand where's the company going, what leadership are thinking about, what are the challenges... It doesn't cost anything and that yields huge amounts. We can see people saying, “ I really appreciate that transparency, I appreciate knowing whether company is going, I feel like I could be a part of the future”.

**Automotive, UK**

Fostering employee engagement through communication cannot be achieved solely through top-down directives. It requires an active dialogue where both parties share their needs, perspectives and ideas.

For employees to reach their fullest potential, they need to feel their voice is being heard by leadership. Communication must flow as freely up the organisational hierarchy as it does down by giving employees the forum to raise concerns, provide feedback and generate ideas for improvement. These insights are invaluable for making employees feel invested in the company's direction and enables them to surface challenges that leadership may not be aware of.

Frequent two-way communication through multiple channels – from town halls to pulse surveys – also creates a continuous feedback loop. Employers can rapidly identify and address gaps in engagement drivers like enablement, clarity of role, sense of belonging and fair treatment. And employees gain confidence their voices are being taken seriously to jointly remove barriers to peak engagement.







## Conclusion: the business case for tapping into employee needs

**Investing in employee engagement is not just the right thing to do – it's a business imperative. There is a distinct link between engaged employees and stronger business performance across key metrics like profitability, growth, retention and customer satisfaction – and the more valuable and skilled a business requires its staff to be, the stronger this link is.**

It is clear that businesses of all types would do well to invest in employee engagement. But what is less clear is what the right strategy is for optimising this nebulous commodity. Benefit-by-benefit, there is almost no such thing as a perk that does not have some positive effect on engagement, retention, wellbeing or something else, but for the package to be worth more than the sum of its parts, employers must take a tailored approach

based on the unique needs of their workforce, whether they are desk-based “knowledge workers” who value workplaces that provide a sense of belonging, appreciation and personal growth, or frontline staff who appreciate long-term financial security and wellbeing.

That said, although the path to engagement is not one-size-fits-all, an effective engagement programme is as much about effective two-way communication as it is about the value of the benefits offered. Organisations that can coherently link their benefits and engagement strategies and solutions with a wider business strategy, base it on what employees are saying are their biggest needs, and deliver with enthusiasm and coherence within a single platform will always get more out of their benefits than those who look solely at the monetary value.



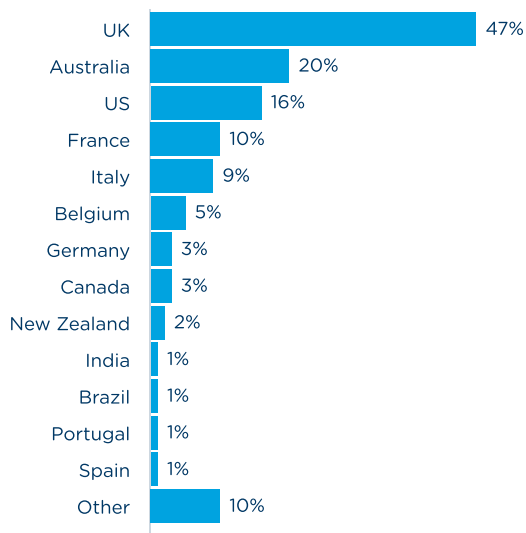
## About the study

Reward Gateway | Edenred commissioned research among 300 organisations, through both online survey research and further in-depth interviews. This research was carried out by independent research consultancy Meridian West, with the support of Reward Gateway | Edenred representatives, and was undertaken during Q1 and Q2 2024.

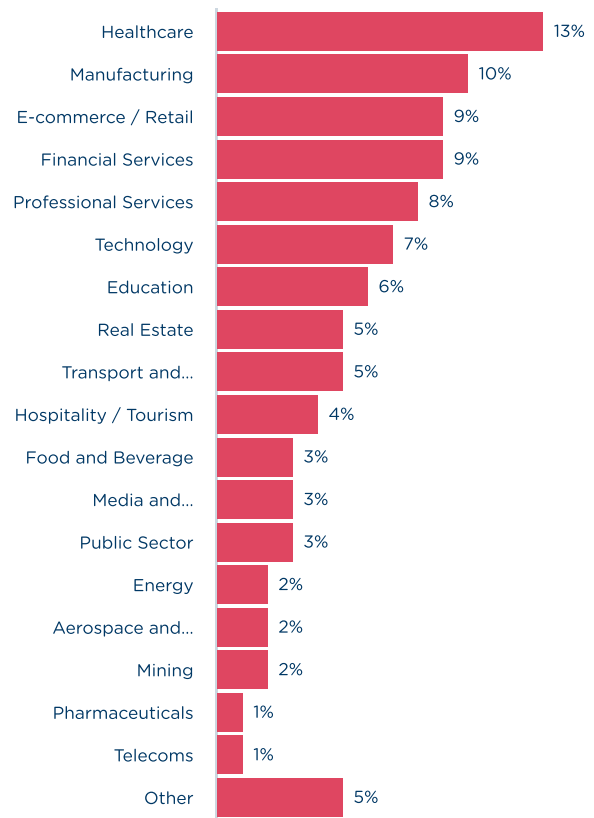
## Organisation Demographics

The research sample is globally representative, with over 20 different employee markets. This includes representation from the UK (46%), Australia (20%) and the U.S. (14%) and other European, Asia-Pacific, and American countries (Figure 7). Over 16 business sectors are also represented, with a notable proportion of companies from the healthcare (13%), manufacturing (10%), e-commerce / retail (9%), financial services (9%) and professional services (8%) sectors (Figure 8).

**Figure 7 – Organisation sample by employee distribution**



**Figure 8 – Organisation sample by industry**

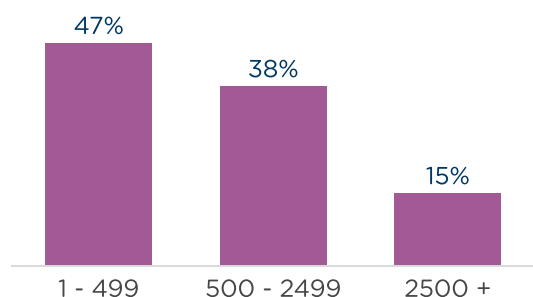




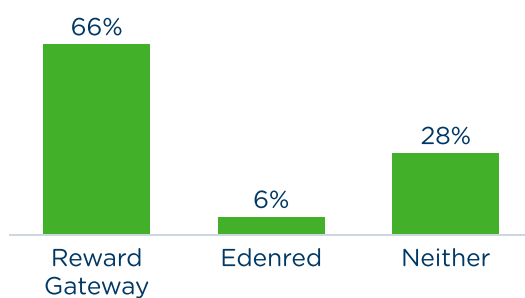


47% from organisations employing 1 - 499 people (SMB), 38% employing 500 - 2,499 employees (Mid-market), and 15% employing more than 2,500 employees (Enterprise) (Figure 9). This includes a mix of both clients and non-clients, with two-thirds clients of Reward Gateway, 6% of Edenred and just over a quarter (28%) neither (Figure 10).

**Figure 9 – Organisation sample by number of employees**



**Figure 10 – Organisation sample by client type**



## Respondent Demographics

All respondents who partook in the survey on behalf of their organisation have responsibility for making or influencing decisions regarding Human Resource budgetary strategy and/or implementation within their organisation. This includes over 50% of the sample, who are in Senior management positions or above (Figure 11). Respondents from a range of functional roles were invited to participate in the research, such as compensation, employee engagement, culture, and wellbeing roles (Figure 12).

Figure 11 – Respondent sample by seniority

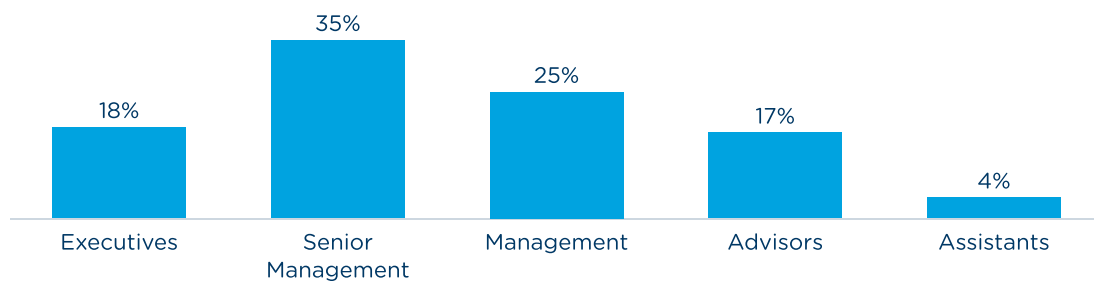


Figure 12 – Respondent sample by job role focus



## Outcome metrics

In this study, we asked respondents a number of questions about themselves and their organisation, as well as for more information around their HR strategies, including their top priorities, main benefits offered, engagement tactics and issues or challenges. We also collected a number of metrics on both employee engagement and business performance to help with analysis.

The most common metrics we use here are of 'Employee engagement' and 'Business performance' benchmarks, which are numeric measures falling between 0 and 10. These were calculated by averaging the score given across a range of areas where the respondents were asked to self-rate how their organisation compares to peers in their industry, with 0 being 'much worse than peers' and 10 being 'much better than peers'. The specific areas which make up these areas are noted below. These metrics gave us robust data to analyse and ensured engagement and business scores considered a wide range of different outcomes.

### Employee Engagement benchmark

- Employee productivity
- Employee communications
- Employee alignment with values
- Employee wellbeing
- Talent attraction
- Employee retention
- Employee experience

### Business Performance benchmark

- Growth in profit margin
- Growth in headcount
- Growth in sales

We also asked respondents to provide more specific measures of both employee engagement and business performance, where these were available. Most notably, we asked respondents about their companies Employee Net Promoter Score (eNPS), which is a measure of how likely an employee is to recommend their organisation to a friend. This is collected on a range of scales, so we asked respondents to give us a range and an accurate up-to-date measure; for analysis, this was normalised onto a 0-10 scale. In terms of employee engagement, we also asked respondents for labour turnover rate, average time to hire and average cost to hire. For business performance, we asked for specific measures of Customer Net Promoter Score (CNPS), annual growth rate and annual profit growth (both over last three years).

