bcw Change

Expectations at Work

How changing employee expectations are impacting talent attraction and retention

INTRODUCTION

Managing employee expectations to create a rewarding employee experience has long been a challenge for leaders, even more so in recent years.

In the immediate aftermath of the COVID-19 pandemic, as employees gained confidence in their ability to influence organizational behavior – and in their ability to move to new roles if required - leaders were forced to work harder to attract and retain top talent. And, with the cost to replace a leaver ranging anywhere from 30% to 200% of a person's salary, according to a study by the Center for American Progress, losing talent is certainly an expensive business.

Workforce trends such as the "Great Resignation" and "quiet quitting" have developed from this newfound employee confidence, and the shifting power dynamics of the employment market. This was largely a result of the increased levels of support they saw during the pandemic from their leaders – enabling new ways of working and higher levels of leadership engagement than ever before. The actions of their leaders reset employees' expectations on what was possible.

Yet, even before the pandemic hit, leaders were having to work even harder to address workforce challenges, one of the costliest elements of any business. The complexity of managing talent in the modern workforce should not be underestimated, given:

- Today's workforce is one of the most generationally diverse workforces in history, with at least four different generations in the workplace

- Expectations across the different employee groups in the workplace vary widely; for instance, points of view on hybrid working and the return to the office continue to evolve

- Key issues such as ESG and diversity and inclusion are requiring leaders to rethink and reprioritize their organizational purpose and values in line with the differing expectations of each employee group

- The 'traditional' structures and ways of working within organizations restrict organizational effectiveness and also fall short of new employee experience expectations

As consumers, we want and expect a more personalized experience with brands, and this is an expectation that has now evolved into the workplace. And, at a time when leaders are under increased pressure to create efficient, productive and profitable organizations, how do they balance investing in talent with managing these competing priorities? Especially when the cost of attracting and retaining talent is so high?

It has never been more important to understand what employees want and expect from their leaders and their employee experience, and to have systems and processes in place to respond to these needs. To support an integrated employee experience, organizations need to rethink organizational structures, processes, systems, employee benefits and culture.

ABOUT THE STUDY

Understanding what employees want should be at the heart of designing and building an employee experience that attracts and nurtures the talent any organization needs to achieve its business goals. So, as the experts in moving people, because businesses move forward when they move people, BCW designed this study to help employers *really* understand what their employees expect from them.

To develop our working model for mapping employees' expectations, we adapted Abraham Maslow's 1943 Hierarchy of Needs, the original articulation of human needs, across five dimensions that reflect the modern employee experience (*see Fig. 1*).

Backed up by extensive research to define what makes each of the dimensions of the employee experience, we are pleased to present our five-tier *BCW Expectations at Work* model and the 62 employee expectations across those five dimensions that we've used

to power our research – research that explores both the expectations of employees and their assessment of how employers are currently meeting those needs, shining a light on where employers can do more (*see Fig. 2*).

In addition to understanding employees' expectations and lived experiences across the four generations currently in the workplace, we also wanted to identify and explore key differences between industries and markets, which is why the *BCW Expectations at Work* study has looked at five different industries across 15 markets around the world.

GENERATIONS IN THE WORKFORCE

Baby Boomers (born 1946-1964)

Generation X (born 1965-1980)

Millennials (or Generation Y, born 1981-2000)

Generation Z (born 2001-2020)
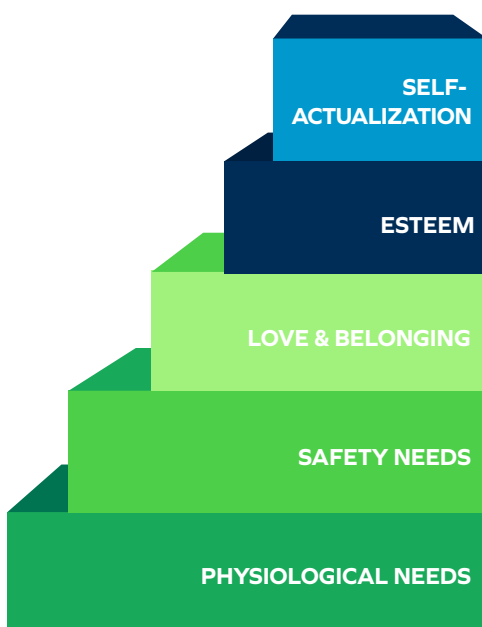
FIGURE 1 - ABRAHAM MASLOW'S 1943 HIERARCHY OF NEEDS

FIGURE 2 - BCW'S *EXPECTATIONS AT WORK* MODEL

FIGURE 1	FIGURE 2	Description
SELF-ACTUALIZATION	COMPANY VALUES & PURPOSE	Working for a purposeful organization that takes a stand on big issues, while also doing good in the world and the communities it serves, contributes to employee engagement and talent retention
ESTEEM	MOTIVATION	To work at their best, employees need clarity on company strategy and how they contribute in their role, effective line management, challenging work, and recognition and opportunities to grow
LOVE & BELONGING	WORKPLACE CULTURE	Expectations around leadership and culture have never been higher. To truly feel like they belong, employees expect high caliber leaders who are visible and an inclusive, diverse, kind culture at work
SAFETY NEEDS	WHERE AND HOW I WORK	As memories of lockdowns recede, security and safety trump flexibility. Employees place more importance on job security and safe and comfortable workplaces than flexibility in how and where they work
PHYSIOLOGICAL NEEDS	PAY & BENEFITS	Offering competitive remuneration, insurance options, and other benefits should be the bedrock of your employee experience

Methodology

BCW is proud to have partnered with leading global research agencies Mercury Analytics LLC and PSB Insights LLC to deliver the 2022 *Expectations at Work* study. A total of 13,488 employees of large companies (with 500+ employees) across 15 countries were surveyed between June 15 and July 13, 2022.

The study targeted five key industries – Consumer Goods, Hospitality, Manufacturing, Financial Services & Insurance, and Healthcare & Pharmaceuticals – with an even distribution of survey completions across each industry, with quotas set to achieve a reasonably even distribution across age and seniority.

The countries surveyed included: Australia, Brazil, China, France, Germany, India, Italy, Japan, Mexico, Netherlands, Saudi Arabia, Spain, United Arab Emirates, United Kingdom, and the United States.

BY NUMBERS

13,488
employees at large organizations (500+)

4
generations in the workforce (Baby Boomers, Gen X, Millennials, Gen Z)

5
key industries

15
countries

bcw Change

SUMMARY

Employees are reprioritizing what they expect from employers in response to the global economic uncertainty – but with important differences between the generations

We entered 2022 with a sense of optimism after two of the most challenging years in recent history, during which businesses and societies grappled with the devastating impact COVID-19 was having on lives and livelihoods around the world. The start of 2022 marked the start of "living with COVID-19," as organizations and individuals learned to manage the legacy of the pandemic and move from survival mode to thinking about once again growing and thriving.

However, this newfound optimism was short-lived. Since February 24, 2022, the world has been dealing with the impact of another global crisis – the impact of Russia's invasion of Ukraine – and the increase in energy costs and broader economic uncertainty caused by rising costs and inflation. In this economic context, as much of the world faces a cost-of-living crisis and the prospect of a global recession, some companies have already returned to a survival footing, including pausing recruitment and identifying other efficiencies in response to increasing operating costs.

And, just as organizations consider recruitment freezes during the economic uncertainty, our *Expectations at Work* study revealed that workers are reconsidering previous plans to leave their employer and are instead reprioritizing basic needs such as job security, a safe and comfortable workplace, and competitive base pay and annual leave over being able to choose where they work, growth opportunities, or non-core benefits.

One in two employees say that job security at an established, financially stable company is of critical importance – more so than any other factor

A competitive base salary and adequate paid time off are valued **third** in importance

49%

A safe and comfortable workplace environment is ranked **second**

50%

Organizational culture is now rated as a basic need and of critical importance to employee engagement and retention

48%

The *BCW Expectations at Work* study also found that employees, particularly younger generations, (Millennials/Generation Y and Generation Z), now rank a positive workplace culture as a basic need and cite it as the area where organizations have most to do to close the gap between employees' expectations and their assessment of their employers' performance.

One such area is leadership, as leaders do so much to shape an organization's culture through their own behaviors and approach to decision making and communication.

Employees' expectations of leaders during the COVID-19 pandemic were certainly high – responsible for reassuring and supporting employees while ensuring business continuity and survival – but, as we started to look to the future, expectations also shifted. Employees now expect their leaders to both maintain the visibility, openness and empathy displayed during the pandemic, but also to give clarity of organizational strategy and vision, so that they know how to play their part in what's next.

Global economic uncertainty is impacting confidence in the job market, and employees are returning to basic priorities - with one important exception

This uncertainty provides employers with opportunities to stabilize their global workforce after a year of significant attrition for many industries. And while the level of turnover will likely continue to decrease during the current economic uncertainty, our research provides a clear message for leaders.

Ensuring the basics are in place — in terms of a competitive base salary, job security and a safe, comfortable workplace — will increase employees' likelihood to stay by 18%.

However, what sits in addition to a return to the "basics" in our findings is the growing expectation and value placed upon workplace culture. Those organizations also prioritizing an inclusive culture can expect to see a further increase in retention by 24%. We discuss culture in more detail further in the report.

There is a watch-out for leaders in the data of our study. Respondents said that employers are falling short of meeting their salary expectations. No other single attribute had a larger gap between its importance to employees and employers meeting their expectations.

Employers that struggle to meet the basic salary expectations of their employees must ensure that the other core priorities are met across all generations in the workforce if they hope to retain their talent.

Changing expectations with each generation

Different generations have different expectations of their employee experience. Workforce culture and pay and benefits are two key areas in the *BCW Expectations at Work* study where we start to observe significant differences between the expectations of the four different generations currently in the workforce: Baby Boomers, Generation X, Generation Y (Millennials) and Generation Z.

Looking at the two opposite ends of the spectrum, we see Generation Z employees rating most drivers of workplace culture and leadership higher than salary, which ranks 25th out of 62 (with 45% saying it is very important),

while Baby Boomers rate pay and benefits above almost all culture and leadership attributes, with salary ranking second (at 49%) only to job security (52%).

The study also showed that, as employees near retirement age, other aspects of pay and benefits, such as life insurance and pension, become increasingly important – for Baby Boomers, life insurance and a sufficient pension program are both ranked 8th (46%), whereas for Millennials and Generation Z, life insurance is ranked 27th and 34th, and pensions are ranked 50th and 56th, respectively.
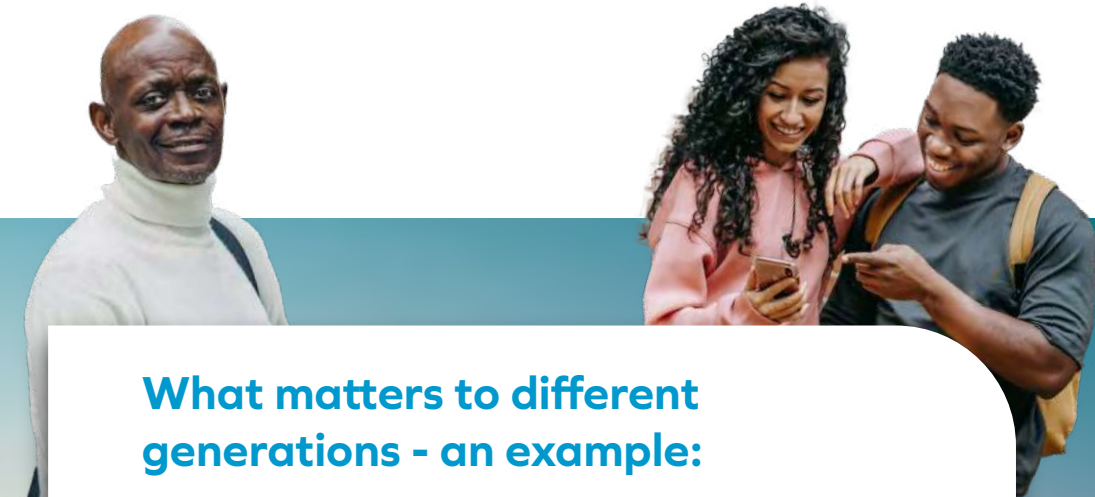
What matters to different generations - an example:

BABY BOOMERS	RANK	GEN Z
Job Security	1	Safe, comfortable workplace
Competitive Salary	2	Workplace Culture
Workplace Culture	25	Competitive Salary

KEY THEME: GLOBAL ECONOMIC UNCERTAINTY

Geographical and industry differences also influence employee expectations

As employers seek to understand what pay and benefits are of most importance to their global workforce, the study also reveals that there are important differences around the world, across markets and industries:

In Germany, Italy, Mexico and UAE, **sick pay and life insurance** were rated as critically important

In Japan and China, employees said that **performance-related pay and bonuses** are more important than a competitive basic salary

There is also an interesting **generational difference in the U.S. regarding salary expectations:**

Sixty-six percent of Generation X rate salary as important vs. 74% of Baby Boomers – ranking first for both generations, compared to 14th (55%) for Millennials and 45th (51%) for Generation Z

A competitive basic salary tops employee expectations for those working in manufacturing (51%), compared to consumer goods (4th at 49%), financial services (2nd at 52%), hospitality (10th at 42%), and healthcare (4th at 51%)

Male and female employees prioritize a competitive salary differently, with male employees ranking it 2nd (45%) and female employees ranking it 6th (54%)

Clearly, leaders have new challenges to address as they face increased financial pressures to create sustainable business models that address productivity, profitability, and employee retention. The gap between workforce and leadership expectations has become more significant, and it is this tension that emphasizes the importance and value of an integrated employee experience.

The evolution of flexibility at work: more than just a location

There was already increased interest in greater flexibility in how and where work is done from most groups of employees prior to the pandemic.

There were concerns across leadership and core functions such as HR and IT regarding existing organizational infrastructure capabilities and how the issue of flexibility would impact traditional ways of working and culture.

The pandemic revealed the art of the possible

The pandemic forced this issue to the top of the leadership agenda. Many organizations had to activate new technology and systems almost overnight and completely rethink organizational processes to keep their businesses going. For all except essential workers, the "new normal" meant working in new ways, in new environments, with newly created work-life balance issues.

To support their employees in managing these issues, leaders and line managers focused on providing increased levels of reassurance, bolstering mental health benefits, and building closer working relationships. Our results revealed that, in the majority of cases, and across industries, average employee engagement increased as a result.

However, the longer-term impact of the "new normal" was that it triggered a widespread reset of organizational behaviors and expectations. The pandemic showed employees that what they had been asking for prior to the pandemic, but were told was not possible, was, in fact, possible. And, for leadership, the enhanced benefits and support they put in place during the pandemic meant they were able to stabilize their organizations, but at a significant financial and people cost.

The outcome was that employees now want and expect more flexibility in the longer-term – but important to note that there is a difference in expectations by generations and the type of work. For instance, while flexibility in choosing where you work, between the office and home, ranks 12th (44%) for hybrid workers and 7th (56%) for

permanent homeworkers, these scores are significantly lower for the general population, ranking 51st (37%) – overtaken by the desire for flexibility in working hours, which lands at 34th (41%). Indeed, our research also shows that in Spain, UAE and KSA, employees expect flexible working hours to help them do their best work.

HOW IMPORTANT IS HYBRID WORKING?

Most hybrid workers rate the issue of "where they work" (between home and the office) **as of below average importance – it ranks 12th** (44%) in our study.

Moving beyond the Great Resignation

Another driver of changing employee expectations had been the increased confidence they felt in the employment market. As the Great Resignation showed, many employees believed that if their wants and needs were not being met by their existing employer, they could confidently move to a new employer that might better meet those expectations.

What the data from our *Expectations at Work* study shows is that this confidence across the different employee groups has been eroding, triggering a change in the core expectations and priorities that employees now seek from their employers.

Indeed, the focus of leaders to encourage employees to return to the workplace more frequently may not have the negative impact that some commentators predict. In our experience, it is not the principle of the policies that is causing discontent; rather, it is how leaders are implementing them. Our research shows that most hybrid workers rate the issue of "where they work" (between home and the office) as of below average importance – it ranks 12th (44%) in our study. Other needs, such as job security, a safe and comfortable workplace, and culture are all ranked far higher.

It is widely expected that the current economic pressures, such as rising energy costs, will encourage more employees to consider returning to the workplace. However, there are important factors that leaders need to consider when looking at the issue. What will always be of critical importance is the purpose and value of the employee returning to the workplace, both to the employee and to the business. Leaders need to re-establish how and why working from the workplace supports and helps employees and their team, for instance by improving collaboration with colleagues, and enabling colleagues to stay connected with members of the broader team.

That said, flexibility is not just about the location of where employees work. A driving expectation from employees is flexibility in how *and* when they work. It reinforces the importance of grounding the employee experience in effective processes and systems that support and enable employees to do their best work – regardless of location or time - and that the policies of the organization support leaders, line managers and employees to collaborate.

What employees want from leaders

Although the *Expectations at Work* study has identified 15 specific employee experience drivers relating to leaders, which are explored as part of the workplace culture theme, it is clear that the impact of leadership is felt far more broadly across organizations, throughout the employee experience, in terms of the decisions and actions taken by leaders.

From setting a compelling vision and clear strategy for the organization, to nurturing a culture where employees feel valued and set up to succeed, it's far more than the tone that is set from the top.

KEY THEME: WHAT EMPLOYEES WANT FROM LEADERS

Post-pandemic leadership expectations

It is no coincidence that several leadership behaviors are ranked in the top 10 of employees' expectations globally, including employees expecting their leaders to be visible, fair, honest and effective, which ranks 9th (47%), rising to 6th (49%) for Generation Z employees.

It is well-documented how, during the COVID-19 global pandemic, business leaders generally "stepped up" in how they supported their people and navigated their businesses through a challenging couple of years. And it is in these areas where the *Expectations at Work* study found employees' expectations of leaders to be higher than ever, particularly for younger generations – meaning a return to previous approaches to leadership and management is not an option.

Closing the gap between expectations and reality

Leadership is also one of the key areas called out by employees, as organizations have work to do to close the gap between employees' expectations and reality, with an average 17-point gap between employees' expectations and their lived experiences.

It is these same areas where not only are employee expectations very high, but they also believe their employers have much to do to meet those expectations. Visible, fair, honest and effective leadership and internal communication see a 17-point gap, and well-being indicates a 16-point gap between employees' expectations and reality. These gaps widen significantly between both markets and industries – for example:

- The gap between employees' expectations and their lived experiences of leaders in healthcare and pharma is wider than in other industries, reporting significantly higher gaps in the areas of leadership communication (23pt), well-being (23pt), and leadership effectiveness and transparency (22pt).

- In the United Kingdom, we see one of the greatest differences between expectations and reality, particularly in the areas of leadership communication (30pt), leadership effectiveness (28pt), and well-being (27pt)

Focusing on what counts

However, it is not just employees' expectations of leaders that are evolving; so, too, are leaders' expectations of their employees. We are seeing this play out across several issues – including how different organizations are approaching the "return to the office," as some business leaders announce a full return to the office for their teams, with others taking forward a hybrid working approach. Whether hoping to improve collaboration, increase performance, or create a more cohesive workplace culture that is rooted in workplace attendance, the future of the workplace is a key issue that many leaders are considering as part of their overall business strategy as well as the employee experience.

What we do know is that, however important it is to leaders, the ability to choose where you work, between home and the office, ranks just 12th (44%) for hybrid workers, which invites the question:

> **"***If employees have 11 other priority needs, are leaders focusing enough on meeting these needs to attract and retain talent, concentrating on what work is done and how, instead of on where?***"**
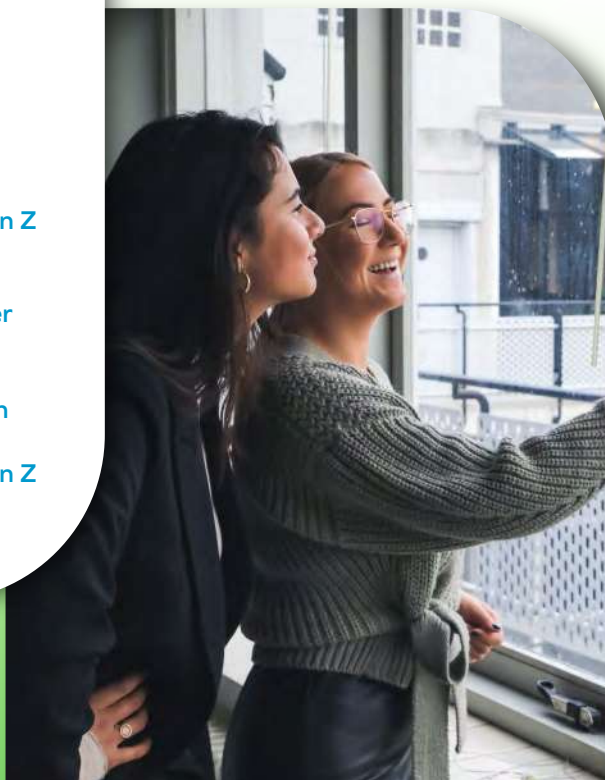
EXPECTATIONS OF LEADERS

Open and honest communication by leaders ranks 5th (48%), rising to 2nd (50%) for Generation Z

Leaders looking after employees' physical, mental and financial wellbeing ranks 10th (46%), rising to 5th (50%) for Generation Z and Millennials

Culture is king - particularly for younger generations

Why now is the time for leaders to really listen to employees, to understand their needs, and take stock of the current cultural health of their organizations

Ask any business leader, HR professional or commentator to define organizational culture, and they will likely respond with wide-ranging definitions of something that can, at times, feel intangible and difficult to articulate. At its heart, we believe that culture is all about sharing – sharing values, beliefs, and expectations, and how this translates into the decisions made, actions taken, and behaviors displayed in an organization.

For the purposes of the *Expectations at Work* study – where we have set out five dimensions of the employee experience and 62 employee expectations across those five dimensions – we've identified 22 drivers within our workplace culture tier, 15 of which relate to the behaviors and attitudes of leaders – in effect, the "tone from the top."

KEY THEME: CULTURE IS KING

From an organization's approach to internal communication, diversity and inclusion, and decision-making, to how leaders set a clear organizational vision and strategy or are seen to behave day-to-day, the sheer breadth and complexity of what makes a strong organizational culture means few organizations have got it right. But, with employee expectations shifting to now include organizational culture among their top priorities, it's important that organizations double down on building as people-centric a culture as possible, one where employees feel valued, listened to, and set up for success.

While, globally, 50% of employees say they are very likely to stay in their current job over the next 12 months, this intent grows by 18% when employees are happy with their salary, job security and workplace conditions. But, for those organizations meeting both these needs **and** building a positive workplace culture, intent to stay increases by 24%, as well as job satisfaction by 56%; employees are

also 68% more likely to recommend their employers to others – noting the importance of employee advocacy in building a compelling employer brand that drives both talent attraction and corporate reputation.

Millennial and Generation Z employees place particular value on organizational culture. Their intent to stay increases by 30% for Millennials and 31% for Generation Z, compared to their peers working in organizations where salary, job security, workplace and culture needs are not met.

Organizations that ignore workplace culture do so at their peril; when just one of the most important workplace culture needs isn't met – such as open and honest communication, sense of belonging and feeling valued, visible leadership, or focus on well-being – the number of employees saying they are very likely to stay in their current job drops to 39%.

WHAT MAKES EMPLOYEES STAY?

50%

of employees say they are very likely to stay in their current job over the next 12 months

Employees who rate their employer highly on the most important workplace and pay & benefits needs are **18% more likely to stay**

Employers that meet the most important workplace, pay & benefits, and culture needs have employees who are **24% more likely to stay.***

The impact of meeting culture needs is even stronger for younger generations, increasing likelihood to stay by 31% for Gen Z and 30% for Millennials

Likelihood to stay drops to 39% when just one of the most important culture needs isn't being met

KEY THEME: CULTURE IS KING

Interestingly, workplace culture and leadership are the areas where organizations have most ground to make up to meet employee expectations – particularly among younger generations, for whom the bar is higher. When comparing employees' responses on their expectations of their employers with their responses on their employers' performance, there was an average 17-point gap between employees' expectations and their lived experiences, including a number of key areas that have been "under the spotlight" for some time, including well-being (16pt), internal communication (17pt), and workplace democracy and employee voice (16pt), indicating these are key areas for organizations to continue working on closing the gap.

Conversely, the areas within organizational culture with the smallest gaps between expectations and reality were diversity and inclusivity and taking a stand on social issues (9pt), suggesting that recent corporate efforts in these areas are starting to bear fruit.

With employees rating some culture drivers alongside a competitive salary and adequate personal time off among their most important expectations of their employers, even more so among Generation Z, now is the time for leaders to really listen to employees to understand their needs and take stock of the current cultural health of their organizations. In doing so, they will be able to evolve and course-correct where necessary and subsequently build an inclusive culture, which will attract talent and motivate them to stay, strive and thrive.

WHAT THIS ALL MEANS

Key Takeaways for Leaders:

1. **This is unfinished business - there is more change to come.**

As we have highlighted, our data shows how the issues leaders have been tackling since the pandemic are now shifting due to the challenging global economic picture. These newly prioritized employee expectations, rooted in the basics of pay and benefits, job security, and a safe and comfortable workplace, reveal that there is still work to be done by leaders to get the basics right.

2. **Employee experiences need to be re-thought - starting with organizational behaviors, systems, and processes, to employee value propositions.**

The employee experience needs to become more strategic and integrated across the whole organization, starting with the systems, tools, and processes. The pandemic showed employees what could be changed when necessary. And employees responded with stronger engagement and higher levels of productivity. Empowering employees with new tools and ways of working, and increased collaboration with their leadership, will result in strong growth and talent retention.

Our study also showed the differences between the different generations in what they expect. Leadership at all levels need to listen and understand what is important to their teams, and tailor their employee value propositions and organizational systems, processes, and behaviors accordingly.

3.

Flexible and hybrid working are only part of the issue.

It has felt like every other story has been talking about moving employees back into the office. Our research shows that while this is an issue all generations care about, it is far from **the** most important. By demonstrating the value and purpose of reconnecting in the workplace and creating a balanced approach as part of an integrated employee experience, we believe this issue will remain in the lower rankings.

4.

Culture is king: leaders need to take stock of the cultural health of their organizations.

Culture is another highly debated – and often misunderstood – topic. What our data reveals is its very real value and power to both leaders and all employee groups. But the gap between employees' expectations and their employers' performance on culture is wide. Culture has the potential to connect, motivate and empower employees like no other factor in your organization. And, when culture is not valued, it can have a detrimental impact on talent retention and organizational performance.

ABOUT BCW CHANGE

WHO WE ARE

BCW Change is a specialist team with proven expertise in the people side of change, connecting leaders and their organizations to move people through complex change and deliver sustainable growth. The Change team is part of BCW, a global communications agency.

BCW is in the business of moving people on behalf of clients. BCW partners with clients in the B2B, consumer, corporate, crisis management, healthcare, public affairs, purpose and technology sectors to set strategic direction for all communications and create powerful and unexpected ideas that earn attention. Through an Earned-Plus offer – earned media plus paid media, creative technology, data, AI and an expanding suite of innovative capabilities – BCW moves people with power and precision to move its clients forward. BCW is a part of WPP (NYSE: WPP), a creative transformation company. For more information, visit www.bcw-global.com.

CONTACT

For more information, or to access insights about your specific industry or market, please email bcwchange@bcw-global.com.